Budget Proposal 2027 & Forecast for 2028-29

DATE: October 2026

Portsmouth Diocesan Board of Finance

Authored by:
Elaine Coe

Table of Contents

Introduction from Bishop Jonathan 3

Introduction from Diocesan Secretary 5

National Picture 6

General Fund Budget for 2027 8

- Income 9
- Expenditure 15

Lay staff salaries: 24

Cashflow forecast: 26

Other sources of funding 26

Appendix 1: General fund 2027 & forecast 2028-29 budget scenarios 29

Appendix 2: Historic parish share collection rates 30

Appendix 3: Allocation of LINC funding 31

Appendix 4: Designated Fund proposals 33

Appendix 5: Restricted Fund proposals 34

Appendix 6: Toolkit to support growth of income 36

Introduction from Bishop Jonathan

The Portsmouth Diocesan Board of Finance (PDBF) is in good heart, well aware of its challenges and exercised by 'life after Darlow' – an ongoing aspect of relationship with the national church which continues to impact the day-to-day life of the diocese. More of that below. As per the 31 December 2025 audit, the DBF is a going concern. It oversees and governs the life of a vibrant diocese. It has an effective executive, a clear vision and strategy (REJUVENATE), and oversees a community of communities in which over 13,000 people actively engage every week in the life, service and mission of its parish churches, chaplaincies, church plants, and Cathedral Church. The DBF has established sound financial monitoring and control. In 2025, from only 129 parishes, the best part of £5m was given in parish share (voluntary contributions) in support of Christian ministry and mission in communities across East Hampshire, the City of Portsmouth, and the Isle of Wight.

Though growing numerically and seeing annual increases in voluntary giving, the diocese lives with structural deficits which cannot be sustained in the longer term. Pruning our operation is an active part of our response as a DBF. But we will also need to be arguing for a new funding settlement between the national church and the dioceses. A settlement which supports the whole mixed ecology of the Church's ministry and work, including provision for the stipends of clergy, and not simply only part of that mixed ecology.

The PDBF oversees the allocation of resource to enable a distinctively Anglican expression of Christian life, mission and ministry in East Hampshire, the City of Portsmouth, and the Isle of Wight. In this diocese a 'mixed ecology' approach to Christian ministry is the norm. By this we mean that to participate fully and faithfully in God's mission we will need church planters and pioneers, chaplains and cathedral clergy, enabling lay disciples to live their faith in every kind of network, neighbourhood and community. And, vitally, we will need parish clergy: so often in my experience the prayerful, holy, inspiring and enabling presence underpinning the church's ministry and mission locally.

Some background is salient. In the years prior to 2015, the PDBF received a grant from the national church to support the cost of clergy stipends, a disbursement calculated by what was known as the Darlow formula. Alongside income from parish share, investments and fees of various kinds, income through Darlow enabled the diocese to sustain a level of ordained and stipendiary ministry in places and contexts unable to afford or sustain it. However 'Darlow' received, in my view valid, criticism for requiring insufficient accountability on the part of recipient dioceses: in relation to return on investment and whether funds were being used effectively in the service of mission. So 'Darlow' was replaced.

In 'life after Darlow', dioceses have been, for the most part, unable to secure funding for the deployment of stipendiary priests.

Rather, dioceses have been invited to apply for grants for projects designed to foster numerical growth, projects with an enhanced accountability regime. In this era, Low Income Community Funding (LINC) has brought welcome support to some of our most financially stretched communities. Project funding, administered through two schemes (Strategic Development Funding (SDF) and latterly, through the oversight of the Church of England's Strategic Ministry and Mission Investment Board

(SMMIB)), have seen missional life and energy breathed through a host of projects and communities across the diocese, for which we are truly thankful. But these funds are made available to support only part of the mixed ecology: typically, projects that are new and innovative, rather than, for example, the day-day pastoral and missional work of priests in parishes. With the exception of a handful of cases (where whole dioceses have received eye-watering levels of funding which have included funds for stipends), these funds are for projects and not parish priests. I would argue that we need a funding settlement between the national church and the dioceses that brings mutual accountability, and which makes available financial support for every part of the mixed ecology.

I trust a very brief outline of the national Church of England context, as it frames and impacts upon the financial life and work of the Portsmouth Diocesan Board of Finance (DBF) will first, widen understanding of the financial context navigated so effectively by the PDBF. I hope, second, to encourage readers within and beyond the diocese to participate in the urgent national conversation now underway which will shape policy around disbursements to dioceses in the triennium 2029-31.

Surely It's a mixed ecology financial settlement we need for a mixed ecology Church.

Despite this, the budget presented acknowledges that we must take action to address our current financial challenges as we cannot rely on a change to the financial settlement, and certainly not before 2029.



