

Diocese of Southwell & Nottingham

Southwell & Nottingham

Diocesan Board of Finance

BUDGET 2024

SOUTHWELL & NOTTINGHAM BUDGET 2024

FOREWORD FROM THE BISHOP OF SOUTHWELL AND NOTTINGHAM

“Devote yourselves to prayer, being watchful and thankful.” Colossians 4:2

As a Diocesan Synod we are poised to engage in a new season of ministry and mission looking to 2030. We are seeking to build on the fruitfulness and learning that arises from the Growing Disciples vision and priorities for 2016-23. There is much for which we can be truly thankful. We also continue to be watchful in discerning where the Lord is at work and how the Holy Spirit is leading us forward. In recent years, partly as a result of the Covid-pandemic, political instability and war in Ukraine, we are more acutely aware of living with uncertainty. As the church we have learned to be ever more dependent on God as we recognise that the best made plans need adjusting and re-evaluating, in light not only of the increased challenges but also the multiplication of opportunities.

As a diocese I believe we are at a point of great opportunity in bearing witness to the love and power of the risen Jesus. The spiritual, emotional and material needs of people all around us has intensified – there is a deficit of hope in our culture and society which even the best intended political or social solutions cannot address. As the church we are called to care for the eternal well-being of every soul. This would be altogether overwhelming if it were not for the living hope we have in Christ and the power of his gospel. It is for this reason that we move into a new chapter of the story of the diocese with confidence, not because we have perfect plans or plentiful resources, but because we have fixed our eyes on Christ, being watchful and thankful.

If we are to make the most of every gospel opportunity over the next seven years, through our lives and across all our 300 local churches, we need a clear vision, a focused strategy, and the necessary resources. At the very time we are seeking to approve a prudent and yet missionally-ambitious budget for 2024, we are setting out the refreshed vision, strategy and resource plans for 2030.

The vision is clear: to bring the living hope of Christ to the city, towns and villages of Nottingham and beyond.

The strategy remains focused on the central task of every church: Growing Disciples of Christ who are increasingly known for their compassion, confidence and courage in God.

The resource plans that are presently being developed take into account the challenging financial context and the increasing need for more lay and ordained leaders as we maintain the commitment to growth and responding to many new opportunities before us. We know that God promises to “meet all our needs according to the riches of his glory in Christ Jesus.” (Philippians 4:10). The story of the church down through the ages, as in this diocese, bears this out. Part of his good provision is given to us through the wise stewardship of our financial assets and investments, and this will be an important ingredient to ensure we maintain the momentum for growth over the next few years. At the same time, we also look afresh to the Lord Jesus in seeking to excel in the gift of giving on a personal level. Here is an essential aspect of our own growth as disciples. The joy of giving to the work of God is something we can be more confident in inviting others to share.

A continuing part of my own deep thankfulness to God, as diocesan bishop, arises from witnessing the wonderful dedication of all who serve across our parish churches and seek to live for Christ in every sphere of life, including our many schools. We are very blessed indeed. Over the past seven years there are churches in every part of the diocese that have experienced revitalisation, new worshipping communities have been started, and many more new and younger leaders have been equipped to serve. Yet now more than ever it is time to pray bolder prayers and renew our

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readiness to follow where God leads us, so that future generations may encounter the love of Christ and receive a living hope that no amount of uncertainty, struggle or hardship can ever take away.

Thank you for your part in this extraordinary endeavour.

With every blessing,

A handwritten signature in cursive script that reads "Paul". To the left of the first letter 'P' is a small cross symbol (+). The signature is written in black ink on a white background.

The Bishop of Southwell and Nottingham

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Strategic context

The strategic financial objective of the Diocese has historically been to balance the operational budget over a three-year rolling cycle. This was last achieved in 2018.

The financial challenge the Diocese faces is that whilst parish share receipts have shown some recovery post-Covid they remain below 2019 levels. Since 2019 cost inflation has risen by approximately 20%. The funding gap between operational income and expenditure is budgeted to be over £600,000 in 2024. The budget assumes increases of 5% in stipends and salaries at a time of even higher inflation. We are also budgeting to hold all other costs other than stipends and salaries below 5%.

