

 <p>DIOCESE OF EXETER THE CHURCH OF ENGLAND IN DEVON</p>		<p>Agenda Item: S/12/25</p>
<p>Report To:</p>	<p>Diocesan Synod</p>	
<p>Date:</p>	<p>11 October 2025</p>	
<p>Report By:</p>	<p>Director of Finance</p>	
<p>Title:</p>	<p>2026 Budget and Common Fund and Consideration of the Indicative budget for 2027 and 2028</p>	
<p>Background Papers:</p>	<ul style="list-style-type: none"> • Our Vision and Strategy (Diocesan Synod, 15 June 2019 – paper S/13/2019) • Budget Strategy 2026 (Diocesan Synod, 10 June 2025 – paper S/08/25) 	
<p>Strategic Links:</p>	<ul style="list-style-type: none"> • Our Vision and Strategy • Net Zero Carbon Route Map • Schools Strategy 	

EXECUTIVE SUMMARY

Principle

The 2026 budget is driven and shaped by the diocesan Vision & Strategy.

Key Assumptions for 2026 Budget

The key assumptions underpinning the 2026 budget figures are:

- Common Fund (Band A equivalent) increase of 4.8%, based on the July CPI figure +1%;
- A Common Fund collection rate of 94%;
- The budget to provide for 158.6 full time equivalent Mission Community stipendiary posts (equivalent to 139.6 FTE stipends, after allowing for vacancies);
- An increase in the clergy stipends from April 2026 of 10.7%, in line with the anticipated increase in the National Stipends Benchmark; and
- A provision of 4.1% for an increase in lay staff salaries from July 2026.
- General Inflation, only where necessary; and
- No real increase in expenditure, unless linked to a contract, or known price increase.

Key Assumptions for the 2027 and 2028 indicative budget figures:

- No further increase or decline in the number of participants;
- Mission Community stipendiary post numbers to be maintained at the current level;
- Common Fund increase of CPI + 1% in 2027 and 2028;
- A Common Fund collection rate of 94%;
- A provision for an increase in clergy stipends and EDBF staff salaries of 2.3% in 2027 and 2% in 2028 (inflation only); and
- General Inflation, provision only, of 2.3% in 2027 and 2028.

Conclusion

Since the significant decline we saw in participant numbers between 2020 and 2022, as a consequence of the pandemic, there has been a modest increase, which is to be welcomed, but it does not reverse substantially the reduction we saw. In 2020 there were 18,206 participants compared to 15,738 in 2025, a reduction of 13.6%. As a consequence, EDBF's income has been and continues to be, insufficient to meet existing levels of expenditure. While EDBF has the resources to meet deficits in the short term, this cannot be sustained in the long term, and the structural deficit has to be tackled.

BDC and Diocesan Synod approved a series of actions for the 2025 budget to start to address the challenge, whilst recognising there were a number of issues yet to be determined, but which could have a significant impact on EDBF finances. With the Diocesan Finances Review having been completed, the Triennium Funding Working Group (TFWG) having finished its review, and the resulting recommendations having been approved by General Synod, two of those issues have determined.

Furthermore, the proposal that some Church Commissioners' funds should be distributed to the dioceses to provide direct funding for ministry costs ('the Hereford Motion') is unlikely to come to fruition in the near future following the General Synod debate and vote.

There remains the upcoming application for £20m of mission and ministry investment, plus sustainability funding, from the Strategic Mission & Ministry Investment Board, which could have a substantial impact on EDBF's finances. For this reason, the 2026 budget should be seen as a further stepping stone on our journey, with the previously agreed reduction in stipendiary clergy numbers and central staff being 'paused' to allow the outcome of the SMMIB application to be fully assessed ahead of considering the 2027 budget and longer term forecasts.

Once the outcome of the SMMIB application has been assessed, it will be incorporated into the 2027 and 2028 indicative budgets and the longer-term finance forecast. It is planned to present the revised numbers to BDC and Diocesan Synod in 2026, if practicable, at the May and June meetings, respectively.

Budget Summary 2026 – 2028

Year ending 31 December	2026	2027	2028
	£000	£000	£000
Income & Expenditure			
Income	15,795	15,245	15,419
Expenditure	17,135	16,904	17,048
Surplus/(shortfall)	(1,340)	(1,659)	(1,629)
Use of Unapplied Total Return	500	500	500
Net Surplus/(shortfall)	(840)	(1,159)	(1,129)

Approval Sought

- (1) To approve that the Common Fund request per declared participant for 2026 is increased by 4.8% (over the 2025 figure).
- (2) The use of a 94% collection rate for the Common Fund for 2026.
- (3) To approve the provision for 187.7 whole time equivalent stipendiary clergy posts in the budget for 2026 (see Section 8.7).
- (4) To approve a stipend of £34,950 from 1 April 2026.
- (5) To recommend the attached budget for 2026 and indicative budgets for 2027 and 2028 (Appendix 2) for approval.

Recommendation

This Synod is asked to approve the diocesan budget for 2026, and to note the indicative budgets for 2027 and 2028.

MAIN REPORT

1 Purpose

- 1.1 The purpose of this paper is to seek Diocesan Synod approval of the budget for 2026 for the Exeter Diocesan Board of Finance (EDBF) and to give consideration to an indicative finance plan for 2027 and 2028.

2 Vision & Strategy

- 2.1 The Diocesan Vision and Strategy was debated and approved at the Diocesan Synod meeting held on 12 March 2016 and refined at the meeting held on 15 June 2019.

2.2 Ministry

Next Steps recognises that there is a need to embrace a more mixed ecology of how we do church, better tailored to those among whom we live and developing the new pastoral contacts made during the pandemic. There is an underlying principle within the diocesan Vision & Strategy that ‘no one should minister alone’, so creating more diverse ministry teams of stipendiary and non-stipendiary clergy, licenced lay ministers and lay leaders is fundamental. The financial benefits arising from this approach are important and necessary, but they are a consequence of this aim not its *raison d’être*.

2.3 Our Vision

Our vision is underpinned by Jesus’ Great Commission in Matthew’s Gospel chapter 28 verse 16 - 20:

Then the eleven disciples went to Galilee, to the mountain where Jesus had told them to go. When they saw him, they worshiped him; but some doubted. Then Jesus came to them and said, “All authority in heaven and on earth has been given to me. Therefore, go and make disciples of all nations, baptizing them in the name of the Father and of the Son and of the Holy Spirit and teaching them to obey everything I have commanded you. And surely, I am with you always, to the very end of the age.”

2.4 **Five Strategic Priorities for 2026**

To help us be focused on our vision, Bishop Mike has outlined five strategic priorities. They are: Missional Leadership, Missional DNA, Vocations, Children and Young People and Mixed Ecology.

Missional Leadership

We are in a new missional era where the previous assumptions of people versed in the Christian faith cannot be assumed and where church going is far from the norm. Culture is fast-changing and understanding the different sectors of society, their aspirations, longings and wounds seems ever more complex. In such a situation our Christian leaders need support and resourcing, if they are to be effective in mission and in leading the people of God. This priority addresses this whole area, with a focus on providing excellent continuing ministerial development and training opportunities for clergy and LLMs, including a new leadership development programme for all clergy. We will be looking to support clergy and lay leaders utilising the latest thinking and research. This priority was supported through events like the Bishop's study morning, which gathered clergy and LLMs for focussed development.

Missional DNA

In a society which can be aggressively secular, there is every possibility of Christian communities becoming insular and inward-looking. This priority looks to encourage Churches to be outward-looking, invitational and engaged with their wider communities. The priority also recognises the importance of Mission Communities of developing inspiring and realistic Mission Community Action Plans. Utilising research such as Anecdote to Evidence and Evidence to Action, as well as courses such as 'Leading your Church into Growth' and Pioneering Parishes, this priority looks to equip Christian communities to be missional in their worship, outreach and communications. Initiatives like the 'Mission Shed' events and the 'Give to Go Green' fundraising scheme have been practical expressions of this outward-facing culture.

Vocations

This priority includes establishing an intentional vocational culture, lay or ordained, through expanding the number of leadership pathways (e.g. Exeter Ordination Pathway), developing the variety of vocational pathways through the new Commissioned Roles and expanded Foundations course, as well as partnering with other organisations, including the Church Missionary Society (CMS), the Bible Reading Fellowship and our theological colleges to offer specialist training, such as Anna Chaplaincy. We are also partnering with South West Youth Ministries to offer vocational training to young people and to explore how best to offer vocational development opportunities to school leaders through our education team. The revitalised 'Foundations' course,

now run locally in three hubs, has seen a threefold increase in participation building a strong pipeline for future ministry.