The Right Revd Jonathan Frost
Bishops of Portsmouth

Introduction from Diocesan Secretary

Budget setting is never a simple exercise, but at least there have been a few less impacts outside our control this year, the main ones being the higher costs of items relating to property repairs such as double glazing (due to the war in Iran) and the long-awaited increase in mileage allowance. With a new Prime Minister however, there may be a few surprises yet to come!

We were delighted that, due to the good work of Elaine Coe, our Director of Finance, we were able to start Budget consultations before embarking on the budget figures this year, with a set of 6 meetings in June and July, 2 in each of our Archdeaconries. These provided good discussions and feedback in addition to the information that we were able to share. Most Parishes were able to send at least one representative to these meetings. We took the opportunity to also provide Parishes with statistics from their CoE dashboards and a short presentation of encouragement by the Ministry and Discipleship Team.

September has then seen us being able to take the resulting draft budget to each of the 7 Deaneries, together with the Financial Sustainability plan, showing much longer-term financial targets.

One aspect that remains is the continuing high expenditure on Clergy Housing, where we are still suffering from the impact of lack of maintenance during and after Covid. We have again been through the budget for this with a toothcomb and kept it to a minimum, whilst ensuring the continued welfare of our clergy.

Where we have been able to, we have looked to make further savings, either through economies of scale, through our various co-operations with our neighbouring Dioceses, or through, sometimes painful, operational adjustments. We have made particular savings from the implementation of new solutions for IT Infrastructure and telephones, utilising up-to-date technology.

The deficit budget remains challenging, but it is explicitly mission driven and I therefore recommend the 2027 budget to you.



National Picture

As we move through 2026, we continue to see significant economic uncertainty both nationally and globally with ongoing conflict and political decisions continuing to impact. With a new prime minister we await news of any significant policy changes and the impact these may have. Inflation continues above the targeted 2% and interest rates have been held in recent months. Ongoing conflict in the Middle East is continuing to impact prices of oil with further pressures on utility costs expected. Alongside this we are now seeing early signs of cost increases to some housing supplies such as windows due to oil use in the production of plastics.

Interest rates have remained higher than expected during 2026 and are unchanged since December 2025 at 3.75%. It is unclear at this stage whether we would anticipate seeing some reduction if inflation does reduce closer to target levels. There is significant uncertainty as to any future changes and what impact this may have on the 2027 budget.

Current inflation (CPIH) stands at 3.1% as of September however there has been significant fluctuation in recent months and with the ongoing global pressures as noted above, it is difficult to see this falling significantly over the coming months. The budget is therefore set based on the assumption that inflation continues to run at around 2-3% and interest rates fall c0.5% over the next year. At the moment, interest received on funds deposited with CCLA exceeds the base rate (3.95% as of 23rd September).

Budget preparation and context

The detailed budget for 2027 presented in this paper has been developed alongside, and should be read in conjunction with, the Financial Sustainability plan for Portsmouth DBF.

The Financial Sustainability Plan has been prepared as a requirement of the next Diocese bid for Strategic Ministry and Mission Investment funding from Archbishop's Council. It also acts as our bid for further Time-Limited Funding of £500,000 which is being made available to Dioceses for 2027 and 2028. The plan has helpfully examined how the gap between income and expenditure for the Diocese has occurred since Covid and what options are available to close that gap. The plan has recommended that the Diocese should pursue a strategy of growing income, alongside lobbying for a change in the national funding formula for Dioceses.

The budget and financial sustainability plan are the output of consultations in each archdeaconry and work undertaken by the diocesan team over the last 12-18 months to better understand the individual circumstances across the parishes, and identify the resources needed to encourage growth in disciples and continue the journey to financial sustainability.

All parishes were invited to send representatives to the Archdeaconry budget consultations held in June/July. We had representation from 60 parishes with 98 people attending. An update on the current diocesan financial position was shared as well as greater detail about the various income and expenses for the diocese, including grant funding from the National Church Institutions (NCIs). There was opportunity for parishes to comment and share their particular challenges, enabling the diocesan team to identify opportunities for growth and support. Feedback from these meetings has been

documented and where appropriate, comments and queries raised have been addressed as part of this document.

The changes to the national church funding for dioceses has provided some breathing space for 2026 and the current forecast is a £1.2m deficit, reduced from £1.5m in 2025. However the need to generate income growth to improve this position remains paramount and is the focus of this budget.

The main levers for change within the diocesan budget are an increase in parish share income or a reduction in clergy headcount. We know that during a vacancy, both attendance and giving to parishes can be impacted therefore we have not planned a reduction to clergy headcount as this would be damaging to the diocesan strategy. Instead our focus is on supporting parishes to grow their income and manage expenditure, providing support for local ministry initiatives as well as enabling the parish share request to be met in full. This will encourage the growth of disciples and support reducing the diocesan financial deficit.

