Diocese of Portsmouth – Strategic Financial Plan

Report to Bishop's Council – September 2026

Context:

The Diocese of Portsmouth is required to submit a Strategic Financial Plan as an annex to our latest bid for national church funding, to be decided upon at the December 2026 meeting of the Strategic Mission and Ministry Investment (SMMI) Board. The outline of the bid was approved by Bishop's Council at the 9th July 2026 meeting.

The plan also acts as the Diocese's bid for Time-Limited Funding of £500,000, which can be used flexibly whilst other projects to grow income are bearing fruit. It is anticipated that this will be used in 2027 and 2028.

Alongside these purposes, it is also helpful for Trustees and others to understand the long-term financial position in order to make budget decisions for the coming years.

Recommendations to Bishop's Council:

- That the Strategic Financial Plan is adopted as the Diocese of Portsmouth's plan for financial decision making.
- That the Diocesan Secretary and Director of Finance make plans for increasing Parish Share income through support of Parishes, targeting a growth of 2% above inflation each year until the deficit is addressed.
- That the Diocese advocates for changes to the national funding formula to increase direct funding for Diocese's to use to pay for stipendiary ministry.

Tim Pike

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16th September 2026

Portsmouth Diocese – Strategic Financial Plan

1 Executive summary

Portsmouth Diocesan Board of Finance (DBF) has a deficit budget for 2026, with a forecast deficit of £1,237k.

In simple terms, the diocese income from Parish Share has decreased over the last ten years from £4.9M to £4.6M. However in real terms, after accounting for inflation, this means that income has declined by £2M since 2016.

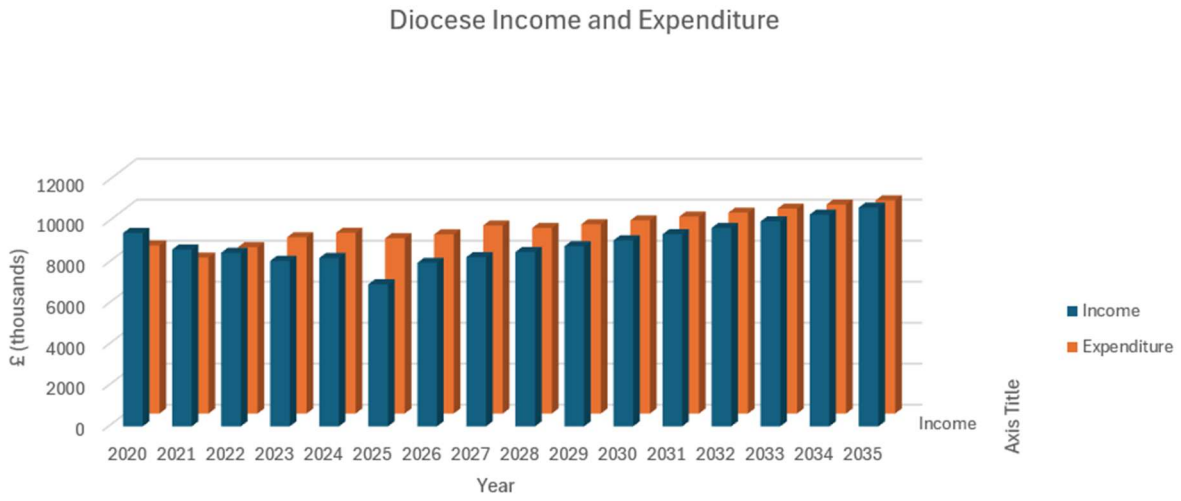
Continuing with the same cost base and inflation-only increases to income will lead to an increased deficit and use of £8.5m of reserves by 2035.