Children and Young People

Children and young people placed at the heart of our life together is what this priority is about. 75-85% of people come to faith before the age of 18, so reaching children and young people with the Gospel is vital. Our engagement at events like the Devon County Show with the 'Cheeky Pandas' provided a joyful and visible witness to this priority. We are already developing children and youth workers in our churches (staff and volunteers) through the Catalyst course, the Launchpad course, commissioned roles and the Growing Faith Strategic Leaders Programme. Substantial funding for children and youthwork provision across the diocese is a key part of our Church of England Strategic Mission and Ministry Investment Board (SMMIB) application.

Mixed Ecology

Time-honoured Church is wonderful for part of our population, but experience-to-date shows that to reach the unreached parts of our wider community we need to provide different ways of doing and being Church. Our mustard seed grants aim to help fresh expressions of church get off the ground. The 95% as yet unengaged by the Christian faith are the focus of the mixed ecology priority. We want to expand our number of church plants and pioneer new worshipping communities, which connect with people not served by conventional church. Our Mission Shed days, and online webinars are also showcasing different ways of being and doing church. The growth in Anna Chaplaincy and the work of Transforming Plymouth Together exemplify our commitment to serving diverse community needs.

- 2.5 Next Steps is a further refreshment of our vision to grow in prayer, make new disciples and serve the people of Devon with joy. Every parish is unique and special, but churches thrive when they work in partnership with each other in Mission Communities. This is why our strategy has always been to support Mission Communities to develop and flourish. Next Steps offers a range of sustainability indicators for MCs in the areas of mission and ministry, resources and finance, buildings and governance.
- 2.6 We seek to fulfil our calling to love God and serve the people of Devon through our network of Mission Communities. These are diverse, vibrant and sustainable groupings of parishes across the Diocese, which are mission-oriented, community-focused and locally rooted. At the heart of this network are our parish churches, which for centuries have been places of prayer, pastoral care, evangelism and community service in Devon. Increasingly today, they are complemented by chaplaincies, social action projects and varied and

creative new expressions of worship, the result of which is an exciting mixed ecology. Together, they speak of God's compassion and love and ensure a Christian presence in every community across the county.

3 Structure for 2026 Budget

- 3.1 BDC established a Budget Strategy Group to work with the Chair of the Board of Finance, the Diocesan Secretary and the Director of Finance to consider the assumptions underpinning the Finance Plan and help shape the strategy used for setting the budget. This group met in 2025 to help shape the 2026 Budget Strategy, which was presented to BDC on 14 May 2025 for consultation. The results of that consultation were then presented to Diocesan Synod at the meeting held on 21 June 2025 to seek Synod members' input. The final paper incorporating these views, and on which the 2026 budget is based, was approved by BDC at the meeting on 9 July 2025.
- 3.2 The main assumption underpinning the budget will be around the Common Fund request for 2026. Parishes were once again asked to provide their participant number, with a requested return date of 15 July. This year the process was simplified (allowing one person to submit the data on behalf of the PCC) and an on-line submission option was provided. Disappointingly, we did not see the improvement in the return rate that we hoped for, as only 54% of parishes returned their data by the requested date. As at the date of preparing this report, we are still chasing the returns from 88 parishes.
- 3.3 The participant data so far received shows that there is a small increase in the number of participants from the figures provided in 2024, which suggests our budget assumption of no gain/loss in participant numbers is reasonable.
- 3.4 This report shows in Appendix 1 how it is proposed that each budget is allocated for 2026 (along with a comparison figure for 2025). Any proposed changes to the budget for 2026 are outlined in Section 9, below.
- 3.5 This paper also includes the indicative budget figures for 2027 and 2028 (in Appendix 2). These indicative figures are produced using the assumptions set out in the Executive Summary.

4 Key Assumptions

- 4.1 BDC endorsed the key assumptions to be included in the budget at the meeting held on 9 July 2025. These are incorporated into the key assumptions underlying the 2026 budget, which are summarised below:
 - An increase in the Common Fund request per participant of CPI + 1% – see section 6, below;

- A Common Fund collection rate of 94%;
- The budget to provide for 158.1 full time equivalent Mission Community stipendiary posts (equivalent to 139.1 FTE stipends, after allowing for vacancies) (Note: this figure was approved prior to the additional locally funded post being agreed);
- An increase in the clergy stipends from April 2026 of 10.7%, in line with the anticipated increase in the clergy stipend benchmark; and
- A provision of 4.1% for an increase in lay staff salaries from July 2026.

5 Diocesan Finances Review (DFR)

5.1 The vast majority of dioceses across the country now find themselves with underlying operational deficits, many similar in scale to those we have in the Diocese of Exeter. We have gone from a position where in 2019 there were 18 dioceses with an operating deficit to 35 in 2023 (out of the 40 mainland dioceses). The projected aggregate deficits in 2024 were expected to be £62m. These have been primarily caused by the financial impact of fewer people attending church since the pandemic and more recently the surge in inflation.

5.2 The Archbishops' Council Finance Committee initiated the Diocesan Finances Review with the principle to *'Identify mechanisms to ease dioceses' current financial stress in a way which helps to develop the Church's longer-term missional and financial health.'* The Director of Finance was invited to be on the Steering Group (the sole Diocesan Finance Director on the Steering Group), along with two Diocesan Secretaries and the Chair of the Diocesan Secretaries/Chief Executives Network. The Steering Group met once a month throughout 2024 to consider the proposals put forward by the National Church team working on this project.

5.3 Following consideration by the Triennium Funding Working Group (TFWG), General Synod approved the proposals at its meeting in July 2025. The main elements within the DFR proposals, along with the impact on EDBF are:

- The removal of the current Votes 2 – 5, which largely fund national church functions and clergy retirement housing. Reduction in cost of £410,000 per annum.
- The removal of Vote 1 (Initial Ministerial Education Phase 1) and other ordinand training and maintenance costs and replacement with a new Ministry Training Fund. Additional cost of approximately £100,000 per annum under the new calculation.

- An increase in stipends to catch-up for the reduction in the value of stipends against inflation since 2011. Additional cost of approximately £530,000 per annum.
- An increase in the level of funding support to those dioceses in receipt of Lowest Income Communities funding. Increased grant funding of £369,000 per annum.
- Recognising dioceses collectively needed some financial assistance to give them time to reach sustainability, Time Limited Support. This support tapers over 9 years, with EDBF receiving £692,000 in 2026; £582,000 in 2027 and £472,000 in 2028. Total support of £2.8m will be received over the 9 years.
- Access to additional Time Limited Support through the Diocesan Investment Programme (DIP). The level of support from the £100m available will be determined as part of EDBF's SMMIB application.

Budget Area	Amount in 2026
Removal of Votes 2 – 5	Saving of £410,000
Replacement of Vote 1 with Ministry Training Fund	Extra cost of £100,000
Increase in Stipends for inflation catch-up	Extra cost of £530,000
Additional Lowest Income Communities Funding	Extra income of £369,000
TOTAL PRIOR TO TIME LIMITED SUPPORT	Reduces net budget by £149,000
Time Limited Support	Extra income of £692,000
OVERALL IMPACT ON 2026 BUDGET	Reduces net budget by £841,000

5.4 The above contribution of £0.841m support towards the 2026 budget, should be seen against the operational deficit of £1.9m within the 2025 budget. Whilst the Diocesan Finances Review outcomes are to be welcomed, they will not be sufficient to allow EDBF to establish a long-term sustainable position.

6 Common Fund Request 2026

6.1 The original sum requested from parishes in Common Fund contributions for 2025 was £8,915,923. As in prior years a principal assumption for the 2026 budget is around the level of Common Fund that can reasonably be requested. This is the starting point for the budget process and drives the sums that can then be spent across all diocesan budgets in delivering and supporting the diocesan mission.

6.2 The table below shows the Common Fund collection rates for previous years:

Year	Amount Requested £000	Amount Received (up to 28/02*) £000	Percentage Collection (up to 28/02*) %	Final Amount Received £000	Percentage Collection %
2009	8,790	8,135	92.55	8,224	93.56
2010	8,882	8,108	91.28	8,177	92.06
2011	8,693	7,947	91.41	8,034	92.41
2012	9,050	8,374	92.53	8,458	93.46
2013	9,153	8,511	92.98	8,622	94.19
2014	9,155	8,614	94.10	8,666	94.64
2015	9,247	8,673	93.79	8,734	94.46
2016	9,175	8,564	93.34	8,640	94.17
2017	9,169	8,544	93.19	8,741	95.33
2018	9,323	8,922	95.70	8,966	96.17
2019	9,377	8,964	95.59	8,995	95.92
2020	9,174	8,302	90.49	8,350	91.02
2021	8,997	8,218	91.35	8,352	92.83
2022	8,956	8,476	94.63	8,563	95.61
2023	9,021	8,393	93.04	8,467	93.86
2024	9,066	8,331	91.89	8,372	92.35
2025	8,916				

*Please note that the 28/02 date refers to the year following the date of the Common Fund request and is the one used each year as the cut off against which contributions are included in the previous year's accounts.