Enabling this change will require a period of sustained growth of parish share income above inflation (at 2% above inflation we wouldn't expect to achieve sustainability until 2033) however the existing data relating to the numbers of regular givers and the average gifts given suggest that some relatively modest growth could produce some significant outputs.

Where cost efficiencies can be identified, these are addressed throughout the budget. Whilst there are no current plans to reduce investment in clergy, or clergy headcount, there will be a period of review of clergy deployment to ensure that the resourcing of mission and ministry is intentional and can be as effective as possible within the limited resources available.

It is clear however that there will continue to be significant draw on diocesan reserves in the meantime and the application of time limited support from the national church (both formula driven, and that able to be applied for through SMMI) will be crucial to underpin this journey.

As has been our approach in recent years, the diocesan financial sustainability continues to be reliant on the multi-stranded financial strategy we have been implementing:

- Organisation and streamlining of the diocese and responsible stewardship of diocesan resources, remaining focused on both vision and strategy
- Engagement with the Parish Giving Scheme and encouragement of inflation linked increases to giving
- Parish share review and engagement with the model – ongoing through transition period, ensuring all understand the need for parish share and what it supports
- Generosity week being embedded in the life of the diocese with participation from parishes, fresh expressions and church plants across the diocese

Over the coming months we will be further developing the toolkit of resources required to support parishes and ensure that we can return to a sustainable financial position whilst working towards our vision to be a community of Jesus-centred, Kingdom-seeking disciples.

General Fund Budget for 2027

The budget presented for consideration reflects the income and expenditure expected through the unrestricted (or general) funds of Portsmouth Diocesan Board of Finance (PDBF). Where additional funding is received which is held in an alternative restricted fund, this has been noted.

Forecasts for 2028 and 2029 are also presented based on the best available information at this time. The forecasts for 2029 in particular may be subject to change once greater information is available about the next triennium of funding from the national church which commences in 2029. For now, we have assumed the current funding structures continue.

The paper also comments on the designated and restricted funds held by the diocese and how they are currently being utilised to support the work of our diocese and could be used in future.

Whilst the changes to national church funding have provided some breathing space since the start of 2026, there are still significant challenges ahead as we work to see growth in our income which is essential to achieve a more sustainable financial position, whilst the time limited support will begin to taper each year from 2027.

Some other restricted grants provided by the National Church Institutions (NCI's) have seen a reduction as a result of the additional support being given to dioceses. Where this is the case and there is an additional draw on diocesan resources this is noted. Where possible we are using designated funds or investment income from grant funding to support these additional costs to mitigate the impact on the general fund.

General synod has called for a review of the national church finances and how this is distributed to dioceses, however it is unlikely that any review would impact in this triennium and therefore we wouldn't anticipate any changes before 2029. In the meantime, we must continue to review costs, other sources of income, and our ability to maximise the other funds we hold to resource the ministry and mission of our diocese.

Our modelling for 2027 assumes that we continue to adopt the new national benchmark stipend for incumbents' stipends. Whilst dioceses have, in principle, discretion as to whether to adopt these, in practice this has been adopted by all dioceses.

Now into the second year of the new parish share formula, we have a documented format for engaging with parishes to discuss their plans for the coming year, and any challenges. This has led to us reducing the 2026 request for some parishes where the original figure requested was mutually felt unachievable. As part of these discussions, we are ensuring we understand mission plans and what the parishes hope to achieve as a result of the reduced share payment, to enable growth in the longer term with parish share and finances being a part of the discussion rather than the sole focus. We are also reviewing Experian figures in some of the wealthier parishes where the factor is considered to be inflated by just one or two wealthy individuals living within the parish boundaries, placing additional burden on the allocation for that parish.

Progress of the parish share collection has been positive with most months showing an increase compared to last year, and at this point in the year, the increase compared to 2025 is in line with the 3% uplift applied to the parish share budget.

We are aware that a number of our parishes continue to face financial challenges which they expect to impact on their ability to pay parish share in full. The opportunity to increase parish share collections rates to the level required to support the diocesan budget remains of concern, however in the context of the approach for financial sustainability we have a toolkit with which to address this. More details are included in Appendix 6 and the financial sustainability plan.

We continue to receive restricted funding for various strategic projects and where we have existing matched funding commitments under funding bids such as Strategic Mission and Ministry Funding (SMMI) or others, these elements are reflected in the general fund budget.

The detailed budget scenario for 2027 is presented in appendix 1, with the details of the assumptions made for each budget line included below. Assumptions made for 2028 and 2029 are also noted. Modelling also reflects the impact of an alternative parish share collection.

We anticipate having sufficient reserves available and accessible to meet the shortfall for the remainder of the triennium, however, we would see significant challenge beyond this if there were no substantive changes.