Options have been considered as follows:

1. Maintain current level of stipendiary clergy and increase share income – this will take at least 7 years to achieve a balanced budget
2. Reduce stipendiary clergy numbers by 10 – this will bring the budget into balance more quickly BUT damage current activities and prospects for growth. Decisions as to the number and allocation of clergy posts would be guided by the Strategic People Plan.
3. Achieve a change in the national funding formula that would result in increased grant funding from the Church Commissioners as unrestricted income to Dioceses for stipends. This option is outside of the control of the diocese, but is still being pursued by the Bishop of Portsmouth and others.

It is recommended that Option 1 is pursued, alongside advocating for Option 3 - changes in the national funding formula. This decision requires a growth in Parish Share income of 2% above the rate of inflation, although that requirement would be reduced if the national funding formula increases diocese income.

The anticipated income and expenditure profile is shown below. Pursuing option 1 will grow income faster than expenditure.



The diocese intends to use DIP funding to promote growth and increase income over time. We are initiating a major plan of work to increase giving and payment of share. This is a long-term programme of work and we hope to reach break-even by 2033.

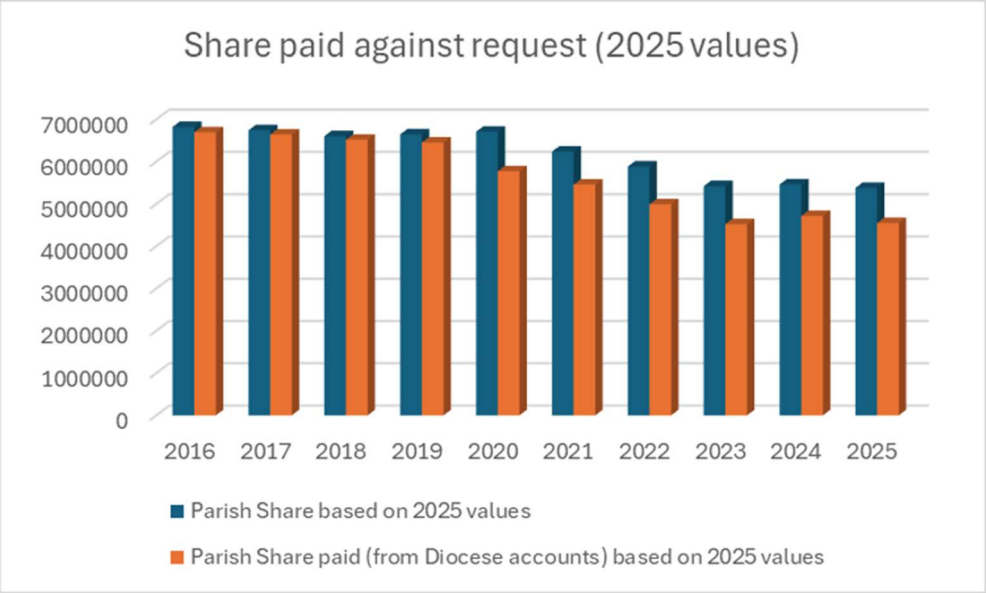
The plan includes use of a range of short term funding measures to support the diocese while the underlying issues are remedied. Therefore we look to the Diocesan Investment Programme for Time Limited Funding to the fullest extent available to provide support in the short term.

