

LDBF 2021 Budget Update

2021 Budget Introduction

This year has presented new and unprecedented challenges to us in all aspects of our operational and financial plans. Whatever the plans set out for the start of 2020 our experiences have been dominated by COVID-19 and our financial planning similarly impacted. It is difficult to overstate the impact that this has had on parish and diocesan finances and financial planning will remain dominated by these challenges well in to 2021. Despite this, our long term strategy remains focussed on supporting the delivery of our vision, in which we are asking God for a Bigger Church to make a Bigger Difference, with more people knowing Jesus and more justice in the world. To achieve that vision we are focusing on five key numbers:

1: Bring One Friend

10: Do Ten Things

100: One Hundred New Congregations

1,000: One Thousand New Leaders

10,000: Ten Thousand Christian disciples signing up to our Rule of Life

Our underlying financial plans continue to support the delivery of this strategy even as our short and medium term expectations are dominated by the impact of this pandemic.

Budget Cycle 2019-21

In 2019, we began the first of a three-year budget cycle targeting breakeven or better in accordance with the fiscal rules established in 2018. In the autumn of 2019, we presented to Synod our financial plans for 2020 and 2021, taking into account our performance against the 2019 budget. Those plans anticipated a 2019 loss of £220,000 and surpluses of £73,000 in 2020 and £149,000 in 2021. We were able to improve on the 2019 forecast and ended the year with an operating loss of £98,000. Coupled with the 2020 budget this meant that the 2021 target reduced from a budget surplus of £149,000 to a small budget surplus of £32,000.

Since that budget was set the impact of the COVID-19 crisis quickly became the singled largest financial threat facing the Diocese as a whole. Church closures, social distancing and the ongoing economic damage caused by the crisis continue to threaten our financial health. There is enormous uncertainty in the wider financial climate and the impact on church finances has been significant. It is therefore harder than ever to accurately forecast the likely financial performance for the coming year.

The 2020 budget was considered fit for purpose when set and received Synod's full backing but inevitably took no account of a pandemic that emerged early in the year and has dominated our lives ever since. We know that we will be dealing with an ongoing crisis into 2021 and we continue to engage with the

national church about further support for parishes. But the scale and nature of the impact of that crisis remains challenging in planning and budgeting terms.

For that reason the 2021 budget remains as it was in January 2020 and our thinking turns to the tactical financial planning that will enable us to weather the ongoing storm through the remainder of this year and in 2021 and help create a more resilient future. As part of our medium term plan the 2021 budget remains a sound proposition and so the challenge for this year and next will be in how we can leverage support to mitigate as much of the financial impact of this pandemic as is possible. This work will be critical to ensuring that we retain sustainable presences across our Diocese into the future.

2020 Financial Performance

During the emerging national crisis, we saw in this Diocese the incredible generosity and sacrifice of our churches made ever clearer, as increasing numbers of parishes paid Parish Share in advance to continue funding ministry throughout the Diocese in the midst of a pandemic. Many more were able to continue paying in full and on time despite their own major financial challenges and the losses experienced during the period of church building closures and since. The extraordinary generosity shown in this unwavering commitment to mutual support through Parish Share is unparalleled and we remain extraordinarily grateful to all of those people giving in support of and facilitating Parish Share payment.

Whilst the incredible generosity we have seen has sustained ministry in all of our parishes throughout the crisis to date, it is also clear that many parishes have been hit hard financially and that reserve levels are declining in many parishes. During the year our Archdeacons have worked with deaneries and parishes to establish financial capacity and plans for Parish Share payment and it is clear that the financial impact of COVID-19 is substantial. Currently we are forecasting overall losses through Parish Share non-payment of up to £1,600,000 (non-payment of c. 20%). We have been successful in accessing funding from the National Church for £1,000,000 towards these losses and have created a package of savings and additional sources of funding at St James' House totalling £565,000 in 2020 to provide further mitigation towards those losses. This year is the most difficult on record for church finance in the Diocese but through these two means of support we are confident that there is a route through the immediate impact of the financial crisis we have faced.

Other key expenditure lines have been managed prudently through the year. Our missional leadership numbers have remained on track, as has our clergy housing budget. We have seen a shortfall in investment income – we had to sell investments earlier in the year to facilitate some clergy housing purchases – and a continued decline in fee income.

2021

Whilst the 2020 budget position is now expected to stabilise towards the end of the year through Parish Share credits, there remains significant work to be done to ensure that we can chart a course through 2021 that enables us to continue serving our communities whilst continuing to plan for a more resilient future.

This work is not yet complete. Whilst many of the government backed funding streams will have largely ceased by the end of the year, we are continuing to work both on our local response and with National Church teams on how to mitigate the continuing financial impact of this crisis into next year. We aim to secure many of the St James' House savings again in 2021 and we are working with the National Church team on what future support may be available for this Diocese. All the savings we can make at St James House will be re-cycled into Parish Share support. The first example of that is the money to ensure there is no cash increase in Parish Share in 2021.

The existing 2021 budget remains our underlying financial plan. Being able to demonstrate that our underlying financial position is at breakeven is key to our on-going negotiations with the National Church. Our DBF task within the diocese now is to work on building in as much mitigation for potential downsides (such as Parish Share non-payment) as is possible. We have not looked to short-term reactionary measures that will yield negative consequences down the road, but aim to stabilise our position through 2020 and 2021 so that we can better assess our plans, challenges and opportunities with far greater clarity. Our priority into 2021 will continue to be to relieve financial pressures wherever possible in the context of a resilient long term future.

With all of that in mind, the 2021 budget is set within the following parameters:

- A budget surplus of up to £32,000 – to ensure that our underlying performance meets our fiscal rules
- A clergy stipend increase of 2%
- 150 locally deployed Incumbent status posts (decided locally)
- Full provision for Deanery Mission & Growth Funds – with the clear understanding that deaneries can chose to use them to support Parish Share payments in 2021
- An underlying increase in Parish Share of under 2%
- Additional one-off funding for deaneries to fully offset the Parish Share increase
- Renewed transitional relief in the Parish Share system