

## **Paper 6.1 – Sheffield Diocesan Board of Finance (SDBF) – Budget and Planning 2026**

### Purpose/Overview

The purpose of this paper is fourfold:

- To provide a forecast view of the 2025 year end out turn
- To provide a 2026 budget proposal to Diocesan Synod
- To project forward into 2027 and 2028 using consistent modelling/growth assumptions
- To review the impact on the DBF Reserves

### **2025 Forecast versus Budget**

Income - £7.59m versus budget £6.77m

- Common Fund in all aspects (including Ephesians/Restricted PFL) looks to be on track with the budget at £3.51m
- Additional £1.00m of SMMIB transition funding factored into the Church Commissioners Grants line (not confirmed at time of 2025 budget approval)
- Cost recovery from projects (internal movement between DBF funds) now lower, as some of this has been accounted for as “cost transfers” and not “income transfers” within the DBF (presentational point only).

Expenditure - £8.44m versus budget £8.76m

- Clergy stipend costs at £3.19m are slightly lower than budget £3.24m as projected clergy numbers are close to the budgeted numbers.
- Parish Housing costs are close to budget at £2.20m (£100k of capital building works to the Granville Road property have been recently moved to Stipend Fund Capital).
- Parish Ministry recruitment is £48k under budget at £200k.
- Parish Ministry Support costs at £1.94m are £207k lower than budget, part of this is linked to the “Cost recovery from projects” point above and there are also lower Archdeacon costs given the changes that have taken place during the year.
- Central Management & Admin costs on budget at £0.67m.

Overall Deficit

- Currently forecast at £0.85m versus £1.99m approved budget (primarily driven by the unbudgeted £1m SMMIB transition funding).

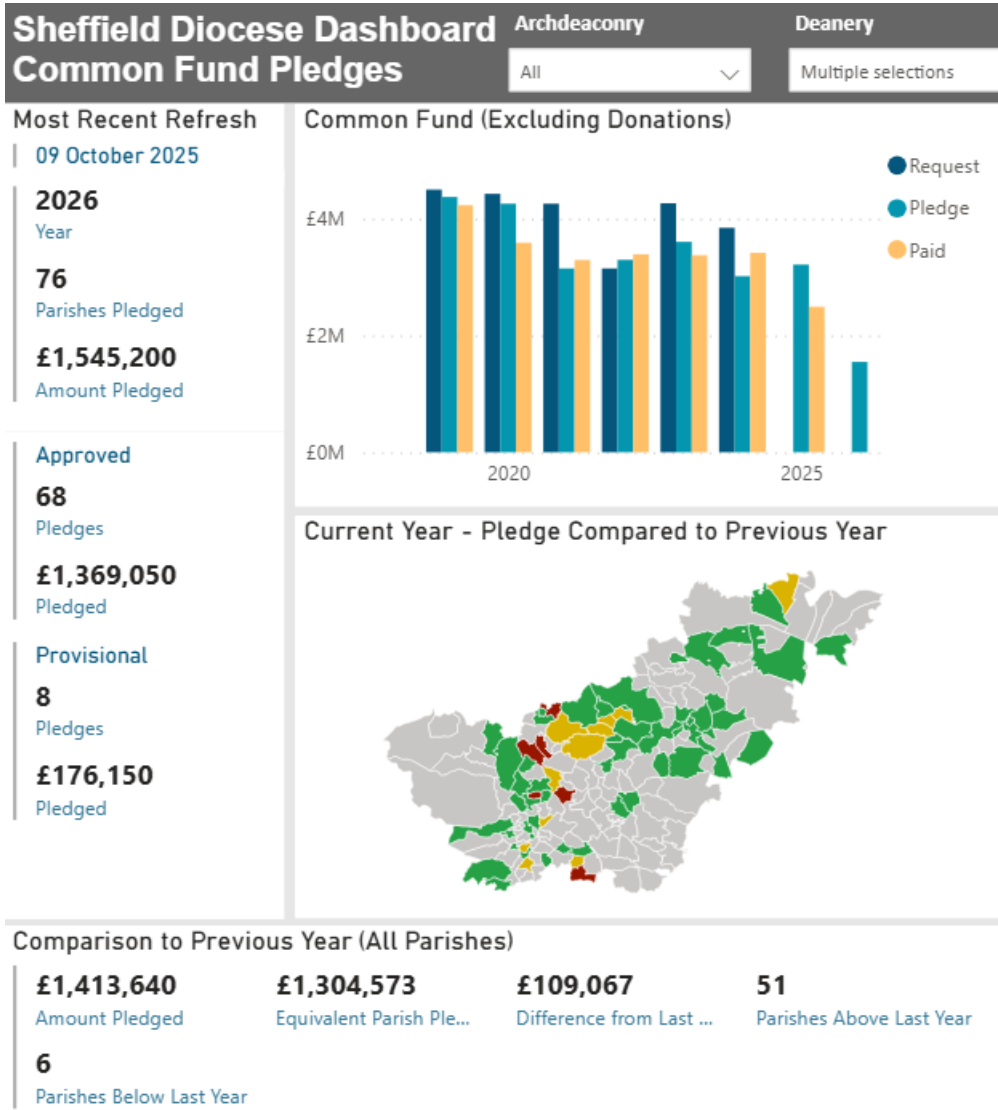
- The deficit position at the end of September 2025 is broadly similar (£0.88m deficit) as the final quarter of the year is a forecast break even position given the anticipated higher level of Common Fund receipts compared to previous quarters (but consistent with trends in prior years).