Income

1. Parish Share

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
5,071	4,876	4,785	4,548	6%

The request for parish share is to support the costs of ministry and direct support provided to parishes by the diocese. This includes, but is not limited to:

- Clergy costs including stipends, housing, appointment and resettlement grants
- Training for future clergy and ongoing development training and support for clergy in post
- Support, advice and training from the safeguarding team
- Provision of memberships and subscriptions for use by parishes such as the faculty system, Data Developments gift aid and accounting software, Association of Church Accountants and Treasurers membership (ACAT), website provision and support

Parish share alone will not cover these costs; other income such as the Low Income Communities (LINC), rental income and investment income will also contribute; for example rent and investment income from glebe or the stipends capital fund can be used towards the cost of stipends.

Further details of what parish share does and doesn't contribute can be found here: Parish Share Explained - Diocese of Portsmouth. There is no contribution to the costs of the Cathedral and its clergy, nor the Bishop's stipend, housing or office costs through parish share.

The overall parish share budget is proposed to increase by 4%. The figure above is the **minimum** targeted 88% collection level of this uplifted budget. The increase of 6% compared to the current year forecast reflects an expected improvement in the collection level from the current position.

We have been targeting an 88% collection rate for the last 2 years but have fallen short of this, although cash collected has increased year on year. The collection level to date in 2026 is however showing signs of improvement. Cash received to 31st July was 4.8% higher than the same period in 2025, although this has dropped slightly in August. This is against a 3% uplift in the parish share budgeted and therefore is on course for an improved collection rate. The historic parish share collection rates are included in appendix 2.

As reported in the financial sustainability plan, parish share income will need to grow by above inflation in order to close the budget deficit. It is likely that parish share would need to increase by 2% above inflation in the medium term however as we are still in the process of further developing and embedding the necessary toolkit for financial sustainability and to support with growth of parish income; a 2% target is unlikely to be achievable in 2027. In fact we would need to see both the increased collection rate as well as the above inflation increase to the budget. It is however essential that the budget reflects the need to grow parish share income above inflation and so it is considered appropriate to uplift by 4%.

We are still in the transition period following the parish share review. Proposed allocations for 2027 will suggest a cap to year on year increases at 5% (separate from the 4% increase in the overall budget). However in order to improve the collection rate and close the gap between income and expenses, we will be encouraging parishes to contribute above this cap where they feel able to. Limited reductions are proposed where parishes are able to afford their current allocation, even if this is above the new calculated figure. There are still specific arrangements in place for some parishes who have been recipients of SDF and SMMI funding, all of which exceed a 5% increase.

The budget deficit and resulting need to increase parish share income above inflation has been impacted in particular by the following above inflation increases to costs:

- Increases to stipends of 8-10% from April 2026 – implemented by National Church
- Increases in housing costs above inflation (around 10%) driven by both increases in labour costs and materials
- Increases to chancellor and registrar fees - implemented by National Church

Whilst some medium term funding has been provided by the national church to support with the stipends, this will need to be funded by the diocese longer term.

The shortfall in parish share will continue to be supported by LINC funding where applicable. Not included within the budget is a further £250k of potential time limited support which will be applied for as part of our bid for Strategic Ministry and Mission Investment (SMMI) funding in late 2026. Part of this funding is also proposed to support the parish share gap whilst we work with parishes to develop their resources.

These sources of funding will be particularly valuable for 3 parishes in receipt of funding where significant growth in numbers due to strategic projects and plants is not currently matched by financial giving. These parishes alone will have c£216,000 gap between the proposed requests and the amount allocated under the new calculations.

The budget scenarios in appendix 1 reflect the potential income under different collection scenarios. At the moment, our initial modelling suggests that 87.17% of the proposed budget will be allocated to parishes, with an encouragement for generous giving. For example:

- An additional increase to the calculation for those where the 5% increase leaves a small shortfall remaining
- An increase up to 5% for those where the new calculation is less than a 5% increase

For 2028 the assumption is a 5% increase (inflation of 3% and an additional 2% growth, for 2029 this has been set at 4.5% (inflation 2.5% and 2% growth). The same collection rates have also been presented; we would expect to see an improvement in the collection levels as the implementation of the improved toolkit is embedded and we continue the transition period from the parish share review.

2. <u>Fees</u>

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
279	271	262	302	7%

Fee income is expected to increase slightly as inflationary increases are usually applied to the schedule of rates provided nationally. We would also anticipate an increase in the provision of occasional offices as we continue to fill clergy vacancies. The results for 2025 included the catch up of old fees from previous years. We are now seeing more prompt payment of fees and so don't expect this catch up to be repeated.

Any increase in the provision of weddings and funerals would also benefit parish income through the parish's share of the fees for such events.

The forecast for 2028 and 2029 reflects an inflationary increase in fees.

3. Rental Income

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
405	433	420	488	-4%

Rental income continues to be impacted by the recent changes to the Renter's Rights Act, as well as a greater number of properties now being used to house clergy rather than being available to rent. We continue to let properties where not required for ministry although within the limitations of the new Act.