6.3 The year-to-date position (on 31 July 2025) on the collection of the 2025 contributions is currently 0.87% better than at the same stage last year and is 1.94% better than in 2023. This is encouraging, although our current projections suggest the collection rate could be around 92%, so very similar to 2024. Within this, is a small number of parishes that are restricting their contributions to the notional cost of clergy as a response to the Living in Love and Faith (LLF) debate taking place at General Synod.

6.4 Diocesan Synod approved a collection rate of 96% for 2025. The current projection suggests the actual collection rate for 2025 could be around 92%. BDC and Diocesan Synod therefore felt that it would be inappropriate to

continue with a 96% collection rate assumption and agreed that a collection rate of 94% should be used.

- 6.5 It is clear from conversations with parishes that those with membership of the Parish Giving Scheme and/or a higher percentage of regular monthly givers are faring significantly better than those parishes that rely on fund raising and cash collections at services. The Mission Resources team will continue to provide support to parishes with generosity and giving, and to continue promoting the Parish Giving Scheme and regular giving.
- 6.6 The Diocese of Exeter received 70 contactless devices to distribute to parishes in the autumn of 2023. These were funded through the National Giving Strategy to increase the number of parishes able to offer contactless and digital options for giving. We are now funding our own ‘mini roll out’ of a further 25 contactless devices in the autumn of 2025.
- 6.7 One of the key assumptions is around the number of participants and therefore the Common Fund request. The following are the annual participant numbers that will be used in the calculation of the Common Fund request for 2026:
- 2023 = **15,684** (increase of 2.4%)
 - 2024 = **15,651** (decrease of 0.2%)
 - 2025 = **15,738** (increase of 0.6%)

We will continue to chase those parishes that have so far failed to submit their data (see Section 3.2), prior to making the final request after approval by Diocesan Synod in October. Using the latest data submitted by the parish is always preferable, as it will then, hopefully, make the conversations in 2026 easier.

There are also a small number of parishes each year that identify errors with the number of participants they previously supplied. These appeals are considered by the Assets Group, and any approved changes applied accordingly (see the table below).

The revised numbers in the table below are a combination of late data submissions in previous years, plus those appeals agreed by Assets Group.

Year	Original number of participants	Revised number of participants	Original % change	Revised % change
2023	15,531	15,684	+1.4%	+2.4%
2024	15,625	15,651	+0.6%	-0.2%
2025	15,738	-	+0.6%	-

This gives an average over the three years of 15,691 participants for the calculation of the 2026 Common Fund request. In contrast, the 2025 Common Fund calculation was based on an average of 15,669 participants. It is encouraging that the numbers do now seem to have stabilised, following the pandemic, and we can again focus on building God’s Kingdom here in Devon.

6.8 The above figures are after deducting those who are new/returning to faith (in year one only each time), those who are unable to attend and under-graduate students. For 2025 this reduces the figure from 16,442 to 15,738.

Number of Participants who attend	16,442
Less those new/returning to faith	(439)
Less undergraduate students	(214)
Less larger churches allowance	(51)
Total number of Participants used in the Common Fund calculation	15,738
Number of Participants who are unable to attend (not included in the calculation)	1,276

Request per participant

6.9 The other key element within the Common Fund calculation is the amount per participant. An increase in the sum requested per participant will, to some extent, make up for the decline in participant numbers following the pandemic.

6.10 The original figure requested per participant from a parish in band A for 2025 was **£725.99** per annum. There is then a 5% ‘discount’ applied for each socio-economic band below band A, e.g., the calculation for a parish in band B is $£725.99 \times 95\% = £689.69$, and so on. Socio-economic bands for parishes are derived from the index of multiple deprivation provided by the government, as mapped onto parishes by the Statistics Unit at Church House (Westminster).

6.11 BDC has previously agreed that an inflationary increase should be applied to the 2026 Common Fund request together with an increase of 1% above the base inflation assumption. This was accepted as necessary by the majority of those attending the Diocesan Synod meeting held in June 2025. The inflation

assumption will use the July CPI figure of 3.8% + 1% = 4.8%. The new Band A equivalent request will be **£760.84** for 2026.

- 6.12 Using the current number of participants and a 4.8% increase in the request per participant for 2026, before applying the inflationary cap, the Common Fund request would be £9,759,028 (compared to £9,238,402 for 2025).
- 6.13 An annual cap was introduced in 2020 on the maximum increase in the Common Fund request to a parish from one year to the next, set at CPI +5%. If it is not possible to apply the full calculated increase because of the above cap, then the additional element will be held over until it can be applied in a future year to the parish in question. The CPI figure (for July 2025) is 3.8%, so the cap for 2026 will be set at 8.8%. This is projected to reduce the above request by £507,000 to **£9,252,088** (compared to the final figure of £8,915,916 for 2025).

Common Fund Collection Rate

- 6.14 The level of assumed Common Fund received is also a key assumption and, as can be seen in the table at section 6.2, above, this had deteriorated until 2012, when a gradual improvement began to show. This had then fallen back again, although there was a sustained improvement since 2017, so that the collection rate, prior to the pandemic, was around the 96% mark.
- 6.15 Diocesan Synod approved a collection rate of 96% for 2025. The current projection suggests the actual collection rate for 2025 could be around 92%. BDC and Diocesan Synod therefore felt that it would be inappropriate to continue with a 96% collection rate assumption and agreed that for the purposes of the budget a collection rate of 94% should be used.

Parish Giving Scheme

- 6.16 The Parish Giving Scheme was formally launched across the diocese in the March 2015 (following a pilot). As of 1 August 2025, 315 (2024: 305) parishes across the diocese are receiving funds (with the associated Gift Aid) on a monthly basis – which is 64% of parishes. In the previous 12 months, £3.5m (2024: £3.4m) has been donated to churches in our diocese – with this figure increasing each month, as more parishes/people join. The PGS continues to grow nationally and is a fantastic scheme, with all dioceses now able to use the scheme. The total annual amount gifted to churches through the scheme

(excluding gift aid) in 2024¹ was £81m (2023: £69m), so this continues to be a real success story within the Church of England.

The 'parishes' with the most individual donors within our diocese are shown in the table below:

Parish	Number of donors
Exeter Cathedral	95
Tiverton, St George & St Paul	89
Littleham-cum-Exmouth	78
Torquay, St Matthias	69
Tavistock	59
Bideford	57
Wembury	54

7 Income Budgets for 2026

Asset Management Strategy

- 7.1 The cornerstone of our strategic response is the new Asset Management Strategy and the associated Glebe Strategy, which together provide a clear framework for using our assets to help fund the operational deficit in the short term, creating a bridge to a more sustainable future as we implement our mission and ministry strategy.

The core principles of the strategy are:

1. Systematic disposal of surplus housing: Our portfolio of clergy housing represents a significant capital asset. A rigorous analysis has identified that a large number of properties are held to provide operational flexibility. The new strategy challenges the level of this provision and has identified approximately 25 houses as surplus, with a further tranche potentially available depending on need for our SMMIB supported mission and ministry investment plan. Since 2020, a programme of selling surplus properties has already been underway, with 20 houses sold to date.
2. Strategic realisation of glebe value: Our glebe land holdings have delivered strong long-term capital growth but generate a very low annual income yield of less than 1%. The new Glebe Strategy moves to actively realise this capital value. The plan is to generate an average of £500k per annum over the next 10 years through a combination of

¹ Data from 2024 PGS Annual Accounts

selling agricultural glebe with flexible tenancies and realising a small number of sites with development potential.

3. Effective use of Total Return Accounting (TRA): A key challenge has been that historic asset growth has accumulated in restricted endowment funds, while deficits are accumulating in our unrestricted general funds. The strategy makes full use of TRA, a mechanism that allows the capital growth of endowment funds (in excess of inflation) to be transferred to cover operational costs. An estimated £28m in TRA gains has been identified as available for transfer, providing a critical tool to support the budget (although once the underlying asset has been sold, we lose the ongoing income from this asset).
4. Professional investment of proceeds: All proceeds from property sales that are not immediately required to finance the deficit are transferred to professionally managed CCLA investment funds. This ensures better income returns, broader diversification, and more agile cash management.

Investment Income

- 7.2 Income from the investments held with CCLA has remained fairly consistent over recent years, despite the economic and market conditions. An assessment has been undertaken, with support from CCLA, to assess the level of income that our portfolio can be expected to deliver in 2025, with a predicted increase of 2%. The budget for 2026 will therefore be **£1,020k** (2025: £940k). This includes the £50k that will be received through interest received on cash balances, which is currently paying interest at 4.05% per annum.

Glebe Income

- 7.3 There are two elements to the glebe income received – income from the glebe land and income from the lease of the commercial properties (purchased with the proceeds from previous sales of glebe land). The income received from glebe is reviewed each year to accommodate the impact of rent reviews undertaken in the previous 12 months. The budget for 2026 is expected to be unchanged, although we are entering a period of asset sales, which may reduce the income later in 2026. As a result, the net budget expectation for 2026 will remain unchanged at **£479k** (2025: £477k).