2 Current situation

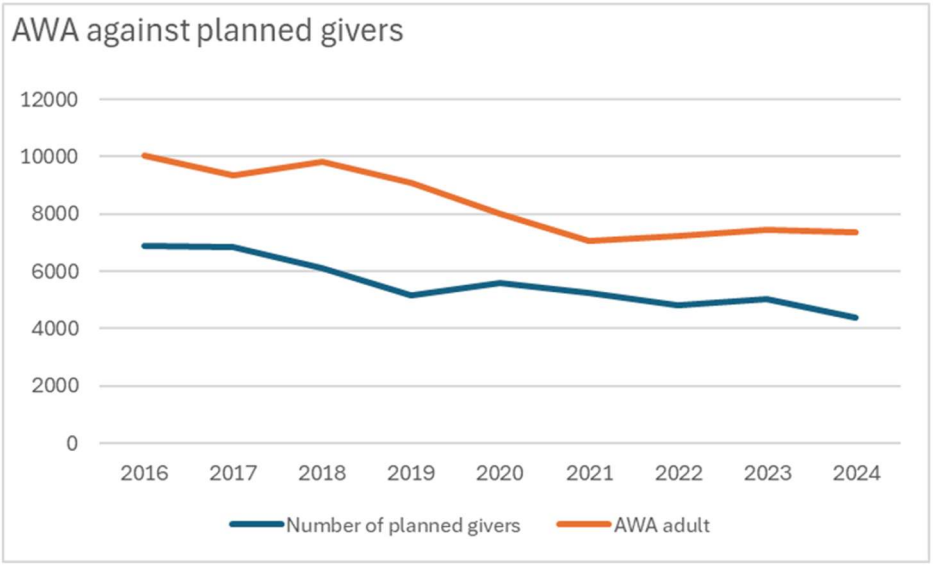
The structural deficit in the Diocese of Portsmouth accounts has existed since 2020, when Parishes were unable to contribute Parish Share in full, and inflationary pressures have rapidly increased costs.

Prior to 2020, roughly 98% of requested Parish Share was collected. Since 2020 it has remained between 84% and 90%. This has resulted in approximately £700,000 less income each year than could have been reasonably anticipated.

The current situation has been exacerbated by high levels of inflation increasing expenditure, but without the comparable increase in income. Therefore, whilst the income from Parish Share has increased slightly since 2021, inflation has increased by 30%. The combination of Parishes contributing less than 100% of the request, and that the request has not kept pace with inflation has led to a reduction in income of about £2M per year for the Diocese.



Prior to 2022, there had been a long term decline in church attendance, and a corresponding reduction in giving by members of worshipping communities. Since 2022, attendance has marginally increased, but giving has continued to decline. This is not unexpected, as national and local research indicates that new disciples joining a worshipping community take time to adopt regular giving.

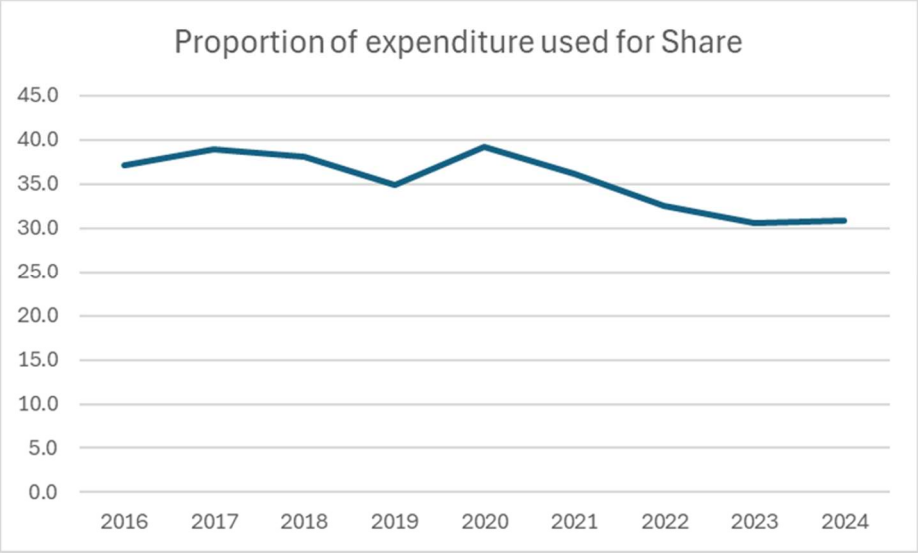


The lag between joining a church and giving, whilst expected, can be reduced by introducing some positive actions, and these are explored further in the plans section.

