The Diocese of Southwark

DS(25)26

DIOCESAN SYNOD

Budget 2026

The Vice Chair of the DBF to move that the consolidated budget for 2026 now be considered and that:

"This Synod approve the total 2026 budgeted expenditure of £30,058,087 which is based on a total budgeted income of £30,024,730"

1. The Diocesan Council of Trustees unanimously approved this budget for presentation to Synod at its meeting on 15 November 2025. The Policy and Finance Committee in October has also scrutinised the budget and unanimously recommended it to the Diocesan Council of Trustees.

2. The budget includes all the outcomes from the Diocesan Finance Review:

    - An increase in clergy stipend to £35,000 from April 2026, from the current Southwark stipend of £31,686.
    - Transitional support to enable dioceses to move away from structural operating deficits.
    - Abolition of the Votes on contributions to National Church.
    - The contribution of Southwark towards the new Ministry Training Fund of just over £1m.
    - A reminder that Southwark does not receive Lowest Income Communities Funding ("LInC") which was significantly increased in the finance review but without changing the basis for which eligibility is calculated.

3. The PSF ask to parishes for 2026, based on indicative costs, was an increase of 5.7%. This increase was primarily driven by a 10% rise in the level of clergy stipend. If the increase in PSF had reached 5.7% then the budget would have been balanced without the need for the cuts outlined in this paper.

4. Our indications to date are that the overall increase in PSF will be around 2.5% which is included in this budget.

5. This indication is based on the fact that at the time of writing 91% of parishes have pledged, amounting to £15.8m of the budgeted £16.7m. To date of parishes that have pledged

    - 40% have met or exceeded a 5.7% increase
    - 38% have offered below a 5.7% increase
    - 17% have offered no increase
    - 5% have decreased their pledge

6. Of the remaining 29 pledge decisions we expect some significant decreases and conversations are still ongoing.

7. Given that the budgeted pledge increase is 2.5% rather than the 5.7% rise in indicative costs to have a balanced budget, we have had to make other changes. Firstly, on income we cannot move away from our reliance on the gains from property sales as soon as we would like (our structural deficit). Secondly, the first stage of some cost reductions outlined to PFC have been included. These relate to discretionary grants given by the DBF to other organisations. The total reduction will be £190,000. Area Mission Grants will be reduced from £180,000 per annum to £50,000. The funding from All Churches Trust/Benefact that we used for these has been cut and will be phased out. We will also reduce the grant to Welcare by £60,000.

Income

8. With a draft budget assumption of a 2.5% increase in PSF the variance analysis is set out below.

Variance from Budget	Pledge Increase	Pledge	Budget Out-turn
		£	£
-1.00%	1.50%	16,489,955	(195,819)
-0.50%	2.00%	16,571,186	(114,588)
0.00%	2.50%	16,652,417	(33,357)
0.50%	3.00%	16,733,648	47,874
1.00%	3.50%	16,814,879	129,105

9. It is assumed that parochial fees remain flat. There will be an inflationary increase in the level of fees, set by the National Church, but in recent years we have not achieved budget so this assumption is prudent.

10. Grants received include the expected SDF, DIP and other grants from Archbishops' Council/Church Commissioners. There is the reduced Benefact grant together with the

expected grant from Trust for London. We now understand that Trust for London may reduce their grant to us in future years as they divert funds away from diocesan giving.

11. Investment income is set at 4%. The Investment Committee has decided to recommend that a small amount of Total Return can be used if the actual return falls below 4%.
12. Property income is set at a 4% increase to reflect the strong market.
13. Other income increases because the main source of this is stipend recharges to parishes, and stipends are increasing.
14. Transitional funding is as set out in the Diocesan Finance Review.
15. Accounting gain on property transactions set at £2.8m. This is a reduction from 2025 which was £3.6m, and is balanced by the transitional funding we will receive as we move away from dependence on this source of income.