Feed in Tariff Income

- 7.4 In 2012 photovoltaic cells were fitted to 32 parsonages. These are now generating income of £35k per annum in feed-in and export tariffs. After

allowing for depreciation and loan interest charges, the net income received is **£24k**.

- 7.5 The 2026 budget for net income from investments, glebe and feed-in/export tariff is **£1,524k** (2025: £1,490k).

Grants from the Archbishops' Council

- 7.6 Following the Diocesan Finances Review, the amount we will receive in Lowest Income Communities Funding for 2026 will increase to **£1,604k** (2025: £1,202k). We will be required to submit an annual report to Diocesan Synod from 2026 showing how this funding has been applied to support our lowest income communities.
- 7.7 A new grant will be paid in 2026 for the first time, as Time Limited Support is being provided through the Diocesan Finances Review, tapering over a 9-year period. This funding is being provided to directly support the operational deficit. A sum of **£692k** will be received in 2026.

Strategic Development Funding (SDF)

- 7.8 In 2018 the Diocese was successful with its application for Strategic Development Funding (SDF) for the church planting project in three outer estates in Plymouth (Plymouth Partnership in Mission). This draws down funding of approximately £1.7m over seven years (now extended from 5 years), against the total project cost of £2.2m. The funding for this project will now finish in 2026.

In 2019 the Diocese was also successful in securing SDF funding for a new resource church at St Matthew's in Exeter. The Exeter project will draw down further funding of approximately £1.3m over the five years, against the total project cost of £2.7m. This funding was augmented by a further £270k in September 2022, bringing the total to approximately £1.6m. The funding for this project will now end in 2026. As part of the plan, Exeter, St Matthew's has now planted into Exwick, to revitalise the church there.

A further successful application was made in November 2020 for SDF support for a new Resource church in Torbay, known as Bay Church, which launched at Easter 2022. This will draw down funding of £1.5m over 5 years, against total project costs of £3m. This funding was augmented by a further £386k in September 2022, bringing the total to approximately £1.9m. All EDBF funding is being provided from within existing resources. The funding for this project will end in 2027.

7.9 Strategic Ministry Funding (SMF)

SMF was introduced in 2019 to support dioceses with the engagement of additional (stipendiary) curates in training. There has been a national drive to significantly increase the number of curates in training, in order to ensure that there are sufficient suitably trained people available to address the significant number of clergy retirements in the next 5 – 10 years. The target was to increase the numbers entering training by 50%. It had not previously been possible to include provision in the budget for additional stipendiary curates, so this new funding stream was welcomed.

The Diocese of Exeter was very successful in securing £1.6m of during this period. The details are shown in the table below:

Year (based on the academic year)	Number of additional stipendiary curates
2020/21	3
2021/22	4
2022/23	2
2023/24	2
TOTAL	11

Funding was awarded to cover 90% of the direct cost of a curate (including the provision of housing). This funding is received for the 3½ years of these curacies. The Diocese of Exeter has to find the remaining 10%. 2026 will be the final year for this funding, with £94k due for the final 2 curates finishing their training. This funding stream has now been absorbed into the new Diocesan Investment Programme, and we will be applying for further funding for 2026.

7.10 Posts of First Responsibility

We secured some National Church funding to invest in placing a number of curates into additional incumbent status posts, following the end of their curacy periods. We secured funding for 2.5 posts, although one of these post holders is leaving before the end of 2025, so we will only receive funding of £68k for 1.5 posts in 2026. This funding stream has now been absorbed into the new Diocesan Investment Programme, and we will be applying for further funding for 2026.

Diocesan Investment Programme (DIP)

7.11 Following a major review of National Church grant funding, SDF was replaced by a number of different funding sources, under the broad heading of the Diocesan Investment Programme. The Diocese of Exeter has again been very successful in securing funding through these new streams and the list of those included in the 2026 budget are set out in the following table:

Funding area	Amount included in 2026 Budget
Church Buildings Support	£69,168
Strategic Programme Management	£117,296
1 st Incumbency Programme	£67,776
Giving Adviser	£20,000
Net Carbon Zero	£92,991
Creation Care	£12,795
Finance Leadership	£23,500
Operational Capacity	£45,135
Plymouth Partnership in Mission	£87,536
Exeter, St Matthew's	£150,000
Bay Church	£120,747
TOTAL	£806,944

The above funding is to support both existing and new posts that are aligned to our 'Next Steps' in the diocesan vision and strategy. In all cases the posts have been built into the budget for 2026. With the exception of the 1st Incumbency grant and the Giving Adviser, all current funding will end in 2026, and additional funding will need to be sought for these posts to continue.

Strategic Mission & Ministry Investment Board Funding

7.12 Following the Triennium Funding Working Group (TFWG) announcements and approval at General Synod in July 2025, we were advised the Strategic Mission & Ministry Investment Board (SMMIB) had very little capacity for further awards in 2025. In late July, the Archbishops Council Finance committee met to review SMMIB commitments and future funding allocations. As a result, we have been advised that we can apply for:

- A maximum funding benchmark in 2026 – 2028 of £10m, and
- In principle maximum funding benchmark in 2029 – 2031 of £10m.

In addition to the main SMMIB funding, we can also seek further funding from the £100m set aside by SMMIB to support 'sustainability', as part of the Diocesan Finances Review settlement. We anticipate seeking additional support of around £4m in the period 2026 – 2031.

7.13 The Diocesan SMMIB Programme Board, chaired by the Bishop of Plymouth, is preparing our application, which must be very clearly aligned with delivering our Vision & Strategy, but also address the National Church's priorities. This

work is being undertaken in close collaboration with our National Vision & Strategy consultant. We expect to submit our application to the December SMMIB meeting and are unlikely to receive confirmation of the outcome until the very end of 2025, or possibly early in 2026. The delays and complexity of this process reinforced our decision to go with a ‘stepping stone’ budget in 2026. We should then be able to plan 2027 onwards with much greater clarity.

- 7.14 Assuming we are successful with our application to SMMIB and secure the full £10m for 2026 – 2028, plus a significant amount to support sustainability, it may be necessary to bring an updated budget to Diocesan Synod. The full implications of the SMMIB award will be reflected in the 2027 budget.

Rental income from clergy housing

- 7.15 The table below shows the 20 clergy houses that have been sold since 2020, of which 4 were associated with acquiring replacement (more suitable) houses. Of the remaining 16 houses; 6 were Glebe properties (with the proceeds going into the Diocesan Stipends Capital Fund) and 10 were Board properties (with the proceeds being used to support the Unrestricted/General Fund). A further 14 surplus clergy houses are either being actively marketed or have been approved for sale by the Assets Group.

Clergy Housing Property sales

Year	No. of properties sold	No. where sale is linked to replacement	No. where property was surplus
2020	8	3	5
2021	2	-	2
2022	6	1	5
2023	1	-	1
2024	3	-	3
TOTAL SOLD	20	4	16
Further surplus properties identified	14	-	14

- 7.16 Even though 20 properties have been sold, the income received from renting out vacant clergy housing has still performed strongly. With further properties expected to be sold in the coming year, rental income is expected to be £100k lower in 2026. The net budget for 2026 will therefore reduce to **£778k** (2025: £880k). It should be noted that this figure is after allowing for the maintenance costs of approximately £300k per annum associated with these properties.

Parochial fees

- 7.17 The Statutory fees for weddings and funerals are shared with PCCs, in line with the Fees Table produced each year by General Synod. There was a similar level of income received by the DBF in 2024, so the budget expectation for 2026 is unchanged at **£625k** (2025: £625k).

Benefact Trust Grant

- 7.18 In 2019, the Benefact Trust reviewed the grants that it makes to dioceses from the profits made by Ecclesiastical and this led to a greater percentage of the money available requiring an application. From 2022 EDBF now has to apply for the reducing funding that is allocated each year, and a successful application was submitted to secure £93k in 2025. The sum assumed for 2026 is **£80k** (2025: £100k).

8 Expenditure budgets for 2026

Clergy numbers and stipends

- 8.1 There are a number of elements within the calculation of the stipendiary clergy budget:
- EDBF does not pay the bishops' stipends, or the housing costs of the Diocesan Bishop; these costs are covered by the Church Commissioners;
 - There are four Archdeacons posts in addition to the number of posts shown in the table at Section 8.7.
- 8.2 The sections that follow provide information on how the current numbers have been arrived at.

Stipendiary Clergy numbers

- 8.3 For a number of years, the diocesan finance forecasts assumed there would be 165 Mission Community stipendiary clergy to the end of 2024, but a reduction to 130 by 2035 thereafter, unless there was growth in the number of participants. Bishop's Staff discussed how to achieve such a reduction in stipendiary posts across the Diocese in a way that is both fair and missional, taking into account the variety of the rural and urban contexts we serve, and the realisation that Plymouth has been under-resourced in recent years. Following these discussions the number of stipendiary posts was reduced to 158.1 in 2025.
- 8.4 In addition to the above posts, there are four archdeacons, and it should also be noted that the above figures do not include the Bishops, Bishop's Chaplain or the Dean of the Cathedral, as these posts are funded directly by the Church

Commissioners. The table at section 8.7 below does not include Self-Supporting Ministers.

