Diocese of St Albans
Diocesan Synod

Item 12 - Five Year Financial Projections and Budget Considerations

14 June 2025

What does the diocese exist for?

‘To promote, aid and further the work of the Church of England in the St Albans Diocese. Under Living Gods Love, which was launched in January 2011, the St Albans DBF; deploys the clergy, pays stipends and provides housing for stipendiary clergy; recruits and trains the clergy and readers; offers advice on places of worship; promotes parochial stewardship; develops youth work; promotes Religious Education.’

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An important health warning

This film is being recorded on 2 June.

Much of what will be said about the future is at most in proposal form and depends on decisions by the Church Commissioners, the Triennium Funding Working Group, the Archbishops' Council Finance Committee and General Synod.

National decisions that will impact on our budgeting and future planning will not be clear until mid July at the earliest.

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An important health warning

This is the background against which the Diocesan Board of Finance, led by its Budget Committee, will be developing proposals for 2026 which will be brought to the October Synod for approval.

An important health warning

Not everything that you read in the Church Times will happen!

Background to Diocesan finance

- The diocese collects money from parishes through the generosity of individual parishioners. Parish share represents 73% of diocesan income.
- That money in turn pays for stipends, pensions, housing etc of clergy in parishes and for services to support parish life.
- The diocese manages historic assets to provide further support for parishes and seeks external funding, including from the central church, to further ministry in parishes and mission in the diocese.

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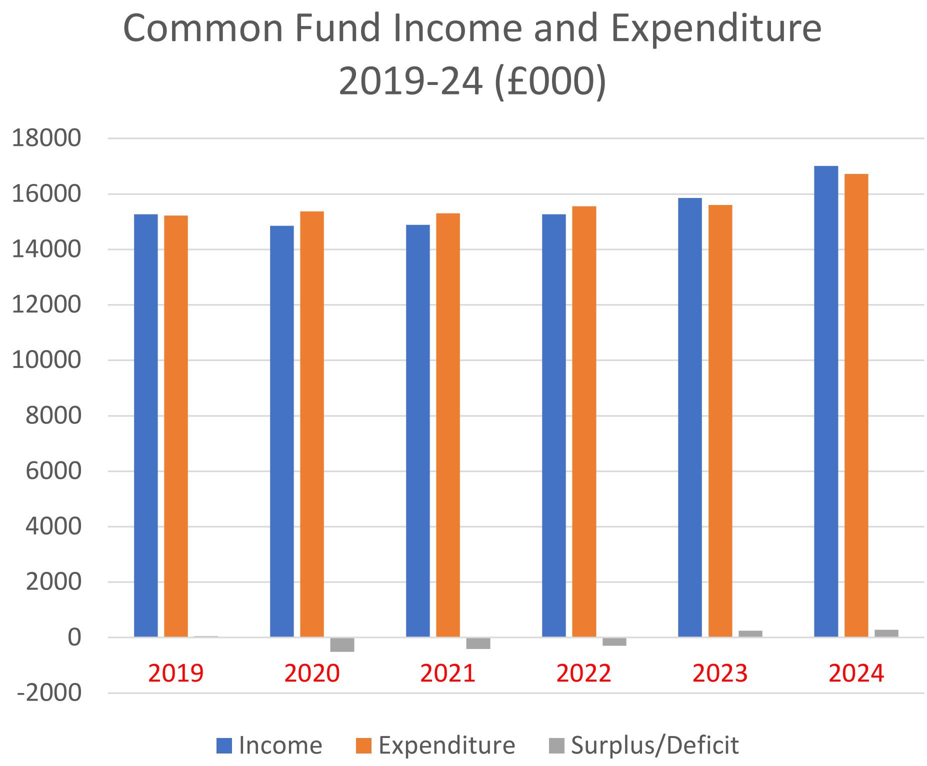
Background to Diocesan finance

- Balancing how much money will be generously donated by parishes and how much can be spent on clergy and other costs is a difficult balance, particularly when external factors make prediction and therefore budgeting difficult.
- A mix of external and internal factors make budgeting for 2026 and subsequent years more difficult than before.
- The diocese also has complex funds for other specific purposes, typically with use restricted to specific purposes.

What has happened in the last few years?

- Small annual surpluses in 2010s.
- Negative impact of COVID-19 and lockdown – less than in other many dioceses.
- Cumulative deficit of £1.2 million in 2020-22.
- Recovery in 2023-24 through parish share generosity and despite other financial pressures on parishes.