The Diocese has operated with a substantive funding gap since 2018. This has been mitigated by the sale of historic investment assets, and one-off Covid funding from Archbishops' Council. Our godly ambition for growth remains, however, the focus on making the right clergy appointments has increased clergy vacancy rates and slowed the momentum of our parish revitalisation plans. The higher vacancy has, unintentionally, kept expenditure below budgeted levels.

The reality is that the cost of ministry, per incumbent status stipendiary post, in the Diocese was over **£83,000** in 2023 - £50,000 for direct ministry costs, £13,000 for future ministry costs and £20,000 in ministry support costs. The total income from parish share in 2023 plus the Lowest Income Communities (LInC) funding, to support ministry in deprived communities, amounts to just **£59,000** per post.

In the context of the work to refresh the diocesan strategic vision, the 2024 budget is holding the status quo. Substantive work will be required to operationalise the refreshed vision within the resources available. We will be seeking to grow ministry, mission and giving to eliminate the funding gap over time.

Presentation of the 2024 budget

Fresh eyes on the budget process have identified the need to simplify preparation. Expenditure is now shown gross, without attributable income being netted off. This has required comparative numbers to be restated. Although this has not had any impact on the overall financial position, some detailed numbers are different to those previously presented.

A more realistic budget is shown for the likely level of share receipts in 2024.

If you have questions regarding the detail of income and expenditure in the budget please forward to our new Finance Director, Katrina Proctor, by email before Synod. This will enable Synod to focus on higher level principles at the meeting.

Martin Cooper, Diocesan Chief Executive

Canon Michael Arlington, Chair of Finance

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OVERVIEW

The budget is prepared in a period of higher inflation than in recent years.

The Diocese is reviewing its mission and strategy and plans to announce a revision by the end of 2023.

The following increases in costs have been assumed in the 2024 budget:

	Increase on 2023 budget
Deanery Share	5%
Stipends & Salaries	5%
Other Expenses	Up to 4%

Deanery Share Process

Total Deanery Share continues to be calculated to produce the income required to arrive at a breakeven budget with all costs included for the diocese.

The amount requested from each deanery changes annually depending on their proportion of total diocesan ministry posts and the church attendance in the deanery over the previous three years.

The Deanery Share request accounts for deprivation by allocating to deaneries the Lowest Income Community (LInC) Funding received from the national church based on which deanery the most deprived parishes in the Diocese are located.

Every deanery seeks to raise their share by allocating it amongst the parishes and benefices in their deanery. The Deanery Leadership Team considers all relevant factors including the resources of each parish. While some parishes are paying their full ministry costs, every 'Parish Share Paying Unit (PSPU)' (benefice/parish/or other) has plans towards paying the full costs of their ministry.

In the autumn of 2023, following discussions with every deanery, their leadership will be assisted in the allocation of their share by a diocesan group led by the CEO and the new Finance Director. The group will also include the Archdeacons and the Chair of the Finance Committee. The involvement of this group in allocation will vary according to the experience of the deanery leadership team and the deaneries' previous record in paying share. Each deanery's allocation will be approved by this group before it is shared with the parishes by the end of November 2023.

The Diocese is committed to undertake a review of parish share following the completion of the review of the diocesan vision and strategy, intending to complete this in time for 2023 share allocation.

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Transition from 2019

Some deaneries were unable to pay in full the amended amount agreed and calculated by the revised formula in 2019. Those deaneries which were forecast a large increase in Share under the new methodology were asked to increase their Deanery Share under a transition arrangement. Following Covid, and now higher inflation, further transition has been paused.

Financial challenges

We need to prayerfully discern how we continue funding the ministry and mission of the Diocese. As part of the review and refresh of the strategic vision a funding review is planned to commence by early 2024.

The strategic financial objective will remain to return to our longer-term aim of balancing the operational budget; put simply that means our annual income meets our annual expenditure. In recent years there has been a shortfall of income to produce a breakeven result and this is also the position for 2024.

A substantive six figure deficit is anticipated in the current year 2023. In 2020 and 2021, the large deficit was in part reduced by one-off Sustainability Funding grants from the Archbishops' Council, linked to their wider support during the Covid pandemic. This Covid linked funding has now ended.