- 8.5 As well as the stipendiary clergy posts, as of 31 December 2024, the ministry teams in parishes also included:
- Self-Supporting ministers (52)
 - Licensed Lay Ministers (194)
 - Clergy holding Licence under seal (39)
 - Lay Leaders
- 8.6 The new Exeter Ordination Pathway begins in autumn 2025, with 11 candidates for ordination starting. This cohort is expected to grow in the coming years, to a point where 100 people will have completed the training and be ministering in parishes.
- 8.7 Following a detailed review of the Deployment Plan, the budget for 2025 provided for 158.1 Full Time Equivalent (FTE) Mission Community posts. With the existing operational deficits, the Finance Plan highlighted the need to continue reducing the number of FTE stipendiary clergy posts in the coming years, unless there were to be an increase in the number of people in our worshipping communities. However, with the impending application for significant funding from SMMIB for the period 2026 – 2031, BDC and Diocesan Synod both felt it was appropriate to ‘pause’ any further reductions until the outcome of this application are known. The budget for 2026 therefore provides for 158.6 FTE Mission Community posts (the increase of 0.5 FTE being a new locally funded post). The table below gives the breakdown of how the budget for 2026 is calculated.

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The 2026 clergy budget will include the following posts:

Post title	FTE Stipendiary clergy posts, including vacancies, in 2026 budget	FTE Stipendiary clergy posts, including vacancies, in 2025 budget	Reason for change
Total number of Mission Community FTE posts	162.6	161.6	As per the Clergy Deployment Plan
House for Duty posts (assumed 0.25 FTE)	4.0	3.5	As per the Clergy Deployment Plan
Mission Community stipendiary ministry posts	158.6	158.1	Higher because of a further locally funded post
Archdeacons	4.0	4.0	
Title posts (curates) (average)	29.5	35.0	Reduction as Strategic Ministry Funding reduces
TOTAL number of posts paid from the stipend budget	192.1	197.1	
Locally Funded posts	2.4	2.0	Posts funded by the local church
Cranbrook Ecumenical post	0.5	0.5	Full time post, jointly funded
Posts of 1 st Responsibility	1.5	2.5	Posts funded by the Diocesan Investment Programme
TOTAL number of posts requiring funding by the DBF	187.7	192.1	

- 8.8 The assumed vacancy factor is 12% (based on current recruitment experience), meaning that there will be an average of **139.6 FTE clergy in Mission Community ministry posts** and receiving a stipend (based on 158.6 posts).

Stipend increase 2026

- 8.9 Diocesan Synod has agreed that EDBF should continue to pay stipends at the National Stipends Benchmark (NSB).
- 8.10 The Diocesan Finances Review and General Synod considered a proposal to increase stipends to recognise the 6.6% 'loss' against the Consumer Prices Index Housing (CPIH) inflation measure since 2011. General Synod approved the proposal. The cost to EDBF of funding this is approximately £500k per annum.
- 8.11 The National Stipend Benchmark (NSB) for April 2026 has now been published. The stipend benchmark figure for 2026 is £34,950 (an increase of 10.7%). This is the 6.6% (as above) for the inflation catch-up and 4.1% for the 2025/26 inflationary uplift. Both BDC and Diocesan Synod agreed that EDBF should continue matching stipends to the National Stipends Benchmark. This means that there will be an increase in the stipend within the Diocese of Exeter to **£34,950** (2025: £31,558) from 1 April 2026.

Clergy pension contributions

- 8.12 The Clergy Pension Scheme is formally revalued every three years and the contribution rates determined at that point. The most recent valuation was on 31 December 2021.

The Pensions Board worked with the Pensions Regulator to agree a new funding methodology, known as Asset Led Funding (ALF). This change is the main factor behind the fund now being in surplus. The surplus on 31 December 2021 was £560m and the latest report for the period to 31 December 2022 shows this has increased to £800m. As a result of the change, no deficit contributions are now being made.

The Pensions Board confirmed that whilst the prudent contribution level has been identified as being 38.8%, it applied a figure of 28% from January 2023, by applying some of the existing surplus. This rate was further reduced to 25% from 1 April 2024 and to 22% from 1 April 2025.

Apprenticeship Levy

- 8.13 The apprenticeship levy of 0.5% is applicable to the clergy payroll, as all stipends are paid centrally (thereby exceeding the threshold). A contribution of **£30k** (2025: £23k) per annum is required.

Mission Community and Central Services staff levels, salaries and related issues

- 8.14 The proposed Mission Community and Central Services staff budget for 2026 is 10.3% higher than in 2025. The following principles have been applied:
- All existing posts have been included, with the hours updated to reflect any changes made since October 2024;
 - Provision for a cost of living pay award of 4.1% from 1 July 2026 (£70k). The full year impact of this award in 2027 will be £140k;
 - Increase in Employer National Insurance contributions from 1 April 2025 (£65k), which was announced after the 2025 budget had already been approved and therefore not included in the 2025 number;
 - Additional Safeguarding Officer post (£45k);
 - New Senior Operations Officer, due the need to release the Operations Manager and Executive Assistant to the Diocesan Secretary (DS) to deliver a number of significant IT projects and also to provide additional support to the DS to allow him to focus on the SMMIB application and then delivery of strategic priorities (£40k). We received National Church Capacity Funding for this post; and
 - Contingent sum of £40k to allow a review of salaries against the principles used to catch-up for lost inflation for clergy.
- 8.15 In early 2024, the Church of England Pensions Board issued a notice to force the closure of the existing Defined Benefit (DB) Pension Scheme. This is the scheme that was still available to 9 DBF employees who were in post prior to 2012. Following a period of consultation, the scheme closed on 30 June 2024, and the employees transferred to the Pension Builder Classic Scheme (the scheme provided for all other employees). The consultation process involved enhancing the protected pensions of those affected employees from the DB fund surplus, with the aim of ensuring they do not experience a loss arising from this (unplanned) change. The surplus within the DB Pension Scheme at the point of closure is currently estimated to be approximately £1.2m. Other than compensating employees affected by the closure of the scheme, this sum can only be applied to cover pension costs. It is therefore proposed that this surplus will be used to fund the DBF's total PB Classic employer's liability each year until the surplus has been fully applied (currently 3 years). The sum applied in the 2026 budget will be £399,000.

- 8.16 As set out in Section 8.11, clergy will be receiving an additional ‘catch-up’ increase in the stipend of 6.6% from 1 April 2026 (along with the 4.1% inflationary increase). As part of the 2026 budget strategy conversation, BDC and Diocesan Synod were asked whether the equivalent increase should also be applied to central staff salaries. The general consensus was that the historic link that the Diocese of Exeter has applied to the increases awarded to clergy and central staff should be honoured. However, applying a blanket increase was felt to be inappropriate, and a more detailed review should be first undertaken to identify those posts where such an increase was required. An initial review has been undertaken, which suggests that a relatively small number of central posts are affected. It is therefore proposed that a sum of £40,000 be allocated to allow this potential inequality to be addressed. EDBF Standing Committee will determine how this will be applied, with a view to ensuring ‘like posts’ continue to be remunerated at the same level.
- 8.17 In last year’s budget report to Diocesan Synod an additional appendix analysing the year-on-year Diocesan-wide and Central Support Costs was included. This paper will be updated and included with the report for Diocesan Synod.

Net Zero Carbon

- 8.18 General Synod passed a motion in February 2020, calling upon all parts of the Church of England to achieve year-on-year reductions in carbon emissions and urgently examine what would be required to reach net zero emissions by 2030. The Church of England Routemap to Net Zero Carbon by 2030 was then presented to and agreed by General Synod in July 2022.

The Diocesan Synod in March 2023 considered a paper presented by EDBF’s Net Zero Carbon Officer, with support from the Diocesan Environmental Working Group. Diocesan Synod approved the following motions at this meeting:

1. Regarding the Climate Emergency:
 - a. To make a declaration of climate emergency, and
 - b. To agree to sign the Devon Climate Declaration.
2. Adopt the Diocesan Net Zero Carbon Vision Statement for 2030 (Section 7.20).
3. Adopt a target to achieve Net Zero Carbon by 2030 (Section 7.21).
4. Agree alignment with the national Routemap to Net Zero Carbon.

Diocesan Net Zero Carbon Vision Statement for 2030

- 8.19 *'By 2030, we will have measured the carbon emissions from our churches, (schools where appropriate), Theological Education Institutions, the Cathedral, clergy housing, diocesan offices and work-related travel. We will have made changes to reduce the energy consumption of our buildings, invested in some of our own renewable energy generation and we will have switched to approved green tariffs.'*

We will have made substantial progress towards Net Zero Carbon for those activities under our direct control, will have made arrangements to offset the remaining activities that have yet to be directly addressed and will have used our influence to encourage related organisations to act similarly.'