2026 Budget

(See Appendix 1 for full details)

Income - £7.69m (2025 Forecast £7.59m)

- Common Fund - Common Fund letters asked for 3% increase but ideally a 5% increase - 76 pledges received to date (see info graphic below), with average increase at 3%, which shows encouraging signs that the £3.6m proposed budget (a 3% increase on the 2025 budget) is a realistic assumption.



- Church Commissioners Funding is confirmed at £2.24m LInC (methodology of LInC funding allocation across parishes for 2026 currently part of a review project) and £0.63m Transition Funding (as per Triennium Funding Review).
- Grants & Donations at same level (mainly Church Burgesses and Wentworth funding).
- Parish Fees at £274k assumes a 3% increase on 2025 levels.
- Property Rental income reduced from £220k to £160k as the number of surplus DBF properties producing third party rental income reduces as clergy roles filled and properties used for clergy.
- Investment Income held level for normal dividend income/interest and glebe income (no budget assumptions are made for investment unrealised gains (or losses), or any disposal proceeds from glebe assets).
- Cost recovery from projects held at 2025 forecast levels (consists mainly of clergy housing costs recovered from non-General Fund funded projects).

#### **Expenditure - £8.93m (2025 Forecast £8.44m)**

- *Grants Payable* (£nil) – this disappears as it related in prior years to amounts paid to National Church under the old Votes 2,3,4&5 which has been replaced by a new Ministry Training Fund (MTF).
- *Total Stipend Costs* (£3.71m) – the budget model has used the following rates from 1 April 2026 as set out by the Archbishops' Council:
  - Incumbents will be paid at the National Stipend Benchmark (NSB) = £34,950
  - Curates will be paid at the National Minimum Stipend (NMS) = £33,350

This represents to the DBF a 10-11% increase on the current stipend levels but now ensures consistency across Dioceses as part of the outcome from the Diocesan Finances Review (part of the Transition Funding is to assist the DBF with these increased costs).

- The 2025 budget assumed that circa 50% of vacancies would be filled during the year and with actual costs compared to budget fairly close this seemed a sound position to have taken when approving the 2025 budget. The current number of clergy posts versus 2025 and expectations for 2026 are set out in the table below.
- There are currently 13 vacancies across the Diocese that are being explored (the Diocese has a vacancy rate of 14% compared to recent national

reporting which suggests vacancy rates of up to 30%) with at least one of these expected to be funded from the SMMIB project (the overall SMMIB recruitment is added into the table below).

- The budget assumes an additional 5 incumbent DBF Funded roles over current levels filled on 1 July 2026 (i.e. there is a half year cost of these new roles), with the incremental cost of an incumbent (stipend/NI/pension) being £47k and a curate being £45k before housing/relocation costs/grants etc.

