

LDBF 2023 Budget

2023 budget and economic outlook

2023 will be the second year of the current budget cycle (2022-24) and is set amidst an ever more challenging economic context. We entered 2022 with a series of post-pandemic difficulties, including weakened parish finances, reduced levels of parish and DBF reserves, pressures on giving levels and an unclear picture of recovery in activity and missional strength. During the year we have seen a series of further significant challenges develop, including high levels of inflation, some of which has been driven by shortages in a variety of commodities (energy, food, raw production materials) and substantial pressures on incomes and the cost of living. These set the context for work on the 2023 budget, and present significant challenges in how we balance pressures on costs with limited scope for stretching DBF income from existing sources.

The most significant challenges in this budgeting process are as follows:

- **Clergy Stipends:** high inflation is reducing the value of clergy stipends and adding to real pressures on clergy living standards, financial wellbeing and morale. National church indications are that there will be a recommendation of a 5% uplift in clergy stipends from April 2023. We support this recommendation.
- **Parish Share:**
 - After two years of major additional support from the Church Commissioners through Parish Share credit, and the DBF provision of Parish Share rebate*, the net level of Parish Share request is significantly lower than that required to fund current Missional Leadership costs
 - Parish Share collection rates remain a significant immediate challenge and longer term concern based on current trends
- **Brought forward 2022 deficit:** Our fiscal rules require breakeven over each three year cycle, but the current year deficit of over £500k to the end of August 2022 presents a serious challenge to this. There is no capacity to recover a deficit of this level over the period 2023-24, which indicates a likely breach of fiscal rules as things stand.

** Parish Share rebate is an additional complication carried forward from the 2021 and 2022 budgets. This is different from Parish Share Credit, and was put in place to cushion parishes from the challenges of Covid while seeking to maintain a viable Parish Share position. As the level of Parish Share increased to meet changes in the costs of missional leadership, we credited parishes with an*

equivalent rebate so that the total amount that parishes actually paid did not increase during those two years. At some point we have to break this cycle of the amount being collected in Parish Share differing from the headline level of Parish Share.

There is one significant positive factor to build in to the 2023 budget, which is a substantial reduction in the Clergy Pension Scheme contribution rate. After an extended era of scheme deficit, and contribution rates running at 39.9%, the scheme is currently in surplus and with a longer term and less volatile funding scheme in place, a contribution rate of 28% is now proposed. This represents a reduction in ongoing costs of over £500k in the first year. This will enable us to cover 2 significant financial challenges:

- i. The higher than initially budgeted cost of clergy stipend increases
- ii. Unwinding the impacts of the Parish Share rebates without creating a step change increase in Parish Share – the Parish Share in the budget is what parishes will be asked to pay, without any rebate

Budget cycle and fiscal rules

LDBF budgets are set within a three year cycle to allow flexibility between years and allow for breakeven over the medium term, with reduced volatility and the ability to manage challenges over a period longer than twelve months. The scale of the financial challenges arising since 2020 however, put ever greater pressure on our financial model and the assumptions upon which our budgets are based. Most significantly, the extent to which parish finances have remained under substantial pressures represents a significant challenge to the assumption that Parish Share can be paid in full at a level sufficient to support the current costs of Missional Leadership.

In 2023 we will only have a realistic chance of meeting budget if Parish Share payments recover to pre-pandemic levels by the start of the year. If payment rates remain at the current level into next year, we would forecast a 2023 deficit of £940,000 and a cumulative loss over 2022-23 of £1,450,000. This position would not be sustainable and we would not then be able to budget for 2024 on anything like the same set of assumptions that we have relied on previously.

As a result of these ongoing uncertainties, the Finance Committee have determined that our current budget assumptions may no longer be viable and that 2023 may be the final year upon which we can rely on past assumptions. As a result, we do not present an indicative budget for 2024 or a conclusion to the current three year cycle.

2023 Budget Parameters

The 2023 budget is currently drafted within the following parameters:

- A budget at or close to breakeven
- A clergy stipend increase of 5% from April 2023
- 150 locally deployed Incumbent status posts (decided locally)
- An increase in Parish Share of 1%
- Parish Share rebate consolidated into the net level of Parish Share
- Maintaining an additional £250,000 investment in clergy housing for 2023

Liverpool Diocesan Board of Finance Budget Summary				
	2021 Budget	2022 Budget	2022 Forecast	2023 Budget
Income				
Net Parish Share Received	7,957,874	8,098,350	7,571,957	7,931,490
Church Commissioners	1,640,772	1,697,396	1,697,396	1,696,822
Investment Income	194,000	180,000	160,000	185,000
Rental Income	360,000	375,000	425,000	400,000
Funeral and Wedding Fees	525,000	475,000	445,000	475,000
Grants, Donations and Other Income	180,000	188,000	188,000	188,000
Schools Income	181,660	180,000	180,000	180,000
SJH Income	260,880	206,880	206,880	209,460
Total Income	11,300,186	11,400,626	10,874,233	11,265,772
Expenditure				
Missional Leadership	8,424,304	8,581,926	8,536,926	8,290,554
Clergy Housing	683,000	897,000	897,000	916,410
Finance and Central Services	768,024	677,534	677,534	727,229
Support for Schools	372,749	319,055	319,055	328,627
Lifelong Learning	313,181	252,863	252,863	260,449
Diocesan Communications	159,083	186,843	186,843	192,448
Office Costs	108,000	108,000	108,000	118,000
Safeguarding and Inclusion Closed Churches, Glebe & DBF	131,097	143,610	143,610	147,918
Property	50,000	50,000	50,000	50,000
Parish Resources	123,410	106,318	106,318	109,508
Church Growth	90,459	63,473	63,473	65,377
Social Justice	43,368	46,451	46,451	47,845
Total Expenditure	11,266,675	11,433,072	11,388,072	11,254,363
Surplus/(Deficit)	33,511	(32,446)	(513,839)	11,409
2022-23 Budget Cumulative Surplus/(Deficit)		(32,446)	(513,839)	(21,037)