Target to Achieve Net Zero by 2030

- 8.20 A clear target is crucial to drive implementation and enable transparent reporting on progress. Overall, the need is for a 90 – 95% decarbonisation of our activities, and this is reflected in the proposed target. The language is intentionally technical to hold EDBF to account and specify exactly what we intend to reduce.

'The Exeter Diocesan Board of Finance will seek to achieve a 90% reduction (against a 2010 base) by 2030 in Greenhouse Gas Protocol Scope 1 and Scope 2 emissions for areas within its direct control, including in relation to clergy housing and diocesan offices, as resources allow. The remaining 10% will be offset using offsetting schemes verified by the national Church of England. A further target for work-related travel will be set in due course once the baseline data has been established.'

- 8.21 The funds required to meet the 2030 target are significant (at least £12m) and with the current financial challenges it has not been possible to allocate sufficient funds to achieve the target at this stage. As part of the budget strategy consultation with both BDC and Diocesan Synod, the question was asked around the allocation of funding for this priority versus supporting stipendiary clergy costs. Whilst both groups confirmed that supporting stipendiary clergy costs was the immediate priority, there was real concern about the implication for the delivery of the previous commitments made at Diocesan Synod in March 2023. The current commitments will need to be reviewed by BDC and Diocesan Synod and decisions taken on the way forward, given the financial challenges.

Clergy housing

- 8.22 The standard and level of work undertaken is determined by a detailed policy which is regularly reviewed and is the responsibility of the Parsonages Committee. The budget is based on the information provided by the Director of Property on the expectations for 2026, as best we can predict them at this time. It is anticipated that a normal programme of works will be undertaken in 2026.
- 8.23 The clergy housing budgets are reviewed in detail each year with the Director of Property, and the following changes are proposed for 2026:
- Increase of £130k in the level of resources required to complete the Quinquennial works identified for clergy housing, plus the assumed number of in-going schemes. This increase is the result of the increased number of in-going schemes, continuing price inflation in the tender prices being received, along with a reduction in the number of contractors tendering for work;
 - Increase of £60k in the level of resources required to deal with responsive repairs. The reason for the increase is as above;
 - The allocation of £300k (one off) to complete additional works to bring more houses up to EPC Level C (see below);
 - Annual salary increases (per central staff) of £20k;
 - Reduction in council tax budget requirement of £25k (lower increases than assumed);
 - Impact of a further reduction in contribution from Strategic Ministry Funding for curates' housing of £16k
 - Reduction in external surveyors' costs of £10k
 - Reduction in the cost of renting in clergy housing of £14k; and
 - Increase in the cost of insurance, following further increases in market prices and changes to the cover offered by Ecclesiastical Insurance of £15k.

Energy Performance Certificates/Net Zero Carbon

- 8.24 The proposed legislation by the previous Government to require the EPC to be at least Level C for all new tenancies by 31 December 2025 and by 31 December 2028 for existing tenancies was paused when the current Government came into power. Following a period of consultation, a Bill is expected to be introduced later this year, with anticipated dates of 2028 for new tenancies and 2030 for existing tenancies. However, the standard that

will be required is not clear and will not be until the EPC consultation has delivered an outcome. The DBF currently has 305 houses that are available for housing clergy. These are rented out on a medium or short-term basis when not immediately required for housing clergy, or during the vacancy period.

- 8.25 In 2023, Diocesan Synod allocated a first tranche of funding of £600,000 for works to improve the Energy Performance Certificate (EPC) scores for clergy housing. A further £900k was allocated within the 2024 budget for further EPC/NZC works. Of the £1.5m allocated, £550k has so far been spent and the works for the remainder of the budget are planned. The primary driver for this funding was the anticipated (originally proposed) change in rental requirements to a minimum of Band C by 2028. However, any works associated with improving EPC levels, is also very likely to improve the Net Zero Carbon position. With the new Bill expected later in the year, BDC and Diocesan Synod were asked as part of the consultation on the budget strategy for 2026 whether they would support a one-off additional allocation of **£300,000** to bring more houses up to EPC Level C. This proposal was supported by both groups.
- 8.26 There is not a target for actual carbon tonnage reduction in the 2030 Net Zero Carbon Routemap. There is however a target for a reduction of 90% in the energy usage from non-renewable sources, which can be comprised of a combination of the energy savings achieved through building fabric improvements, plus the energy that is supplied on approved green tariffs. Such tariffs are available for both gas and electricity, however there is no green tariff for oil and LPG. For NZC purposes therefore, it seems reasonable at the very least, to plan for the replacement of all oil and LPG boilers with Air Source Heat Pumps (ASHP), when they become due for replacement.
- 8.27 Beyond this, for NZC purposes, it is for each diocese to determine how much it wants to rely on occupants switching to approved green energy tariffs and how much it wants to reduce the total carbon tonnage. Further works could certainly be undertaken to reduce the latter, for example, PV panels could be installed (subject to an assessment of suitability) on properties where not required for EPC reasons, gas boilers could be changed to Air Source Heat Pumps, further, more intrusive, insulation upgrades could be undertaken, works could be undertaken to improve the airtightness of the buildings, heat recovery within mechanical extraction systems could be installed, etc.

- 8.28 Determining the resources required is currently challenging, as the level of financial support that EDBF (and parishes) can expect to receive from the National Net Zero funding stream over the next six years is still unclear, despite the funding being announced in May 2022. However, the funds required to achieve this for those areas directly under the control of EDBF are expected to be significant. Initial estimates suggest that circa £12m will be required for clergy housing alone.
- 8.29 It should be noted that if the target to achieve Net Zero Carbon by 2030 is not achieved, there is an expectation that the excess carbon will be offset, using official carbon offset schemes. The current estimate is that if no further progress is made, this could cost £75 – £100k per annum.

Additional income opportunities (EDPS)

- 8.30 Within the budget there are a number of areas where income is being generated through the selling of services to church schools. It should be noted that the most profitable source of income arising from the provision of surveying services to church schools is reducing year-on-year, both as the level of funding made available by the Department for Education to schools in our diocese reduces and more schools join Multi Academy Trusts, which have their own arrangements in place.

Following the appointment of a dedicated safeguarding lead at the Cathedral, the existing contract for the provision of these services will end, although conversations continue over the provision of support for case handling. The digital mapping contracts with a number of other dioceses have also now ended, following the retirement of the officer with the necessary skills. The anticipated level of income/expenditure for 2026 is set out in the following table.

Service Area	Income £000	Expenditure £000
Property (Schools)	57	53
Education (Schools)	37	24
Other services	4	4
Total (projected)	98	81

Inflation

8.31 The July CPI inflation figure was 3.8%. A full review has been undertaken with each budget manager and inflation has only been added to those budgets where there is a clear need, i.e. those where expenditure is subject to an external price rise, or part of contract expectations. The general aim across most general expenditure budgets will be for budget holders to manage the inflationary increase within existing resources as much as possible.

Where will the money be spent?

8.32 Attached in Appendix 1 is a summary showing the areas to which the budget will be allocated.

9 Summary of main changes to budget

9.1 The proposed expenditure budget for 2026 is £825k higher than 2025. This equates to an increase of 5.1%. The key elements contributing to this increase are as follows:

Budget Area	Amount £k
Allocation of funding for further EPC improvement works	300
Increased cost of maintaining/improving clergy housing	190
Cost of living increase in clergy stipends	325
Inflation catch-up in clergy stipends	530
Increase in employer's national insurance (clergy and lay)	175
Reduction in clergy pension costs (lower contribution)	(130)
Cost of living pay provision for lay staff	140
Provision for lay staff where inflation catch-up is required	40
Additional Safeguarding post	45
Reduction in stipendiary curate costs (reduced numbers)	(140)
Removal of Votes 1 – 5	(757)
Introduction of Ministry Training Fund (replacing Vote 1)	433
Reduction in the contract for delivery of LLM training	(60)
Reduction in ordinand maintenance grants	(93)
Reduction in National Pooling of ordinands training cost	(15)
Reduction in Strategic Development Funded project costs due to grant funding profile – match by grant funding	(70)
Reduction in costs associated with EDPS (reduced income)	(40)
Other miscellaneous adjustments	(48)
TOTAL	825

10 Budget summary

- 10.1 The proposed expenditure budget for 2026 is **£17.135 million**. This is £1,270k higher than the 2026 indicative budget (as presented to Diocesan Synod in October 2024) previously assumed. It should be remembered that the indicative budget was prior to the approval of the Diocesan Finances Review and Triennium Funding Working Group by General Synod in July 2025.
- 10.2 The proposed income budget is **£15.795 million** before any contribution from reserves is taken into account. This is £1,433k higher than the 2026 indicative budget (as presented to Diocesan Synod in October 2024), again because it was determined prior to the approval of the Diocesan Finances Review and Triennium Funding Working Group by General Synod in July 2025.
- 10.3 As a result of the above, and with a contribution of £500k from the Diocesan Stipends Capital Fund towards stipends, the contribution required from reserves will be **£0.840 million** in 2026, which is in line with the indicative budget.
- 10.4 Appendix 2 shows the summary budget.