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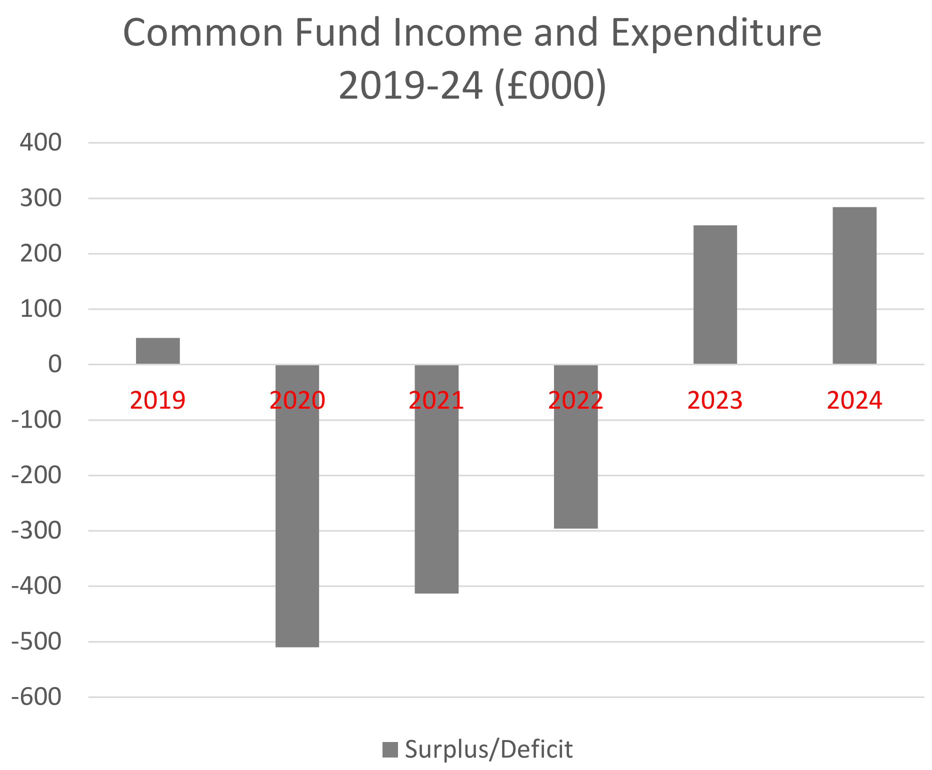
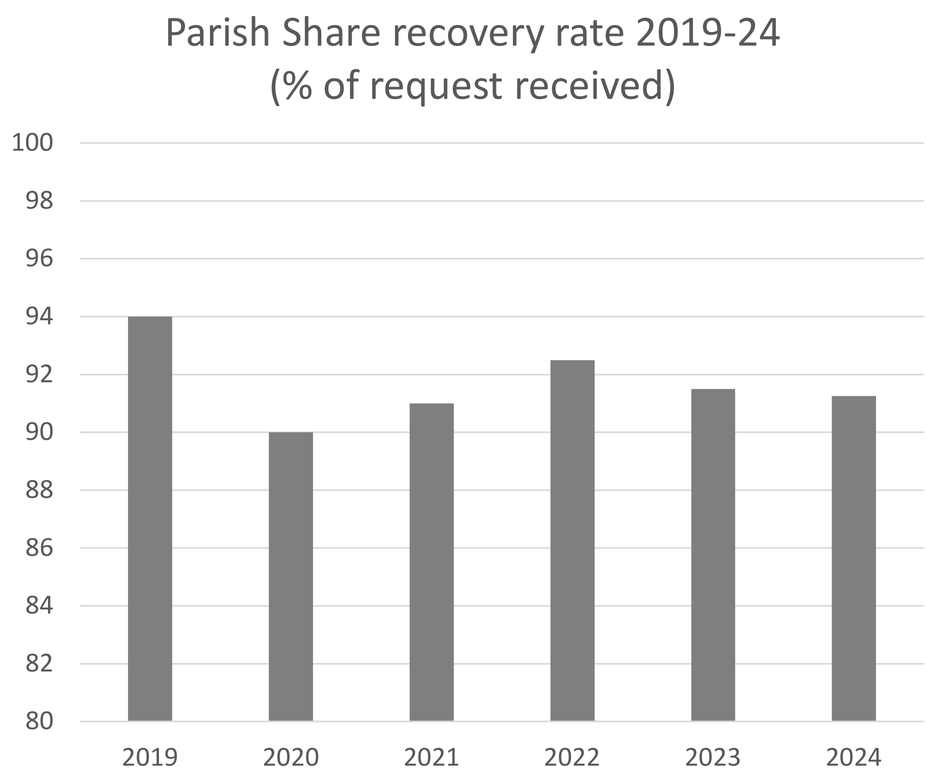