<b>Stipend Numbers (FTEs)</b>	<b>2025 Budget 31/12/25</b>	<b>2025 Forecast 31/12/25</b>	<b>Net Additions 2026</b>	<b>2026 Budget 31/12/26</b>
<b>Incumbant:</b>				
DBF Funded	64.0	66.5	5.0	71.5
Transformation & Capacity	5.0	5.0	0.0	5.0
Revitalisation	5.0	4.0	0.0	4.0
Post of First Responsibility	3.0	3.0	0.0	3.0
SMMIB Funded	0.0	2.0	10.0	12.0
Benefact	2.0	2.0	0.0	2.0
	79.0	82.5	15.0	97.5
<b>Curates:</b>				
DBF Funded	13.0	12.0	0.0	12.0
SMMIB Funded	0.0	0.0	4.0	4.0
SMMIB Extra Curates	0.0	0.0	3.0	3.0
SMF Extra Curates	9.0	10.5	(4.0)	6.5
	22.0	22.5	3.0	25.5
<b>Other Roles:</b>				
Locally Funded	6.4	4.4	0.0	4.4
Archdeacons	2.0	2.0	0.0	2.0
Church House Role	0.5	0.5	0.0	0.5
	8.9	6.9	0.0	6.9
<b>Total</b>	<b>109.9</b>	<b>111.9</b>	<b>18.0</b>	<b>129.9</b>

- *Parish Ministry Housing* (£2.17m) – The budget for 2026 at £2.17m is consistent with the 2025 position. Costings have been prepared by Michael Lindley (Diocesan Surveyor) based on the status of the 161 properties owned by the DBF, with 24 currently vacant/requiring Ingoing Works/Quinquennial Repairs etc.
- *Parish Ministry Recruitment* (£0.17m) - The budget has costed in 10 Resettlement grants (5 new incumbent roles from above and 5 replacement roles for any leavers) and 8 First Appointment grants (at 10% of new stipend levels) for

incumbents and a further 4 curates (additional curates over the base 4 roles will be funded by the SMMIB project). The overall budget includes removal and role advertising costs.

- *Parish Ministry Support Costs (£2.24m)* – This represents an increase of circa £200k from 2025, which is attributable to several factors:
  - The Archdeacons costs in 2025 were lower than budget and a full year's costs for 2 Archdeacons are in the 2026 budget.
  - The Diocesan Conference is run every two years and added into the 2026 budget (with no equivalent cost in 2025).
  - External costs with third parties such as the Registrar (Anthony Collins) are assumed to increase by an inflationary 3%.
- *Management & Administration Costs (£0.65m)* are consistent with 2025 budget/forecasts.
- In terms of non-stipendiary employees of the DBF, the assumption in the budget model around pay review is an overall 5% increase pot from 1 January 2026. This increase will be used to carry out the transfer of staff into a new job grading structure following an independent review performed in recent months – this is not an assumed 5% increase per person.

### **Overall 2026 Budget Deficit - £1.24m**

The budget presented shows a £1.24m deficit for the General Funds compared to the £1.99m budget deficit for 2025 and the £0.85m forecast 2025 deficit.

The overall impact on the 2026 budget compared to 2025 of the Triennium Funding Review is set out below:

#### **Net TFWG Benefit 2026 versus 2025:**

LInC increase	606
Transition Support	541
Pooling saving	35
Removal of Votes 1-5	214
New MTF costs	(217)
Removal of Ordinand Maint - Aut 26	33
<b>Net TFWG Impact</b>	<b><u>1,211</u></b>

This £1.2m benefit needs to be considered alongside the changes to the stipend levels. The increased stipend costs (if headcount had remained level from December 2025 through to the end of December 2026) amount to £0.4m.

### *Budget Variables:*

The biggest variable to the deficit is the number of DBF funded stipends. The budget model assumes that 5 roles (circa 50% filling of vacant roles takes place) and those new incumbents are in their role for half of 2026 bringing the number of DBF funded incumbents to 71.5 FTE at 31 December 2026.

If the budget was built on the basis of no additional increase in the number of DBF roles from the end of 2025, the DBF funded incumbents would remain at 66.5 FTE – this would bring the overall deficit down by £192k to £1.05m.

Alternatively, if the budget assumed that 10 additional DBF funded incumbents were recruited, bringing the number of incumbents to 76.5 FTE – this would increase the overall deficit by £171k to £1.41m.