We have recently identified two properties that may be earmarked for future sale (subject to pastoral reorganisation) and in the meantime we will seek to rent these out, which will recoup some income in the short term. This will reduce the number of properties subject to increased insurance and council tax charges due to being vacant.

In addition, rental income of £46k has been agreed from Croudace who will be purchasing the land at Wickham. This it to hold the build compound for the duration of the building works (expected to be 2 years). Despite this, the overall position is a reduction in rental income due to properties required for appointments and curacies.

Rental income for 2028 is forecast to include a similar number of properties with an inflationary uplift. The reduction in 2029 reflects the cessation of the agreement for rental with Croudace.

4. Grants:

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
1,303	1,342	1,342	693	-3%

The reduction in grant income is the result of the tapered reduction in transitional funding, offset by an inflationary increase in the amount of Low-Income Communities (LINC) funding expected.

The grants budget is made up of the following elements:

- LINC £899,447 (increased from £864,188 for 2026). Appendix 3 contains details of how we would expect this grant to be allocated.
- Transitional funding £350,464 (reduced from £416,543 for 2026) – this is time limited funding committed for 9 years, but tapering each year with a formula-based allocation.
- Benefact Trust grant £48,742 (reduced from £57,344) – this grant is reducing each year and will be used to support the costs of specific projects. For example, in recent years this has been used to support the costs of building support roles and Anna Chaplaincy
- Marshall's Grant - £4,000 – this is towards parsonage repair costs for a specific property. The amount awarded varies each year; the budget is based on an estimate.

The assumption for 2028 is based on the figures shared by the national church for LINC and transitional funding for the triennium, offset by a further reduction in the Benefact Trust grant. As 2029 will be under the next triennium funding arrangements which are currently unknown, the forecast assumes the grants follow the existing trends with further reductions in Benefact and the transitional funding.

As noted above, there is a potential further grant which is not currently included in the budget. We expected to apply for £500k of time limited support through the SMMIB. This would be allocated evenly across 2027 and 2028. It is proposed that this will support a curacy role, where previous plans had anticipated a reduction, to help manage costs, and to support parish share whilst we await financial growth to develop from the current grant funded investment.

5. Income from CSR

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
207	236	197	203	5%

The staff working for Portsmouth Diocesan Council for Social Responsibility (CSR) are paid through PDBF and then the costs are reimbursed in full by CSR. This income line reflects the reimbursement for the expected staffing costs, which includes an increase in staffing due to growth of projects. The costs are included under Social Transformation.

The assumptions for 2028 and 2029 include inflationary uplifts to offset the share of costs.

6. Fund Transfers

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
192	195	177	175	8%

The fund transfer represents the amount to be charged to other funds to cover the PDBF share of the Portsmouth and Winchester Diocesan Board of Education (DBE) (which is jointly funded with Winchester DBF). The represents the diocesan commitment to funding for the DBE which is currently funded through the restricted education fund and the expendable endowment for education, which hold assets of £1.98m and generated income of £87k during 2025.

There have been underspends during 2026 due to staff vacancies, the 2027 budget assumes full staffing throughout the year as all posts are now filled.

The funding is split 1/3 PDBF and 2/3 WDBF based on the number of schools in each diocese.

Details of the movement in DBE costs are included in section 15.

The assumptions for 2028 and 2029 include inflationary uplifts to offset the share of costs.

7. Investment Income

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
516	430	468	473	10%

Investment income is expected to increase in 2027 due to the proceeds of £2.2m for the sale of land at Wickham Glebe. The proceeds are expected to be received in October 2026 and will be invested in the Stipend Capital Fund (permanent endowment). The investment income can be paid to the general fund towards stipends.

There has been an increase in the distribution levels for our investments during 2026 and interest rates have remained higher than anticipated when the 2026 budget was set. The 2027 budget assumes distribution levels remain as they are currently, and that interest rates will remain stable or even increase over the year. So far in 2026 we have benefitted from an increase in the distribution levels from CCLA, and the interest rates remaining higher than was anticipated when the budget was set.

The assumptions for 2028 and 2029 show a reduction in investment income. This assumes a potential reduction in the interest rates and also reflects the reduction of deposit and investment balances resulting from the ongoing deficit position.

8. Other Income

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
159	144	169	167	-6%

Other income includes a contribution from the national church towards the Bishop's share of the registrar's costs, income from generation of electricity from solar panels on DBF properties and other incidental income items. There is a reduction against the 2026 forecast due to a review of costs that can be recharged to the DBE due to VAT implications.

The 2026 budget is largely consistent with the current level of activity in 2025 allowing for inflationary increases and the uplift in the charges for the registrar.

An inflationary increase is anticipated for 2027 and 2028.