11 Parish Finances

- 11.1 The financial health of our parishes is critical in ensuring that our shared mission and ministry is sustainable, as we work together to make new disciples and enable people to come to know the love of Jesus Christ.
- 11.2 Under the Church Representation Rules, every parish is required to submit a copy of its previous year's accounts to the DBF, with the data also being submitted through the Return of Parish Finance portal. In the Diocese of Exeter, we are very fortunate, that through the work of the Parish Finance Support Officer, we achieve a near 100% return rate every year, which gives us rich data, which can be analysed.
- 11.3 We engaged a financial consultant (who is also a churchwarden in one of our parishes) to provide assistance to the DBF in analysing the 2022 and 2023 Parish Finance data. Further work will be undertaken prior to Diocesan Synod in October to analyse the results of the 2024 Parish Finance data.
- 11.4 The 2023 Parish Finance data, shows that 268 (2022: 272) parishes (55% of the 489 parishes that submitted data) made a net surplus after making their

Common Fund contributions, which totalled £3.5m. This number masks a small number of parishes where there has been significant income/expenditure associated with major building projects. Of those parishes with a surplus, 242 (2022: 236) (90%) had a surplus between £0 and £25,000.

11.5 There were 220 (2022: 209) parishes (45%) that had a deficit, the aggregate of which totalled £2.8m (2022: £2.8m). Equally, there were a small number with large deficits arising from major building projects. Of those parishes with a deficit, 195 (2022: 182) (89%) had a deficit between £0 and £25,000.

11.6 Devon’s parishes raised total income of £27m (2022: £26m) in 2023 and spent £18m (2022: £16m), prior to making contributions towards Common Fund. Whilst the Common Fund is an integral part of a PCC’s budget and expenditure, it is worth noting that 424 (2022: 416) parishes (86%) made a net operating surplus prior to the Common Fund contribution being made.

11.7 At the end of 2023, parishes held total unrestricted reserves of £34.2m (2022: £32.3m), with a further £16.3m (2022: £18.8m) held in restricted reserves. The unrestricted reserves provide cover at 1.5x annual expenditure, which shows a level of conservatism. However, these reserves are not evenly distributed, with 10 parishes holding £6.1m (18% of the total across the diocese) of unrestricted reserves. The table below shows the distribution of unrestricted reserves.

Unrestricted Reserves held by parishes	Number
£0 - £50,000	300
£50,000 - £100,000	91
£100,000 - £150,000	46
£150,000 - £200,000	13
£200,000 - £250,000	17
£250,000 - £500,000	7
£500,000 +	15

11.8 Further work will now be undertaken to analyse the 2024 Parish Finance data, and this information will be included in the report to the Diocesan Synod meeting in October 2025.

12 Risk Factors

- 12.1 When setting a budget for the following year, there are always going to be a series of factors that can affect/change the original assumptions used. Some of these will usually be within our control, but on many occasions they will not. The following sections detail the main financial risks.

Common Fund Contribution Level

- 12.2 Common Fund contributions account for 55% of EDBF income in any year. The section above shows that 268 parishes had a surplus in 2023 and 220 a deficit. Unrestricted reserves were £34.2m (2022: £32.3m), with a further £16.3m (2022: £18.8m) in restricted reserves.

This shows that the recovery in parish finance since the end of the pandemic is continuing as the level of unrestricted reserves has increased by £1.9m, albeit with a decrease of £2.5m in restricted reserves. It should be noted that these reserves are not evenly distributed, with some parish in a more fortunate position than others.

At this stage there is a **MEDIUM** likelihood of a contribution level below the 2026 collection rate target of 94%.

Participant Numbers

- 12.3 Prior to the pandemic, we were seeing a consistent fall in participant numbers of 1.7% per annum, which has reduced the Common Fund contributions that can be requested from parishes to support the provision of clergy and diocesan services. As a direct result of the pandemic, this accelerated to 6.4% in 2021 and 8.9% in 2022. We have seen a modest increase of 2.4% in 2023, a small decrease of 0.2% 2024 and an increase of 0.6% in 2025.

Having seen the significant falls in 2021 and 2022 and small increases in both 2023 and 2025, there is now a **LOWER** likelihood that the participant numbers will fall further in 2027 and 2028.

Investment performance

- 12.4 An economic crash would clearly affect the whole of EDBF's budget, but this would certainly impact the £1.5m of income that EDBF receives each year from its investments and glebe properties.

CCLA's most recent market review states that:

We had reduced the equity exposure in our multi-asset portfolios during March, on the basis that President Trump's tariffs would endanger corporate earnings growth. But since Trump appeared to start backtracking on tariffs, we've increased our portfolios' equity exposure again: peak policy uncertainty now appears to be behind us, and US tariffs are likely to be significantly lower than announced in April.

Meanwhile, the underlying fundamentals of the assets in which we invest look solid:

- We expect the earnings growth of the companies in the S&P 500 index to remain stable, from 9.3%, year on year, in the first quarter of 2025, to 9.1%, year on year, by the fourth quarter. This growth rate is high enough, in our opinion, to support the current, c. 22x forward price-earnings ratio (P/E) of the index, even if this P/E is high in historical perspective.*
- In the first quarter of 2025, 78% of companies in the S&P 500 index beat analysts' forecasts of their earnings per share. We expect that trend to continue.*
- The percentage of earnings upgrades by research analysts, net of downgrades, as a percentage of total earnings estimates, has fallen in recent quarters. Troughs in that ratio have historically been a buy signal for shares.*
- After their recent underperformance, UK shares are now cheaper, on a P/E basis, than those in other developed markets. And there is reason for optimism on the domestic UK economy. The Chancellor's June spending review appeared expansionary, and the UK government is growing its infrastructure investments. Having made a strong start to 2024, equities had a more muted period in the second calendar quarter. Total returns from the global equity market as a whole were 2.6% in sterling terms over the three months of April to June 2024, bringing returns for the first half of the year to 12.7%.*

Most major economies, notably the US, have demonstrated in recent months that activity can expand despite the pressures of higher prices and higher interest rates. Leading indicators are pointing in the direction of further, if still modest, growth over the remainder of 2024.

CCLA has recently announced it is being acquired by Jupiter Investment Management Group Limited (Jupiter), a leading European investment manager. Hugh Smith, Chief Executive of CCLA said of the acquisition: *'We believe that this partnership delivers the best outcome for CCLA's clients. CCLA will become part of Jupiter, but retain the CCLA branding, investment, and client service. CCLA's teams will continue to focus on delivering investment returns and outstanding client service to all CCLA clients regardless of their size. CCLA also retains its mission, its stewardship activities, and its drive to build a better world.*

At the same time, we stand to benefit from Jupiter's strength and resources. Its market-leading investment capabilities, including 100-plus investment professionals, will add support to CCLA's existing investment team and product range. Jupiter's extensive distribution capacity in the UK and abroad will help to facilitate CCLA's growth, paving the way for us to expand into new markets. Doing so secures our ability to serve the sectors we were established to support and to extend the reach of CCLA's responsible investment approach to a wider audience, in the UK and overseas. We are also pleased to join a company that shares our culture and puts the wellbeing of its staff at the centre of its business.'

The CCLA Investment Fund has seen a Total Return loss of 1.66% in the last 12 months, so has not performed as well as in previous years. The 5-year performance is still positive at 6.08% per annum. The risk is always higher where sale of investments is required, which is now part of EDBF's current strategy, having adopted Total Return in 2023.

There remains a level of uncertainty in the economic forecasts, although no major crash is currently envisaged, so this is a **MEDIUM** risk.

Housing market crash

- 12.5 The current Asset Management Strategy work has led to the sale of a number of surplus clergy houses, mainly those generating a lower return. An initial 20 properties have been sold in the period from 2020 to the end of 2023 (4 of which were where the sale was linked to a replacement property). Since the summer of 2020 the property market performed very strongly in the South West, but we have seen a slow-down in the market since the second half of 2023.

Work is on-going with the Archdeacons to identify further properties that are no longer required for clergy housing and can therefore be sold, with 14 properties being potentially available for sale. The original aim was to re-invest the proceeds in the CCLA Investment Fund, but it is likely that a proportion of these proceeds will be required to support the budget for 2026 and to address any shortfall in 2025.

At this stage the housing market remains relatively stable, and no major crash is currently envisaged, so this is a **LOWER** risk.