### **2027 – 2028 Projections**

The Triennium Funding Review has given us some clear indications on our funding from the Archbishop's Council for 2027 and 2028, with amounts confirmed in terms of the headline numbers on LInC funding and Transition Support funding. LInC funding will grow at 4% each year whilst the level of Transition Support will drop by circa £100k each year from £631k in 2026 to £430k in 2028.

These numbers alongside a projected 5% growth in Common Fund, a fixed number of DBF funded stipends as at 31 December 2026 and 3% inflationary increases in stipends, salaries and overheads provide us with an indicative deficit of £1.5m for 2027 and £1.6m in 2028 (see Appendix 1 for further details).

Note - The £0.26m increase in deficit from 2026 to 2027 is much larger than the £0.1m increase from 2027 to 2028. This is due to two reasons:

- 2027 carries a full 12 month impact of the new stipend and pension rate changes from 1 April 2026 (where as 2026 only has a 9 month impact).
- 2027 carries a full 12 month impact of the additional 5 DBF funded incumbents (where as 2026 assumes they were recruited on average at the half year point so only has a 6 month cost impact).

Whilst the Triennium Funding Review has helped lessen the impact of the structural funding challenges Sheffield (and virtually every other Diocese across the country) face, a three year time horizon is not sufficient to fix the issues.

We must also not forget that the forecast Common Fund income in 2028 of £4.0m will have only just got back to the level we were receiving back in 2019. A review of the

Common Fund system is expected to take place during the first half of 2026 before heading into the 2027 budget cycle.

### **DBF Reserves Impact**

The overall DBF Deficit will be virtually identical as most of the non-General Fund income (i.e. SMMIB/Transformation etc with the Restricted Funds) is offset by a matching amount of costs, so there is minimal impact from those funds.

The movements on Reserves based on the 2025 Forecast and projections through to 2028 (excluding any investment revaluation gains/losses) would look like:

<i>£million</i>	Unrestricted	Restricted				Endowment			Total
	General	Pastoral	Church in Action	Schools	Other	Stipend	Parsonages	Schools	
At 1 January 2025	5.5	2.9	4.6	0.5	0.2	12.3	32.1	1.7	59.8
2025 Forecast	(0.9)				(0.1)				(1.0)
Transfers	(0.1)		(0.1)		0.2				0.0
Parsonage Repairs	0.5	(0.5)							0.0
At 31 December 2025	5.0	2.4	4.5	0.5	0.3	12.3	32.1	1.7	58.8
2026 Budget	(1.2)				(0.1)				(1.3)
Transfers	(0.1)		(0.1)		0.2				0.0
Parsonage Repairs	0.6	(0.6)							0.0
At 31 December 2026	4.3	1.8	4.4	0.5	0.4	12.3	32.1	1.7	57.5
2027 Forecast	(1.5)				(0.1)				(1.6)
Transfers	(0.1)		(0.1)		0.2				0.0
Parsonage Repairs	0.6	(0.6)							0.0
At 31 December 2027	3.3	1.2	4.3	0.5	0.5	12.3	32.1	1.7	55.9
2028 Forecast	(1.6)				(0.1)				(1.7)
Transfers	(0.1)		(0.1)		0.2				0.0
Parsonage Repairs	0.6	(0.6)							0.0
At 31 December 2028	2.2	0.6	4.2	0.5	0.6	12.3	32.1	1.7	54.2

The continued reduction in Unrestricted Funds, over the 4 year period erodes all of the “useable” reserves in the Unrestricted Fund as the remaining £2.2m are property related assets.

Further areas to progress with FaPC before we go through the 2025 audit process are:

- Using the Pastoral Fund to cover the property costs relating to interim repairs and quinquennial repairs (as set out above) in addition to covering the costs of closed churches where the DBF has taken over financial responsibility.
- Using the Stipend Capital Fund to cover improvement costs (ingoining works) to parsonages (as opposed to repairs), which currently are budgeted at £0.7m per annum.
- Using the Church in Action fund to support the increase in clergy stipends and pensions.