The rapid rises in inflation and decreases in giving have hit Parish budgets in a similar way, and Parishes have had to adapt their spending accordingly. For example, energy costs increased by 47% across 2022 and 2023, and Parishes have either diverted expenditure from other areas, or turned off the heating. Likewise, those that employ

staff have seen large cost pressures, especially with the increases in national insurance contributions.

Taken together, these factors have resulted in Parishes cutting expenditure in two areas – Parish Share payments and building maintenance. For example, Parishes are now spending about 30% on Share payments, down from 40% prior to Covid. Both of these decisions to cut expenditure have stored up issues for the future.



The Diocese of Portsmouth has had a strong focus on recruiting and retaining talented clergy, and has successfully maintained a low vacancy rate. It is common to national and local research that the most important factor in growing a church is having a visionary leader who wants to innovate and bring through other lay and ordained leaders. There is therefore no desire to reduce the number of stipendiary clergy, and, if anything, take further steps to reduce the length of vacancies through better planning as described in the Strategic People Plan.

For the diocese, whilst the largest income line is Parish Share and the largest expenditure is stipendiary clergy and their housing, there are further steps that can be taken to grow income and maintain careful control of costs. For example, work is already underway to look at trusts and restricted funds to enable release of income for core costs.

3 Plans towards better financial health

3.1 Plans to maximise investment performance, including the use of total return.

The Diocese of Portsmouth has an Investment Oversight Group (IOG) which includes members with significant experience both with investments and the charitable sector. Key investments policies and decisions are made by Bishop's Council under the guidance of this group.

The DBF investments are held with CCLA in the CBF portfolio. In the past 18-24 months we have made the following changes:

- Removed all funds from the property fund that we are likely to access in the coming 1-5 years to avoid the restrictions of the 6 month notice period
- De-risked our holdings by removing any holdings in the globality equity fund or short duration bonds, in favour of the investment fund.

We are aware that CCLA's performance has fallen behind comparative funds in the last two years and this is being monitored closely during 2026. There are some initial signs of improvement and we expect the IOG to make a decision as to whether the investment management should be re-tendered in September 2026, at which point 6 months performance data of CCLA post their acquisition by Jupiter should be available.

During 2025 we tendered our external audit. As part of our audit tender, the new auditors Crowe had identified that whilst the diocese was not currently using Total Return, given the size of our endowments, this might not be transformational for us.

An initial conversation is planned in August 2026 to explore what options may be available to us in relation to total return.

In the meantime, we continue to review our designated, restricted and endowment funds to identify those that we can use to support our operational expenditure. Our budget plans for 2026 included planned use of £168k from designated funds, with similar levels expected in 2027 and 2028, and £216k from restricted funds, with a more detailed review of restricted funds to be completed towards the end of 2026.

3.2 Plans to increase parish share payments, including help for parishes to maximise their assets and resources.

Parish share review

During 2024 we undertook a parish share review, inviting parishes to provide feedback through a consultation process. This resulted in a parish share mechanism similar to our previous approach and method of allocation, but with greater transparency and understanding from parishes.

We are currently in year 2 of a transition period of implementation. This was considered necessary as the new calculation has led to some significant movements in the amounts asked for some parishes and so phasing any increases was agreed to enable parishes to plan and budget accordingly.

As part of the review, it was recommended that parishes be offered the opportunity for open conversation with the diocese if they had any concerns around their allocation and their ability to pay.

In the past, there have been a number of parishes who have reported that their share isn't affordable, and we have met with them to review and identify any areas where the Diocese can offer support. Some others have been unable to pay in full but have not always shared the reasons why. In early 2026 we implemented a structured process by which parishes can share their concerns to ensure greater consistency and transparency discussing affordability of parish share. This will also help to identify any trends in the reasons for the challenges and address whether anything can be done to alleviate this.

We have seen a small increase in the amounts paid in both 2024 and 2025 however our collection rates remain below the level we were achieving pre COVID. Our year to date receipts for 2026 are 4.8% ahead of 2025.