Expenditure

NB where staff headcount is stated, this is the amount charged to the general fund. The section 'Lay Staff Salaries' will include details of other staff posts covered by grants/other funding.

9. Clergy remuneration

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
4,255	4,091	3,878	3,551	10%

The clergy remuneration budget assumes an increase of 3% will be applied from April 2027. This is the guidance that has been shared by the Central Stipends Authority (CSA) and is based on the CPI level in April 2026.

The increase compared to 2026 budget reflects that the 10% increase to national minimum stipend (NMS) and national benchmark stipends (NBS) and removal of the one year lag for pension contributions was only applied from April 2026 and therefore 2027 will be the first full year of the uplifted costs.

Headcount is currently running slightly below budget however the 2027 budget level has been held at the same level as 2026; this is the reason for the level of increase compared to the forecast.

The budget assumes the following:

- Curate stipends are paid at the National Minimum Stipend (NMS)
- Incumbent stipends are paid at the National Benchmark Stipend (NBS)
- Archdeacon stipends are paid at the recommended stipend
- Pension contributions remain at 21% of NMS

The table below shows the comparison of rates and their increase year on year.

	Current wef 01/04/2026	Budget wef 01/04/2027	% change
Curate	33,350	34,350	3.0%
Incumbent	34,950	36,000	3.0%
Archdeacon	44,810	46,160	3.0%

The budget assumes that other allowances such as housing allowance and area dean allowance will increase at 3%. Anecdotally, our housing allowance is one of the highest levels across dioceses following a recent survey. Our proposed rate for 2027 is £12,950; 71% of dioceses who responded pay less than £12k with 21% offering less than £8k.

Current plans suggest the number of stipendiary posts if fully recruited would be 83 which includes some grant funded posts. The general fund budget assumes a 10% vacancy rate. We are currently running above 10% however plans for appointments suggest that we would expect to see headcount

increasing over the coming months, and 10% is the average vacancy level that was seen pre COVID, and would allow for a number of retirements that are anticipated over the coming year. Allowing for the expected vacancy rate, the general fund budget is based on 73 stipendiary incumbent posts.

Headcount is expected to be split as follows:

	Budget 2027	Forecast 2026	Budget 2026
Incumbent	73.0	66.2	73.0
Curate	12.1	13.6	12.1
Archdeacon	2.5	2.5	2.5

In addition to the headcount above, funding is received for 0.9 FTE curates and 1.5 FTE incumbent posts. The budgeted costs reflect the costs of those funded through the general fund only.

We have matched funding commitments under SDF and SMMI funding for 15 clergy posts.

The curates headcount assumes 4 stipendiary curates appointed each year, with training lasting 3 years. We are supporting 10% of the costs of a 5th curate for which the remainder of the post is grant funded. Some curacies may last 4 years which may create some variation from this figure.

When the budget for 2026 was presented, it was anticipated that the number of stipendiary curacies offered might be reduced in order to provide some cost reduction. This has been assessed in full and it has been considered detrimental to the diocese to reduce the number of curates in training and could result in higher costs longer term of recruiting from outside the diocese, as well as discouraging vocations. It is therefore proposed that one curacy post is supported through the time limited funding being applied for through SMMIB.

The following tables show the total of directly attributable costs (stipend, pension and NI) for each level of stipend, and the overall impact of the changes made for each FTE:

	Current wef 01/04/2026	Budget wef 01/04/2027	Change in cost	% change
Curate	44,356	45,686	1,330	3.0%
Incumbent	46,148	47,534	1,386	3.0%
Archdeacon	58,942	60,716	1,775	3.0%

The notional cost of housing for each post is estimated at £25,000 per post; this consists of the housing repair costs, council tax, insurance and an allowance for rental income that could otherwise be generated.

In addition to the stipendiary headcount noted above, we currently have 2 house for duty posts, with opportunities being explored for others in 2027, and 28 self-supporting ministers (including curates).

There continues to be investment in non-stipendiary ministry including Anna Chaplaincy and the Elizabeth Pathway, the costs of which are covered by the national church. More information is included under ministry and discipleship.

We are likely to see some variation in headcount throughout the year due to timing of appointments and some anticipated retirements. Each vacant clergy position would lead to a reduction in expenditure of £47.5k. The average headcount through 2024, 2025 and 2026 to date has 63.6, 67.7 and 68.6 respectively and so it is expected that we are likely to fall slightly below the average of 73 at least at the start of the year.

The forecast for 2028 and 2029 assume that the budgeted headcount remains unchanged, and that inflationary increases are applied to all stipend levels and associated allowances.

10. Clergy Support

Includes salaries for headcount of 2.4 FTE.