Whilst these actions will not stop the overall erosion of the DBF reserves in the table above, they will potentially stop the erosion of the Unrestricted Fund and enable the day to day management of cashflow and operations to continue. This has become more challenging in recent months given the financial dependence on the cash receipts from the Archbishop's Council to support the grant funding projects.

**Action/Decision Required:**

At its meeting on 4 November the Bishop's Council recommended the budget as set out in this paper to the Diocesan Synod (sitting as the Diocesan Board of Finance) on 22 November, with the following motion:

“THAT Synod, sitting as the DBF, approves the Budget of the Diocesan Board of Finance for the twelve months ending 31 December 2026 as proposed by the Finance Committee and authorises the DBF to work to a deficit Budget of net (outgoing) resources, after transfers, of £1.24m.”

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**Appendix 1:**

**2026 DBF General Fund Budget  
(with 2027/28 Forecast)**

	<b>Actual 2024</b>	<b>Budget 2025</b>	<b>Forecast 2025</b>	<b>Variance</b>	<b>Budget 2026</b>	<b>Forecast 2027</b>	<b>Forecast 2028</b>
	2024 General Fund £000	2025 General Fund £000	2025 General Fund £000	2025 General Fund £000	2026 General Fund £000	2027 General Fund £000	2028 General Fund £000
<b>INCOME</b>							
1 Common Fund/Ephesians Fund/Restricted PLF Fund	3,419	3,510	3,510	0	3,615	3,795	3,985
2 Church Commissioners Grants	1,892	1,835	2,835	1,000	2,874	2,865	2,853
3 Grants and donations	123	124	124	0	124	124	124
4 Fees and benefice income	275	266	266	0	274	282	291
5 Rental income	230	200	220	20	160	140	120
6 Investment income	392	383	383	0	382	383	385
7 Income from events etc	46	44	34	(10)	44	46	49
8 Cost Recovery from Projects	149	403	219	(184)	220	235	243
<b>INCOME TOTAL</b>	<b>6,526</b>	<b>6,765</b>	<b>7,591</b>	<b>826</b>	<b>7,692</b>	<b>7,870</b>	<b>8,050</b>
<b>EXPENDITURE</b>							
Costs of activities and support of activities:							
9 Grants Payable	242	255	215	40	-	-	-
Parish Ministry							
10 Parish Ministry - Incumbents Stipends	2,434	2,723	2,649	74	3,138	3,396	3,497
11 Parish Ministry - Curate Stipends	506	516	544	(28)	570	595	613
Parish Ministry - Total Stipends costs	<b>2,940</b>	<b>3,239</b>	<b>3,193</b>	<b>46</b>	<b>3,707</b>	<b>3,991</b>	<b>4,110</b>
12 Parish Ministry - Housing	1,954	2,201	2,224	(23)	2,169	2,228	2,292
13 Parish Ministry - Recruitment	185	248	200	48	171	177	182
Parish Ministry - Total Non-Stipendiary Costs	<b>2,139</b>	<b>2,449</b>	<b>2,424</b>	<b>25</b>	<b>2,340</b>	<b>2,405</b>	<b>2,474</b>
<b>PARISH MINISTRY - TOTAL PARISH MINISTRY COSTS</b>	<b>5,079</b>	<b>5,688</b>	<b>5,617</b>	<b>71</b>	<b>6,048</b>	<b>6,395</b>	<b>6,585</b>
14 Parish Ministry Support Costs	1,950	2,148	1,941	207	2,237	2,311	2,381
15 Management and Administration Support Costs	450	664	669	(5)	647	666	686
<b>TOTAL SUPPORT COSTS</b>	<b>2,400</b>	<b>2,812</b>	<b>2,610</b>	<b>202</b>	<b>2,884</b>	<b>2,977</b>	<b>3,067</b>
<b>EXPENDITURE TOTAL</b>	<b>7,721</b>	<b>8,755</b>	<b>8,442</b>	<b>313</b>	<b>8,932</b>	<b>9,372</b>	<b>9,651</b>
<b>NET INCOME / (EXPENDITURE)</b>	<b>£ (1,195)</b>	<b>£ (1,990)</b>	<b>£ (851)</b>	<b>£ 1,139</b>	<b>£ (1,240)</b>	<b>£ (1,502)</b>	<b>£ (1,601)</b>