

2026 Diocesan Budget Narrative



BACKGROUND

In November 2024 Canterbury DBF began a comprehensive review of finances which has allowed the Board to better understand its position both in its own context and in comparison with other dioceses.

The Board presented plans at meetings of Archbishop's Council and Diocesan Synod, setting out how the Diocesan Board of Finance could secure a *sustainable* missional and financial future:

- balancing the budget by 2030
- selling unused housing and bringing together a programme of Glebe sales
- submitting a funding request to SMMIB
- seeking a settlement with the National Church Institutions
- controlling costs

This paper sets out the proposed budget for 2026.

SUMMARY OVERVIEW

The proposed total expenditure (unrestricted) in 2026 is £10,796k. This represents an eight per cent increase on the 2025 figure.

The proposals include:

- 10.7% and 3.5% stipend and salary increase respectively
- A flat 1.25% increase in Parish Share
- To use one-ninth of the nine-year "Cliff-edge" funding being allocated to the diocese totalling £222,000
- To use one-third of the proposed sales (expected to generate £3m) over five years creating a "Property Ring-fenced Fund" with the balance and future sales, the interest on which will be used to carry out improvements to clergy homes
- Various cost cutting/income increasing measures totalling £92,000

Lowest Income Community Funding ("LInC") will increase to £1,145k in 2026 and be index linked after that.

The balance between will require a Parish Share request of £8,017k.

(This assumes a Parish Share payment rate of 90%. The non-payment of £802k can be treated as a deemed cost resulting in budgeted deficit of £176k. Should the rate of payment increase to 92%, the deficit will reduce to £15k.)

The 2026 BUDGET

BASIC ASSUMPTIONS

The budget is based on the following assumptions:

- a 10.7% increase in stipends (4.1% for archdeacons)
- a 3.5% increase in salaries (9 months of the year only)
- a 1% increase in other costs
- a 5% increase in council tax

Other detailed changes are listed in the Budget narrative section below.

INCOME

Parish share

Parish share requested in 2025 was effectively £7,918k. This included £104,815 contingency and reduction of £27,486 of adjustments to individual parishes.

In 2026 parish share requested will only be increased by 1.25% from 2025 figure. The net increase across the diocese will therefore be £98,980 with overall figure requested being £8,017,386.

LInC funding

Lowest Income Communities Funding has been increased by £252k from 2025 and it is £1,145k in 2026. This will rise to £1,192k and £1,239k in 2027 and 2028 respectively.

There is now a requirement to link LInC funding to strategy and this will be a consideration as more informed processes are developed.

Extraordinary income

To keep any Parish Share increase to a minimum in 2026 other sources of income are required to plug the gap between our rising expenditure and somewhat stagnant income.

We are planning to balance the books with 1/3 of sales proceeds from properties that no longer are required.

Time-limited funding

Following the Diocesan Finance Review undertaken by Archbishops' Council, this diocese has been awarded £2,080k of time limited funding over the next nine years. This

funding, referred to as “cliff edge funding” is tapered reducing from the initial payment of £516k in 2026.

Recognising that our costs will in fact increase in future years, it is proposed that £222,000, exactly 1/9 of the total amount is used each year. The balance of the fund has been designated for this purpose and invested accordingly.

We recognise this is a cautious approach but hope this will ease the impact of stipend increases and reduce the pressure on parishes. It will also provide financial and budgetary certainty. By adopting this measure, we can provide clarity as to future income and aim to limit increases in Parish Share.

CONTRIBUTIONS TO NATIONAL CHURCH INSTITUTION COSTS

Contributions to central funding have been reduced. The changes from the Diocesan Finances Review include:

- an allocation of £200m time-limited funding over nine years
- £100m of this will be allocated in 2026-2028
- The majority of the 2026-28 funding – £63m – will be distributed by formula
- £37m is also available for distribution using the DIP application process, ring fenced for time-limited support. (The purpose of the funding is to provide dioceses with short-term help to avoid making sub-optimal missional decisions whilst their longer-term plans to develop missional health and financial sustainability bear fruit. Some DIP funding has been provided for that purpose in 2023-25 and the availability of the ‘DIP time-limited funding’ in 2026-28 provides additional help.)
- An increase in Lowest Income Community funding of £10m nationally
- The removal of apportionment
- A centrally administered Ministry Training Fund

Overall, the changes to funding will have a positive impact on the finances of Canterbury DBF:

Diocese *	After TL formula funding	Eliminate Apportionment & Maintenance	Ministry Training Fund (MTF)	Additional LinC	Sub-Total Net Impact	As % Income	Stipend Increase	Total Net Impact
Canterbury	4%	694,996	-212,481	286,765	769,280	7%	-348,288	420,992

Other income

Parochial fees, investment income and rental income have all been budgeted as per most recent performance but recognising that rental income achieved from short term rentals of empty vicarages has increased beyond amounts budgeted in previous years.

The new Renters’ Act will potentially impact the market in ways detrimental to DBFs.