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BUDGET SUMMARY

	ACTUAL 2022 £'000	BUDGET 2023 £'000	BUDGET 2024 £'000
INCOMING RESOURCES			
DEANERY SHARE			
Deanery share	6,636	7,009	7,359
Full Payment Discount	-50	-50	-50
Shortfall	-1,051	-1,016	-1,559
	<hr/>	<hr/>	<hr/>
NET DEANERY SHARE	5,535	5,943	5,750
INCOME FROM NATIONAL CHURCH			
Lowest Income Community Funding	1,263	1,306	1,290
Contribution to National Ordinand Training	203	170	15
Strategic Ministry Funding for curates	315	262	440
Strategic Development Funding	447	566	564
Posts of First Responsibility funding	0	0	110
Capacity fund for Digital Giving Advisor and Associate Archdeacon	0	0	103
C of E Ministry Experience Scheme (CEMES)	43	42	40
	<hr/>	<hr/>	<hr/>
	2,271	2,346	2,562
INVESTMENT INCOME			
Property Rental (net of costs)	287	358	325
Agricultural Rent (net of costs)	354	308	370
Financial investments (net of costs)	580	491	438
	<hr/>	<hr/>	<hr/>
	1,221	1,157	1,133
OTHER INCOME			
Parochial Fees	317	300	320
Benefact Trust Grant	147	129	115
Income from DBE Endowed Funds	123	178	130
Partnership income from schools for Chaplains	88	69	72
Working partnerships cost recovery	155	164	150
	<hr/>	<hr/>	<hr/>
	830	840	787
TOTAL INCOMING RESOURCES	<hr/> 9,857	<hr/> 10,286	<hr/> 10,232
RESOURCES EXPENDED			
Direct Ministry Costs	4,983	5,184	5,484
Future Ministry Costs	1,764	1,857	1,914
Ministry Support Costs	2,719	2,793	2,944
SDF parish salary costs reclaimed	212	216	261
Diocesan share of Central Costs	237	237	236
	<hr/>	<hr/>	<hr/>
TOTAL MINISTRY COSTS	9,915	10,287	10,838
OPERATING (DEFICIT)/SURPLUS	<hr/> -58	<hr/> -1	<hr/> -606

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Note: The 2023 budget was set on a break-even basis, assuming share receipts of £5.94M. This was £400,000 higher than the amount received in 2022. The current forecast for 2023 share receipts is £5.6M, so it could be argued the underlying reality of the 2023 budget was a deficit of around £300,000.

Deanery Share – the headline requirement is for an overall increase of 5% on the 2023 level. The increase for individual Deaneries is reflective of relative movements in ministry received, the allocation of LInC funding between deaneries and Church attendance.

Budget shortfall and deficit – With the deanery share the diocese recognises there will be a marked shortfall between the amount calculated and the amount likely to be paid. While the diocese wants the gap in funding to close it is budgeting that the total deanery share from 9 deaneries is most likely to be received will be around £5.75m. This is a shortfall of £1.5m between the amount calculated to produce a breakeven budget covering all costs. However, the Diocese is assuming that there will be a vacancy rate of 25 posts on average in 2024. Despite this high vacancy rate and the highest total deanery share freely given, a deficit of £0.606m is budgeted.

Lowest Income Community (LInC) Funding – received from the Church Commissioners as we are one of the poorer dioceses measured by independent deprivation data.

Contribution to National Ordinand Training – the Church of England pools the costs of the eligible expenditure on every ordinand maintenance grant paid by each Diocese. The total is shared between the dioceses in the same proportions as the apportionment of central costs, resulting in a net payment or refund for each diocese to make up the difference between each diocese's direct expenditure on grants and its apportioned amount. Our net refund drops significantly in 2024 to £15,000 from £170,000 in 2023.

Strategic Ministry Fund income – a grant from Church Commissioners to fund future Ministry costs. We receive funding for 5 additional curates over our baseline number of 5.

Strategic Development funding (SDF) - income has been recognised in the budget in accordance with our bids and in relation to actual expenditure on the projects. SDF bids require an element of matched funding.