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
483	418	392	409	23%

This is broken into two elements:

- Archdeacons support and expenses - £125k (2026 budget £134k). This includes the executive assistant support for the archdeacons, travel costs, support for training and events including the churchwarden's visitation, and an allowance for a designated office hub on the Isle of Wight.
- Clergy welfare and administrative support - £358k (2026 budget £281k). This includes appointment and resettlement grants, area dean support and the additional posts in parishes where historically stipends have been exchanged for admin support, or for roles now funded by LINC. Of the administrative support roles budgeted, £96.1k is provided through the LINC grant, with c£40k of this being new posts that haven' been supported previously.

The reduction in 2028 reflects that some of the clergy support roles are expected to end during 2027 where these have been funded in place of stipends. Inflationary increases have been applied to all remaining costs.

11. Clergy Housing

Includes salaries for headcount of 2.4 FTE.

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
1,557	1,518	1,723	1,670	-10%

A further breakdown of the clergy housing budget against the 2025 budget and forecast is as follows:

	2027 Budget	2026 Budget	2026 Forecast
Repairs and maintenance	£ 940,835	£ 963,444	£ 1,207,912
Council tax & water	£ 351,724	£ 310,139	£ 341,524
Insurance	£ 21,470	£ 18,917	£ 22,479
Agency fees	£ 36,943	£ 29,574	£ 29,800
Other	£ 206,346	£ 195,883	£ 162,391
	£ 1,557,320	£ 1,517,957	£ 1,764,107

Of the total above, property repairs and maintenance totals £941k. Which reflects a reduction against both 2026 budget and forecast. The clergy housing budget reflects the anticipated costs of all 2027 quinquennial (QI) works alongside expected costs from previous years inspections that are not expected to have been completed by the end of 2026. The scheduling of works for the end of 2026 is currently underway therefore there may be some movement between years.

The budget assumes £100k of vacancy works to be completed, and £18k per month for reactive works. This budget line has been increased based on the run rate for reactive works seen to date in 2026 (previously budgeted at £12k per month). This balance can be unpredictable but reactive works should reduce if completion of QI works is up to date.

The planned property works have been reviewed in detail to identify any works that could be delayed either because the property is currently let, or because plans for a property are uncertain and it may be surplus to requirements. Maintaining clergy welfare as a priority, there has not been any particular appetite to delay works to clergy properties.

We continue to see above inflationary increases to property works and so whilst a scope of works has been prepared for the budget, once detailed quotes are obtained (which may be 12 months later) we are increasingly seeing movements in the costs. Investment income from the pastoral fund (2026 forecast to be c£40k) will be used to support the budget and if necessary the use of capital from this restricted fund can also be explored. Any works representing an enhancement to a parsonage may be offset against the Stipends Capital (endowment) fund.

Council tax and water rates have been inflated at 5% and 8% respectively, and insurance by 5%; these costs have all been increased above inflation in recent years. We continue to see an increase in charges for properties that are vacant for a long period of time.

The movement in agency costs reflects the movement in rent income.

We expect to have 128 properties by the end of 2026. The housing budget equates to a nominal cost of £11,805 per property.

The forecast for 2028 and 2029 assumes a reduction in the volume of works as the old QI works are caught up, and other one off works completed in 2027. We would still expect to see above inflationary pressures on costs.

12. <u>Safeguarding:</u>

Includes salaries for headcount of 6.4 FTE.

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
439	419	402	346	9%

The increase in the 2027 budget compared to 2026 forecast is due to the reinstatement of an additional 0.6 FTE administrative support role. This is a direct result of the recommendations from the INEQE audit.

Other costs are largely consistent with prior year and subject to an inflationary increase. All costs in relation to the Clearly Simpler dashboard and hub have been moved to IT.

The forecasts for 2028 and 2029 assume inflationary uplifts are applied to all costs.

13. <u>Ministry and discipleship:</u>

Includes salaries for headcount of 6.5 FTE.

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
512	588	545	430	-6%

The main reason for the reduction compared to the 2026 budget and forecast is due to the removal of the ordinand maintenance grants. This will now be funded through the ministry training fund (to which we make an annual contribution – see section 22). The amount budgeted for 2026 was £61k. The budget also reflects that the Elizabeth Pathway (previously the Michaelmas cohort) is funded centrally by the national church whereas the diocese had funded this training previously.

Clergy training costs have been budgeted at the levels of spend being seen in 2026 as we continue to see an increase in requests for training as a result of the MDR process. There is also support for these costs through the designated fund proposals from the CME fund (see later in the report).

Staff costs make up a large proportion of the department costs and so the proposed lay salary increases partially offset the savings noted above.

Included within the costs above are matched funding commitments under the SMIIB grant for operating costs to support Cairns, staff roles connected to children, youth and families, and for staff roles linked the delivery of the lay ministry project funded by the Innovation fund grant.

In addition to the staff headcount noted above, there are 3.7 FTE of posts funded through national church or other grants including the leads for Revive and Revitalise. The funding for the Children, Families and Youth role is due to expire during 2027 and the costs will then be paid through the general fund.