Training and support

During 2025 we introduced training for treasurers, and investment training which was offered more widely to include churchwardens and incumbents. We expect to hold these sessions at least annually to provide support to parishes with their finances.

Future training sessions will include securing legacies and donations from high-net-worth individuals, and support for improving trading income (from church halls, etc).

We anticipate running regular surveys of treasurers, so that challenges can be highlighted earlier, training courses are more targeted at needs, and to enable Treasurers to feel valued and supported in their roles.

Plans to improve giving

We are engaging with the following systems and processes within the diocese which will help support parishes with their giving and maximise the income they can generate from their resources, and access any possible grants opportunities:

- Parish Buying Scheme
- Parish Giving Scheme
- Cornerstone
- Digital Giving and contactless payments
- Generosity week
- Year 3 of the Grant finder database (funded by Diocese and ending in 2026 to be replaced by Cornerstone)

The take-up of these initiatives are now being monitored, and parishes are being encouraged to explore these options where financial challenges are being identified. Each Parish that is unable to pay their Parish Share will be provided with a dashboard of information to enable a plan for growing income to be put in place. The implementation of these plans will monitored at diocese level with regular reporting to the Diocesan Deanery Finance Committee.

Isle of Wight appointments

One area of the diocese particularly impacted by COVID is the Isle of Wight. There have been significant levels of clergy recruitment to the Isle of Wight, particularly during 2024, as well as significant SDF and SMMI funded projects at Newport and Ryde. We are starting to see growth in congregations in some areas however finances remain a challenge. We have been awarded funding from the Giving Advisor Fund to appoint a Giving Advisor specifically for the island. This model has already proved successful with the funding for a designated church building support officer.

We now have a full time Archdeacon appointed to the island (following a year long vacancy and a previous half time role) and will be seeking an office hub to ensure that all those staff based on the island are easily accessible to parishes.

Trusts project

We have commenced a project to review all custodian funds held on behalf of parishes, and all discretionary funds held outside of the diocesan accounts. We have invested in additional resource to identify the source of the funds, the reason for the original donation and establish whether there are opportunities for these to be spent in line with

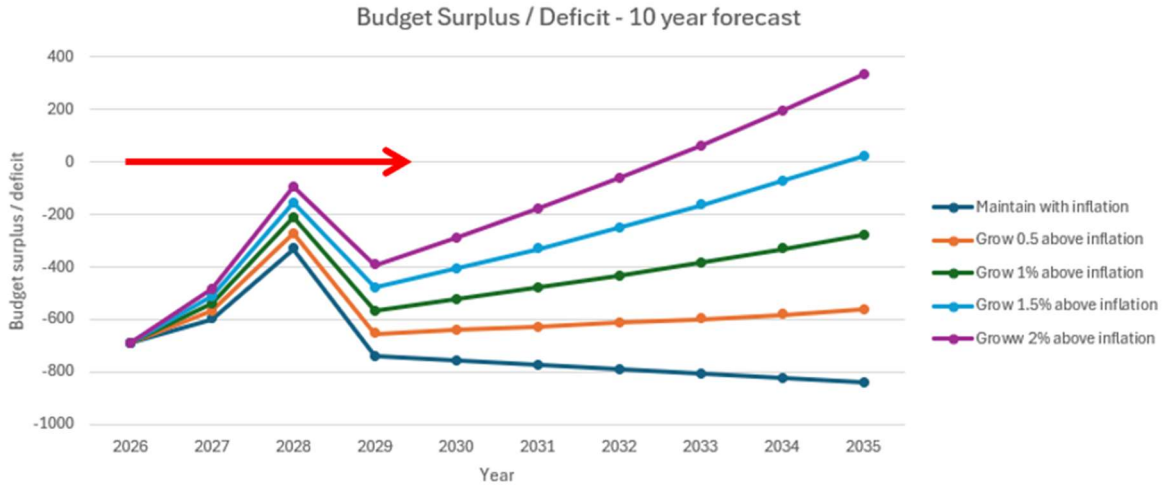
current Charity Commission guidance. The project is in early stages however to date the following have been identified:

- £4.7m of parish funds
- £4.5m of DBF funds

We have already identified funds that were considered to be restricted based on parish records, but based on source documentation, should in fact be unrestricted and therefore able to support these parishes with their ministry and mission.