Property and Agricultural Land rents – annual rental income (net of charges and management fees) from our assets of agricultural land and rental of parsonage houses not currently required for ministerial purposes.

Financial Investment income – annual dividends and interest (net of charges) from our financial investments managed by our external investment managers.

Parochial fees - the fees received via parishes for occasional offices (weddings and funerals). The level of income reduced during the pandemic and is not anticipated to recover.

Benefact Trust – we are fortunate to receive a grant from Benefact Trust. This income will gradually reduce to nil in the coming years, as Benefact move to an application model for all grants.

Cost recovery from working partnerships - the income represents the Church Commissioners' contribution to the costs of the Diocesan Registrar, as the bishop's legal advisor, the reimbursement of the Bishop of Sherwood's PA and fees received for the completion of Gift Aid claims on behalf of Parishes.

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EXPENDITURE NOTES

The budget has been prepared under recent and forecast inflationary assumptions. The increases budgeted are higher than in recent years. All overheads have an inflationary increase of up to 4% applied to them. The salaries and stipends, agreed at new levels by Archbishops Council in July 2023, are increased by 5%.

The following table shows the number of people included in the 2024 budget: -

NUMBER OF PEOPLE 2024 Budget

	External funding received	2023 FTE	External funding received	2024 FTE
Office Holders				
Stipendiary incumbent status posts (non-time limited)	2.00	101.55		97.55
Time limited appointments - Transformational Change & Posts of First Responsibility	5.00	13.00	7.70	17.00
		114.55		114.55
Anticipated vacancies		-22.00		-25.00
Associate Archdeacon		-	1.00	1.00
Curates	9.00	30.00	12.60	30.00
Archdeacons		2.00		2.00
		124.55		122.55
Employees				
Bishops Advisor for Estates Ministry	0.50	0.50	0.50	0.50
CEO, HR, Admin support		3.50		3.50
Programme Management	1.00	1.00	1.00	2.00
Safeguarding	0.60	5.48	0.40	5.71
Communications		2.00		2.00
Deanery support		3.35		2.46
Discipleship & Ministry (including Partnerships & Mission)	0.50	13.38	1.50	12.78
Education	5.55	8.93	5.35	8.75
University Chaplains		1.85		1.50
Finance		3.66		3.66
Jubilee House		2.58		2.29
DAC, Giving, Property	0.50	4.61	1.30	5.46
		50.84		50.61
Diocesan Registry	0.4	1.10	0.4	1.10
Total budgeted paid posts	22.65	176.49	31.35	174.26
Non-stipendiary Ministry				
Retired Clergy with PTO		121.00		127.00
SSMs		23.00		27.00
House for duty ministers		0.50		0.75
Readers/ Licenced Lay Ministers		199.00		195.00
		343.50		349.75

The average clergy vacancy rate has been increased to 25 posts to reflect the current level of vacancies.

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Direct Ministry Costs

Direct Ministry Costs	Actual 22	Budget 23	Budget 24
	£000	£000	£000
Clergy stipend, National Insurance, apprenticeship Levy and pension	3,304	3,549	3,948
Clergy Training	363	285	275
Housing Repairs	630	645	608
Utility Costs	510	487	453
Housing Allowance	75	118	100
Removal Costs	55	50	50
Resettlement Grant	46	50	50
TOTAL	4,983	5,184	5,484

Stipends – a budgeted 5% increase to maintain incumbent status stipends at the National Stipend Benchmark.

Repairs – housing repair budget has been maintained at 2023 level across our total housing stock. The split between Direct and Future Ministry Costs has been refined based on current occupation.

Utilities – house insurance, Council Tax and water rates/usage for incumbent status clergy.

Housing allowance – paid to those clergy who remain in their own homes rather than occupying diocesan housing.

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Future Ministry Costs

Future Ministry Costs	Actual 22	Budget 23	Budget 24
	£000	£000	£000
Clergy stipend, National Insurance and pension	959	1,069	1,185
Curate and ordinand training	261	288	188
Housing Repairs	141	114	152
Utility Costs	90	70	88
First Appointment Grant	28	34	16
Training for Ministry	212	212	211
Intern Costs	73	70	74
TOTAL	1,764	1,857	1,914

Stipends – a budgeted increase of 5% to maintain curate stipends at the National Minimum Stipend.