Expenditure

16. Clergy stipends are set out above, with the recommended senior clergy rate increasing Archdeacon and Canons by 4.1%. No reduction in clergy numbers budgeted for 2026.
17. DBF salaries are increased by 4.1%. This is the recommendation of the Remuneration Committee, and is in line with informal conversations with other dioceses. The current rate of CPI inflation is 3.8% and DBF employees have received below inflation increases in previous years.
18. Property expenditure is increased to reflect the higher water rates and council tax feeding through in 2025. We now spend £1.2m on Parsonage council tax and water rates. There are also increased rental and repair costs.
19. Other departmental costs outside staffing remain largely unchanged. We have not applied any inflationary increase to non-staff budgets so there is a real terms modest tightening and we are making small savings in Trinity House e.g. by cancelling the staff Christmas lunch in favour of a bring-and-share meal and drinks in the Blue Maid pub. We are also moving The Bridge from ten publications per year to 4.

Reserves

20. For context, the general reserve of the DBF at the end of 2024 was £3m. The policy of the Trustees is a reserve of three months expenditure, which should be £7.5m.

Forward View to 2030

21. An updated forward view to 2030 is included, based on the current budget projections for 2026.

22. This still shows a significant widening in the deficit through the coming years, without either significant increases in the PSF or significant cost reductions.

23. The deficit could grow to £3.7m by 2030 which is clearly not sustainable.

24. The fact that we have reached a balanced budget for 2026 means that there is time to think strategically about how we make the necessary cost savings through 2027 and beyond, rather than having to act in a way that snatches at changes in 2026.

25. Archdeacons and Bishops are considering the implications of the forward view with respect to future clergy appointments and we are developing a communications strategy for staff and parishes, which will include conversations with Area Deans (led by Archdeacons) on mission and ministry in their areas.

Nicola Thomas & Mark Rhodes
December 2025

The Diocese of Southwark
Budget 2026 and Forward View

	2026 Budget	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Incoming Resources					
Parish Share	16,652,417	16,777,311	16,903,140	17,029,914	17,157,638
Parochial Fees	401,281	401,281	401,281	401,281	401,281
Grants received	6,080,780	6,273,262	6,929,426	5,707,248	4,703,165
Investment Income	1,212,187	1,245,979	1,280,784	1,316,634	1,353,559
Property Income	953,615	991,760	1,031,430	1,072,688	1,115,595
Other income	1,142,833	1,170,074	1,197,754	1,226,104	1,255,137
Transitional Funding	781,616	657,112	532,608	408,104	315,672
Total Incoming resources	27,224,730	27,516,778	28,276,425	27,161,972	26,302,047
Resources Expended					
Clergy Costs	14,404,285	14,684,793	15,051,912	15,428,210	15,813,915
Property Costs	4,077,333	4,210,541	4,348,643	4,527,098	4,712,620
Vocations and Clergy Formation	365,762	300,081	307,583	320,386	333,637
Ministry & Discipleship	511,529	524,318	537,426	564,834	593,277
Mission, Pioneering Ministry and JPIC	1,072,114	1,038,877	1,006,240	1,067,919	1,132,053
Strategic Development	1,741,714	1,094,460	557,000	-	-
Diocesan Investment Programme	1,612,042	2,533,016	3,659,608	3,172,822	2,291,276
Area Mission & Office Costs	691,881	709,178	726,908	754,623	784,634
Safeguarding	590,935	605,708	620,851	671,283	723,849
Communications	361,109	370,137	379,390	411,956	445,914
Office buildings	378,971	388,446	398,157	413,536	429,435
IT	516,076	528,978	542,202	576,739	612,664
Administration	2,136,175	2,189,579	2,244,318	2,404,013	2,570,289
Human Resources	217,739	223,182	228,762	244,215	260,298
Board of Education	376,705	386,123	395,776	405,670	415,812
Contributions to National Church	1,003,718	1,173,320	1,215,951	1,246,350	1,277,509
	30,058,087	30,960,736	32,220,727	32,209,654	32,397,181
Surplus (Deficit) before property gain/(loss)	(2,833,358)	(3,443,957)	(3,944,302)	(5,047,682)	(6,095,134)
Property gain/(loss)	2,800,000	2,500,000	2,500,000	2,500,000	2,500,000
Surplus (Deficit) before property gain/(loss)	(33,358)	(943,957)	(1,444,302)	(2,547,682)	(3,595,134)