In summary:

The combination of plans is designed to enable Parishes to contribute at growing levels of Share. To model the different rates, the graph below shows the diocese surplus/deficit whilst maintaining a 90% collection rate.



This shows that by achieving a growth of 2% above inflation, the diocese will achieve a balanced budget in 2033. [This assumes that Time-Limited Funding of £500k is awarded and allocated to 2027 and 2028.] This model shows that a further £3.3M of diocese reserves would be required until 2033.

3.3 Assumptions about the growth or decline in the number of existing disciples, the growth of new disciples, and plans to increase giving.

The diocese has grown over the last five years since Covid. The diocese has successfully attracted a number of grants focussed on revitalising Parishes and planting new congregations.

The diocese is targeting underlying growth of Average Weekly Attendance of 1% each year. This growth will be supplemented by targeted projects, supported by the Diocesan Investment Programme and other sources, which will result in additional growth of 2% during the grant funding period.

Therefore, if the December 2026 bid for further Diocesan Investment Programme funding is successful, the diocese will be targeting growth of 3% each year until at least 2031.

3.4 Assumptions about the growth or decline in clergy numbers, and lay ministers

The details of these assumptions can be found in the Strategic People Plan.

The Diocese of Portsmouth has a current clergy complement of 83 posts for incumbents and associate priests. The budget is set at 73 posts, anticipating that about 10% will be vacant at any time due to resignations and retirements. This is the number to be funded through the DBF general fund; grants and donations are used for the remainder of clergy posts.

As stated in the Strategic People Plan, there is a requirement for at least four new stipendiary ministers each year to replace known retirements. There are currently 8 Curates (both stipendiary and SSM) due to be ordained in 2027, 8 in 2028 and 4 in 2029. Therefore, the diocese is assuming that the current level of stipendiary clergy can be maintained.

Across the range of Lay Ministry posts, the diocese is assuming a growth in all areas. There are currently 73 licenced Readers and another 20 have Permission to Officiate status. There are currently 60 Anna Chaplains, all of whom have been appointed in the last five years.

The diocese has a new Lead for Lay Ministry and Discipleship, who is putting in place a structured pathway to the different lay ministry roles. 12 places for Authorised Lay Ministry training will be available in September 2026.

Similarly, the diocese's capacity for supporting Children, Families and Youth workers has been improved, and currently supports 15 paid workers in Parishes. It is anticipated that this number will double as a result of grant funding and Parish investment.

3.5 Use of Low-Income Communities funding.

The Diocese of Portsmouth has 41 Parishes eligible for LINC funding. Of these:

- 8 are in inner-city Portsmouth. These areas tend to be in the lowest 10% of areas for income, employment, education, health and crime.
- 7 are in urban Gosport and Havant, particularly the post-war housing estates. These areas have a similar profile to Portsmouth.
- 26 are Parishes on the Isle of Wight. These areas are affected by low educational outcomes and low wage and/or seasonal employment. They have the highest levels of economic inactivity in the diocese.

The majority of LINC funding received is allocated to reducing Parish Share for eligible parishes. Smaller proportions are used for providing administrative support in Parishes that cannot afford to pay for this, and covering administrative costs that would otherwise fall to the PCC, e.g. costs of faculty applications, website registration fees and subscriptions, e.g. to the grant-finder database.

3.6 Plans for the use of the other benefits which dioceses have received via the Diocesan Finance Review, including the time-limited formula funding.