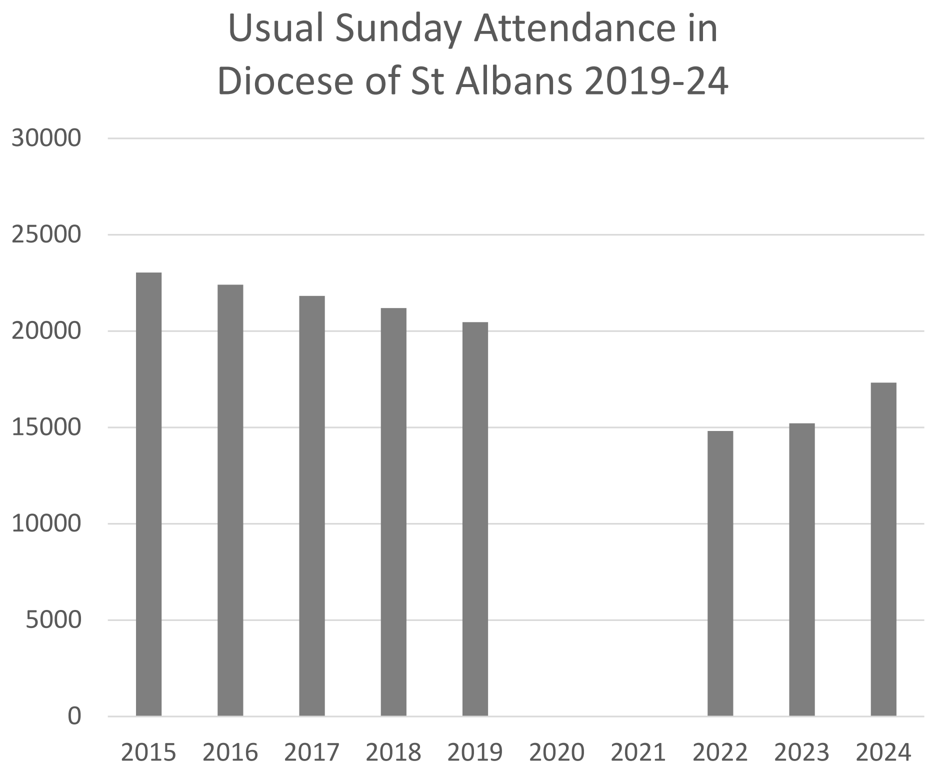
What has happened in the last few years?

- The rate of parish share recovery has been a significant factor which makes budgeting for future years more difficult.
- Parish share recovery has declined over recent years but is still high by comparison with other dioceses.



What about church attendance?

- There has been long term decline in membership and attendance since the 1850s.
- Continuing decade by decade over the last 100 years.
- COVID-19 and lockdown was an unprecedented interruption to church attendance.
- Recovery since has been slow and pre-pandemic levels have not been regained.



What does all this mean for 2026 and beyond?

- Forecasting income and expenditure remains very difficult because of parish share recovery and the impact of economic pressures on parishes.
- Budgeting is made more complex because of external and internal factors, some decisions on which have not yet been confirmed.

2026 and beyond – external factors

- Probable changes to financial relations between the national church and dioceses, including an overhaul of charging for ministerial training.
- Proposals to set clergy stipends nationally, most probably with no ability for dioceses to operate any flexibility from a national rate.
- Proposals to reinstate the real value of clergy stipends at their 2011 value.
- Proposals to reinstate the percentage of clergy stipends payable to clergy pensioners.

2026 and beyond – external factors

- The impact on dioceses, and specifically on St Albans, of these changes is not yet clear. This is particularly true in relation to pension improvements.
- In the long term costs will most probably fall on dioceses. In the short term there is a strong possibility of transitional relief – which might last for 7-9 years, but with the possibility that this relief will be front loaded.
- Current proposals, not yet approved and not covering all of the changes suggest that St Albans might receive in excess of £1 million of transitional relief in 2026-7 combined.

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2026 and beyond – external factors

- If we receive a large amount of transitional relief in 2026-7 it will be important to regard that as a one-off benefit and not built in permanent changes to our budgeting.

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2026 and beyond – external factors

- The rate of general inflation will also be a substantial external factor on the church economy, though understanding the specific rate of 'Anglican church inflation' is of greater importance.

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2026 and beyond – internal factors

- Difficult judgements will need to be made about what changes can reasonably be made to parish share levels and to stipendiary clergy numbers.
- It is known that these are sensitive and contentious issues, not least through the questions raised at Synod meetings in 2026.
- Income sources beyond parish share receipts are also important, particularly investment income.

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2026 and beyond – internal factors

- In 2022 the DBF adopted a Total Return investment policy enabling a small element of Diocesan investment assets to be distributed as income each year.
- The policy includes three yearly review, which is happening this year.
- The DBF Assets Committee will be making proposals that will impact on at least the next three years.

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2026 and beyond – internal factors

- Factors that the DBF will need to consider will include:
    - Returns on market investments, current and forecast.
    - The substantial realised gains on sales of glebe land for development, and future prospects.
    - Intergenerational fairness.
- Any revision to the Total Return policy will be incorporated in budgeting for 2026, but is likely to impact on 2027 and 2028.

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Putting all this together

- This presentation is planned to equip Synod members with information to be able to debate the issues that are likely to impact on budgeting for 2026 and beyond.
- The DBF sees itself as being in listening mode to the debate so that it can balance views and potentially conflicting pressures in brining proposals back to Synod in October.