Operating Budget Shortfall

- 12.6 Prior to the pandemic, EDBF had anticipated having a balanced budget by 2023. The Covid-19 pandemic then came along, resulting in a reduction of c15% in participants leading to a reduction in the level of Common Fund that could be requested of approximately £1.5m per annum. The subsequent war in Ukraine and the cost-of-living crisis increased the operational deficit to c£2.5m per annum.

Assets sales have been used to support the budget in the period since 2020, with 20 surplus properties so far being sold, with further sales planned.

The level of unrestricted reserves on 31 December 2024 was £6.4m. This is approximately 39% of current expenditure, so within the reserves policy of holding unrestricted reserves of 25 – 30% of expenditure. The reduced deficit proposed for 2026, of £0.9m will permit the reserves policy to be met in that year.

As part of the 2026 Budget Strategy planning, both BDC and Diocesan Synod were asked to consider a series of actions to reduce the operational deficit. The following key actions were agreed:

- A CPI + 1% increase in the Common Fund request per participant for 2026 (and beyond);
- The pausing of future spend on EPC/NZC upgrade works to clergy housing;
- The release of funding from the Diocesan Stipends Capital Fund under the Total Return provisions to fund stipends for the next few years;
- The continuing sale of surplus clergy properties, where these have no future anticipated use for housing clergy;

- Continue seeking grant funding to support our mission and ministry work, primarily through an application to the Strategic Mission & Ministry Investment Board (SMMIB).

Even with the above actions the current operational deficits will continue, but at a much-reduced level. Whilst the risk remains **HIGH**, the short to medium term plan is sustainable, to allow alternative funding to be sought.

Cashflow position

- 12.7 EDBF is in the fortunate position of having recently sold a number of surplus properties, so the current cash position is manageable. On 20 August 2025, there was approximately £1.7m in the main bank account, with a further £4.3m in the CCLA deposit account.

EDBF therefore has sufficient cash funds to cover any shortfall arising in 2025 and also to cover the shortfall in 2026, but further assets sales will be required to ensure there is a sustainable cash position in 2027.

13 Total Return

- 13.1 BDC agreed to adopt Total Return accounting for the Diocesan Stipends Capital Fund, at its meeting held on 2 December 2023, with an amount of £500k being allocated within the 2025 budget to support clergy stipends.
- 13.2 As part of the 2026 Budget Strategy considerations, both BDC and Diocesan Synod agreed that the funding should be allocated to continue to support clergy stipends, and a sum of **£500k** has been allocated to support the 2026 budget.

14 Reserves Policy

- 14.1 The Charity Commission no longer recommends the level of reserves that a charitable organisation should hold, with each charity now required to determine the appropriate level, based on its own needs. The previous recommendation was in the range 25 – 30% of the annual expenditure budget and this is felt to be appropriate for the Diocese.
- 14.2 The level of unrestricted reserves (on 31 December 2024) is currently in excess of this range at £6.4m (39%). This follows the sale of a number of surplus properties in the last four years.

14.3 The budget for 2026 shows a projected deficit of **£0.840 million** (after funding the £500k for stipends from Total Return), which will need to be funded from unrestricted reserves.

15 Common Fund system

15.1 There have been a number of questions raised about the principles/elements that underpin the Common Fund calculation in our diocese. The system was last subject to review in 2018/2019, when a major diocesan wide consultation was undertaken, which culminated in Diocesan Synod approving some changes to the calculation. However, the fundamental principle of basing the Common Fund request on the number of people in our worshipping communities ('participants') was felt to be the fairest metric to use in our diverse diocese.

15.2 It is important to ensure our system for requesting financial support from our parishes and mission communities, towards our mission and ministry, remains relevant and has the confidence of people across the diocese. This necessitates periodic review. At its meeting in January 2025, BDC considered the options for the timing of a full Common Fund Review and agreed that this should be undertaken in the second half of 2026. By this point, we will have greater clarity on the SMMIB application and the impact that this will have on diocesan finances, and, hopefully, the staff resources available to focus on this review.

15.3 This will be a comprehensive review, within which all of the different models will be fully explored, along with any new ideas. This will be followed by a full consultation across the Diocese, as was undertaken in 2018/19. Proposals arising from the review will be presented to BDC and Diocesan Synod in 2027, with a view to their implementation from 1 January 2028.

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16 Approval sought

At the meeting held on 16 September 2025, Bishop's Diocesan Council (BDC) recommended:

- 16.1 That the Common Fund request per declared participant for 2026 is increased by 4.8% (over the 2025 figure).
- 16.2 The use of a 94% collection rate for the budgeted Common Fund income for 2026.
- 16.3 The provision for 187.7 whole time equivalent stipendiary clergy posts in the budget for 2026 (see the table at Section 8.7).
- 16.4 The stipend that should be paid from 1 April 2026 to those clergy holding incumbent status posts be £34,950.
- 16.5 The attached budget for 2026 and indicative budgets for 2027 and 2028 (Appendix 2) to Diocesan Synod for approval.

Recommendation

This Synod is asked to approve the diocesan budget for 2026, and to note the indicative budgets for 2027 and 2028.

To seek clarification on any aspect of this report in advance of the meeting please contact:

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Where will the money be spent?

APPENDIX 1

Clergy and related budgets		
Budget area	2026 budget £000	2025 budget £000
Stipend	5,872	5,507
Clergy national insurance	752	421
Clergy pension	1,135	1,246
Apprenticeship levy	30	29
Clergy housing costs	2,739	2,545
EPC Improvement works	300	-
Council tax	660	685
Water rates	170	170
Archdeacons' offices	112	99
University chaplains	59	63
Grants and removals	272	237
Rural Deans	44	45
Clergy Human Resources	87	65
Administration and other costs	137	132
Cranbrook	25	25
Total	12,394	11,269

Mission & Ministry		
Budget area	2026 budget £000	2025 budget £000
Vocations	22	21
Ministry selection and training	204	273
IME Phase 2	97	92
National Pooling (married ordinands)	-	32
Licensed Lay Minister Training	103	157
Clergy leadership programme	102	110
Clergy conference provision	35	35
Foundations	35	43
Wellbeing/Pastoral care	41	34
Wedding ministry	2	3
Ecumenical relations	6	6
County show	2	2

Mission & Ministry		
Budget area	2026 budget £000	2025 budget £000
International links	12	12
Mustard seed grants	5	5
Mission development and support	50	46
Mission resources (stewardship) support In receipt of £20k grant funding	107	103
Children and youth adviser	67	64
Evangelism/Mission Enabler	81	69
Lay Discipleship	38	36
Anna Chaplaincies	10	10
Administration and other costs	70	73
Total Supported by £20k of grant funding	1,089	1,226

Education and Educational Chaplaincy		
Budget area	2026 budget £000	2025 budget £000
Education services now managed as a single budget area following an internal review and reorganisation	478	413
Total	478	413

Church School Buildings		
Budget area	2026 budget £000	2025 budget £000
Total	66	65

Social Justice & Creation Care		
Budget area	2026 budget £000	2025 budget £000
Creation Care In receipt of £13k grant funding	35	30
Net Zero Carbon In receipt of £93k grant funding	155	148
Social Justice	28	27
Administration and other costs	16	15
Total Supported by £106k of grant funding	234	220

Central & Support Services		
Budget area	2026 budget £000	2025 budget £000
Safeguarding	242	166
Finance In receipt of £24k grant funding	249	226
Financing costs	9	13
Communications/website	121	116
Diocesan Advisory Committee	67	70
Pastoral Admin Committee	48	46
Church Building Strategy Committee	45	37
Church Building Partnership In receipt of £69k grant funding	73	68
Fallow Churches	24	24
People Team	122	128
Disclosure and barring service	27	26
Diocesan database	18	19
Digital mapping	2	15
Supporting Bishop's Diocesan Council	32	28
Supporting Assets Group	12	11
Supporting Diocesan Synod	17	15
Supporting General Synod	19	10
New housing areas	14	14
Acting as Custodian Trustee	15	14
Board of Finance costs	95	85
Liaison with national church	8	8
Diocesan Chancellor and Registrar	150	128
Governance and management Includes £40k provision for central salaries	184	140
Administration and other costs	152	148
Total Supported by £93k of grant funding	1,745	1,558

Strategic Development Funded Projects		
Budget area	2026 budget £000	2025 budget £000
Strategic Programme Management <small>In receipt of £117k grant funding</small>	113	106
Minor Repair & Quick Wins grants to parishes	-	148
Exeter, St Matt's	150	50
Bay Church	121	112
Plymouth Partnership in Mission	97	127
Growing the Rural Church	5	5
Total	486	548

Central Church costs		
Budget area	2026 budget £000	2025 budget £000
Training of ordinands	-	349
Ministry Training Fund	433	-
Other payments to the central church	-	409

Please note that in all of the above tables where administrative staff work directly for a service, their time is charged to that service. 'Administration and other costs' include each service's share of the overhead cost associated with the offices (e.g., IT costs, heat & light, etc.) and the costs for those smaller value services not shown elsewhere.