UNRESTRICTED EXPENDITURE

PARISH MINISTRY

Clergy

The Archbishops' Council, as Central Stipends Authority (CSA), has agreed, that the National Stipend Benchmark (NSB) should be increased by 10.7% on the NSB for the current year. This means that the NSB for incumbents and clergy of incumbent status will increase to the level of £34,950 from 1 April 2026. The 10.7% figure represents a catch up with CPIH inflation since April 2011 together with the 12-month CPIH inflation increase to April 2025 of 4.1% (this increase is applied to archdeacons' stipend).

Further, the Council has agreed a 10.7% increase in the National Minimum Stipend (NMS) from the 1 April 2026. The NMS will increase to £33,350.

Our 2026 (from 1 April) rates have been approved to be increased as illustrated in the table below.

Current and expected rates	2025	2026
Clergy Stipend	£31,559	£34,950
Curate Stipend (Y1&2)	£30,297	£33,727
Curate Stipend (Y3&4)	£30,770	£33,727
Resettlement Grant	£3,011	£3,335
Robes and Books Grant	£3,011	£3,335
Housing Allowance	£8,400	£8,686

The ministry costs include stipends for 85 full time equivalents.

Staff costs

Finance and Asset Committee agreed an uplift of **3.5%** to staff costs from 1 April 2026. This is lower than the 4.1% annual increase suggested for clergy.

Even without this increase, staff costs would have increased from 2025 to 2026 because the timing of increases in April means that the previous year would have had 3 months stipends and salaries at a lower rate so the increase of 3.94% applied in April 2025 will effectively increase January to March in 2026 compared to those months in 2025.

This same increase will impact on pension and NI costs, however, the latter would have increased higher due to the drop in threshold to £5k and increase in rate from 13.8% to 15%. The increase in employers' national insurance was not captured in 2025 budget due to timing of the government's announcement.

With anticipation of approval of the latest proposal on clergy pension contributions, the proposals include a clergy pension rate of 21%.

PROPERTY

The property department is responsible for maintenance of 167 properties (168 in 2025 budget). The overall cost of property department's work has risen 17%. Apart from sharp inflationary increases across all the cost lines we had recognised that the cost of our in-house solicitor was not counted in the previous year's budgets, we are anticipating increases in glebe management fees, energy costs and in general repairs.

SOCIAL JUSTICE NETWORK

2026 budget includes a £110k grant by CDBF to SJN. This covers salaries of two staff members with a small remainder for overheads of the charity.

A number of programmes have received significant funding.

CHILDREN AND YOUNG PEOPLE

The Children and Young People framework has a budgeted increase in expenditure of £25k (7%) which is in line with inflationary increase in staff cost and national insurance. In addition, there is an increase in the post of Schools Officer from 0.71 FTE to 0.80 FTE which will be funded from education restricted funds.

LOCAL CHURCH DEVELOPMENT

The Pastoral Secretary's salary has been moved to this department from the 'Readers' cost centre in the Licensed Ministries. The Mission and Growth Adviser is now receiving a salary rather than a stipend and a house. The remaining cost centres' budgets have increased in line with expected inflationary increases.

LICENCED MINISTRIES

Phase 2/Curates budget pays for stipends of 14.88 full time equivalents. The increase in stipends and in housing costs increased the costs in this cost centre by 20%. These increases are offset by reduction in costs of Vocations & Ordinand cost centre which benefits from reduction in the Archbishops' Council -Vote 1 (£40k) and reduction in maintenance grants (£71k) and training fees (£33k).

SUPPORT SERVICES

IT department costs are set to increase by 12%, driven by several factors: rising staff costs across the Diocesan Team, inflation impacting service providers, and the need for an additional 0.8 FTE team administrator to manage the substantial administrative workload. These costs will be partially offset by savings from current software contracts and the invest-to-save strategy within information systems.

Media and Engagement costs will increase by 18%, partly due to increased staff costs and partly due to plans for an additional mobile phone and training.

The Safeguarding Department has requested a 43% increase in budget for work associated with the Safeguarding Audit.

The Generous Giving Team had been split away from the Finance department to recognise the cost separately. The overall cost of Finance and Generous Giving has increased since 2025 budget by 15%, mainly due to increase in staffing costs but most importantly by additional resources allocated to supporting parishes.

PROPOSAL

The proposed Budget for 2026 was approved by Archbishop's Council on 14 October. Diocesan Synod must either approve or reject the budget as brought to it under the Synodical Government Measure. No amendments are allowed. If it is rejected, a new budget will need to be prepared, and a special Synod meeting will need to be convened for it to be approved.

The Measure states at section 4(2)(d) "The functions of the diocesan synod shall be to consider proposals for the annual budget for the diocese and to approve or disprove them". There is no power to amend or veto particular lines in the budget which means there cannot be a motion to amend.

It is hoped that the significantly increased consultation this year has provided the opportunity both to better understand the complex nature of the budget and budget process and provided an opportunity to hear the concerns raised.

Diocesan Synod is asked to consider the proposals for the 2026 Annual Budget for the diocese and to approve or disprove them.

Tony Richter, Chair, Canterbury Diocesan Board of Finance

Iain Blythe, Diocesan Secretary