The other significant income to the diocese is the formula-based Time Limited Funding, which is anticipated to be £416,543 in 2026. This is entirely used to cover clergy direct costs, clergy grants and clergy housing.

3.7 Other short term financial measures

The Portsmouth DBF has undertaken a review of the many of the central costs incurred over the last 12-24 months. Recent contract reviews have resulted in a reduction to IT costs, photocopier rentals and phone contracts in particular.

We have undertaken a policy change to staff pension contributions which remains above the statutory levels but has resulted in an ongoing cost saving. We have also benefitted from the surplus on our old DBS pension scheme although the initial

allowance has now been fully utilised. We await further information as to whether any further surplus may be available to alleviate staff pension costs in the short term.

4 Request for Time Limited Funding from SMMIB

We will be seeking £500k to be spent evenly across the remainder of the triennium (£250k in 2027 and £250k in 2028). There is an immediate need for the financial support to our current deficit position which we have been using unrestricted funds to support in recent years, and they are rapidly depleting. We would anticipate applying for further funding should it be available in the next triennium for the same reason due to the time expected to be required to produce the necessary levels of income growth.

Contribution to curacy – estimated cost £45,400 pa excluding housing

When setting the budget plan for 2026 and reviewing the assumptions for 2027-2028, the decision had been made to reduce the number of stipendiary curacies over the next 3 years to assist with reducing the diocesan costs. This has however been met with some concerns that there may be a reduction in numbers coming forward for discernment within the diocese. The 2027 budget therefore reinstates the additional post and we would anticipate funding one curacy post through the time limited funding; we would anticipate offering 4 new stipendiary curacies as we have historically.

This should reduce costs in relation to recruitment into the diocese in future years as there should be a greater number of curates appointable to posts. This is anticipated to be particularly beneficial to the Isle of Wight where it can be difficult to recruit.

This will also ensure others continue to be encouraged to seek discernment where there is confidence that there is diocesan support for training.

Support for parish share under-collection – estimated cost £204,360

The remaining funds will be used to offset under-collection of parish share.

As a result of our 2024 parish share review, where a parish has historically been asked for less than the new calculation would suggest, we are capping any increases at 5% each year. Whilst some of these increases are offset by other parishes being asked to maintain their current payment level where they could be due a reduction, there is still a proportion of the parish share budget that is not allocated to a specific parish due to the transitional arrangements. The time limited funding will therefore help to bridge some of this gap whilst we see growth in sustainability through the mechanisms detailed above.

This gap is particularly significant for recipients of recent SDF and SMMI funding, and whilst growth in disciples has been encouraging, we are aware that they are not yet in a financially sustainable position and able to meet the level of parish share contribution we might expect. Some of these are also recipients of LINC funding and this will be used where possible to bridge the gap, enabling the time limited funding to be applied to other parishes. This will enable us to continue to support the current levels of ministry in these areas, which for some will exceed the amount of parish share requested. The following Parishes are likely recipients of support:

Parish	Deanery
Bishop's Waltham	Bishop's Waltham
Locks Heath	Fareham
Portchester	Fareham
Whiteley	Fareham
Hawkley w P's D	Petersfield
Petersfield	Petersfield
Denmead	Havant
W / Emsworth	Havant
Waterlooville	Havant
Southsea: St Margaret	Portsmouth
Bembridge	IOW

We have seen an increase in cash received year on year through parish share however the collection level has fluctuated around 84-86% for the least 3 years; under the transitional arrangements we are targeting a minimum of 88%. The funding would therefore support part of the remaining 12% in the short term.

We would expect to see any increase in the amount requested for 2027 and 2028 in each instance as part of our detailed budget modelling, however it is unlikely the indicative share will be fully achievable within 2 years based on the current gap. The use of DBF reserves would therefore still be required in the medium term, whilst also encouraging generosity between parishes if some feel able to contribute at a higher level to support others who cannot meet their share.