Curate training – Curate training and ordinand support grants. These vary significantly, dependent upon the personal circumstances of each ordinand.

Repairs – the housing repair budget has been maintained at 2023 level across the total housing stock. The split between Direct and Future Ministry Costs has been refined based on current occupation.

Utilities – house insurance, Council Tax and water rates/usage for housing occupied by curates.

Training for ministry - our apportionment of the majority of the costs of training clergy for deployment in the Church of England. It excludes the costs of family maintenance grants, which are in the national contribution to training costs.

Intern costs – costs of running our intern programme, including housing and living allowances paid to interns.

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Ministry Support Costs

Ministry Support Costs	Actual 22	Budget 23	Budget 24
	£000	£000	£000
Parish Resourcing - Giving advisors, DAC, Gift Aid, Finance, Deanery Admin, Property,	770	741	782
Governance , Registry, Diocesan Synod, BC, Programme Manager, HR, CE and PA to CE	388	440	431
Communications	78	128	126
Safeguarding	174	229	251
Education	539	461	504
Discipleship and Ministry - School of Discipleship, younger leaders, children and youth, partnerships and grants.	503	562	573
Jubilee house, Reception, cleaners, caretaker and IT	184	155	191
Information Technology	83	77	85
TOTAL	2,719	2,793	2,943

Parish Resourcing – includes Growing Disciples grants to parishes, financial audit fees and practical support to parishes through the DAC, giving advisors, Gift Aid claims and deanery administrators.

Governance – includes the costs of Bishop’s Council and Diocesan Synod, Diocesan Registrar retainer (£105k, of which half is reclaimed from the national church and the income is included above).

Communications – includes the costs of the diocesan website

Safeguarding – reflects a review of resourcing post Past Case Review 2 (PCR2) and includes the costs of the Cathedral Safeguarding Officer (costs paid by the Minster and the income is included above).

Education – includes the Diocesan Education Team and costs of school chaplains. Costs are shown gross of income from schools towards the costs of chaplains and income from DBE endowed funds (income included above).

Discipleship & Ministry - costs of ministry support such as sabbaticals, study leave and retreats, and the Principle for Wellbeing and Ministerial Development. Includes the costs of the School of Discipleship and the Learning Hub.

Includes grants to our external partners – Transforming Notts Together, Citizens UK and Refugee Roots.

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The direct costs of clergy training is included in direct ministry costs and curates training is included in future ministry costs,

Jubilee House – running costs for Jubilee House, including utilities, postage and other consumables, depreciation and salaries of cleaning and maintenance staff.

Other costs

SDF Parish salary costs reclaimed – The cost of the parish salaries that are reclaimable from the SDF grant programme. This includes children, family and youth workers, worship leaders and capacity building posts (lay and ordained).

Diocesan share of central cost National church costs are apportioned to dioceses based on factors including local income levels, diocesan and parish investment income. The apportionment calculation has been updated to reflect the latest input data and the known request for funding in 2024.

National Church costs	Actual 22	Budget 23	Budget 24
	£000	£000	£000
Central Church Costs	157	157	148
CHARM	80	80	88
TOTAL	237	237	236

Central Church Costs – are an apportionment of:

The operating costs of the Archbishops' Council departments and the Council's share of shared service departments such as Communications, Finance, Legal, Technology and Human Resources. Forecast operating expenditure in 2023 is £33.3m. This is a £0.3m (0.8%) increase on the 2023 budget.

The Church of England's contributions to the Anglican Communion Office, ecumenical organisations, the Church Urban Fund, the Council's Legal Costs Fund and other minor grants. Pension contributions for clergy serving with the Partnership for World Mission (PWM) mission agencies who are regarded as being "in service" for the purposes of the Clergy Pension Scheme.

Church Housing Assistance for Retired Clergy (CHARM) – our apportionment of the grant supporting the CHARM scheme operated by the Church of England Pensions Board on behalf of the wider church.

Net Carbon Zero

There is currently no expense built into the budget to cover this important work. Initial costs are expected to be covered by grant funding. In subsequent years budgets may need to take account of work not within the scope of a grant.