The annual contribution for the diocesan conference is also included in this budget and will be transferred to the designated conference fund.

The forecast for 2028 assumes the matched funding commitment for cairns ceases, alongside some additional training costs, offset by inflationary increases on other costs. Inflation assumptions have been applied for the 2029 forecast.

14. <u>Social transformation (including CSR):</u>

Includes salaries for headcount of 4.2 FTE.

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
215	244	209	211	3%

£207k of the costs above are for the staff costs paid by PDBF on behalf of CSR, for which PDBF is reimbursed. The balance of £9k remains within PDBF which includes 0.1 FTE of staff costs. The reduction compared to 2026 budget is due to a change in the work being carried out by CSR. Any changes to CSR projects resulting in staff changes would be offset by income above.

The assumptions for 2028 and 2029 include an inflationary increase in costs.

15. <u>Education:</u>

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
192	195	177	190	8%

This is the PDBF share of the costs for the education team, offset by a transfer from the restricted and expendable endowment funds as noted above in section 6.

The majority of the costs relate to the staff team of 7, with the main movement compared to the 2026 forecast reflecting that staff levels were below budgeted levels for the first few months of the year.

The reduction compared to the 2026 budget reflects the removal of some office costs previously recharged whilst we undertake a full review in line with VAT legislation. Other costs have increased in line with inflation.

The assumptions for 2028 and 2029 include an inflationary increase in costs.

16. Communications:

Includes salaries for headcount of 1.4 FTE.

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
119	125	121	102	-2%

The reduction in the communications budget is due to the costs in relation to the diocesan website being moved to IT costs (see section 19) and also a reduction in the allowance for new equipment compared to the 2026 budget.

Other costs have increased in line with inflation.

The assumptions for 2028 and 2029 include an inflationary increase in costs.

17. Parish support:

Includes salaries for headcount of 3.6 FTE.

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
319	319	318	283	1%

Parish support costs have remained largely unchanged from both 2026 budget and forecast, with inflationary uplift applied. This includes costs in relation to stewardship and giving, DAC, vacancy fees, choir church and the ACAT subscription. The budget for choir church has been reduced as the costs for the current cohorts are lower than had been anticipated.

As in previous years, investment income from the mission fund will be used to contribute towards the costs of choir church. This is a matched funding commitment in the SMMI bid. We also hope to secure funding from the next bid to be submitted in late 2026 against up to £12k of these costs.

There are also costs for a lay pioneer role which forms part of our SDF3 matched funding commitment and is LINC funded, and the buildings officer role which is part of our commitment under SMMI.

In addition to the headcount noted above, there is 3.45 FTE of roles funded by national church funding. This includes net zero carbon, the church building support officers (with one role dedicated to the Isle of Wight) and the additional giving advisor role (dedicated to the Isle of Wight) for which funding has recently been awarded, we are currently recruiting for this role.

We expect to appoint a Racial Justice Officer with funding awarded by the National Church. The Catherington Fund (a designated fund) will fund 0.5 FTE as the role will have a focus on spirituality, with the remainder of the role funded by the Racial Justice grant. PDBF will provide housing as part of the matched funding commitment.

The reduction in 2028 reflects that the matched funding commitment for Choir Church will reduce, with it stopping during 2029; funding will be available through the SMMI grant for new groups and

the expectation is that these groups also start to become self sustainable. Other costs are increasing in line with inflation.

18. Finance:

Includes salaries for headcount of 3.2 FTE, which includes our share of those team members employed by the Winchester Diocese (WDBF).

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
262	258	251	233	4%

The increase in the finance budget is largely driven by inflationary increases, offset by a reduction in the staff head count. We are expecting to extend the custodian fund role into early 2027 in order to continue this work with parishes, however on a reduced number of hours.

The budget includes an allowance for professional fees in case of need as we explore Total Return with our auditors.

Costs for 2028 and 2029 are expected to increase in line with inflation.

19. Diocesan office:

Includes salaries for headcount of 2.6 FTE.

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
664	666	667	557	0%

IT costs £140k (2026 budget £159k)

- As a result of the transition to our new IT support provider, IT costs have seen a significant reduction overall, however we have transferred costs of c£21k from other cost centres to offset, where these are diocesan wide software/IT costs, for example website costs from Communications, Safeguarding dashboards and case management software from Safeguarding. Costs for IT/software costs relating to systems used to support parishes specifically have remained in the relevant cost centre.
- We are in the process of negotiating new contracts for both Propman (property maintenance software- reduction agreed) and Xledger (accounting software; expected to increase slightly above inflation as pricing has been fixed since 2020).
- The budget assumes a quarter of staff laptops may need renewing in the year

Diocesan secretariat costs £213k (2026 budget £206k)

- The costs largely relate to the salaries of the diocesan secretary, the executive assistants and their support expenses. There is an allowance for legal fees which includes the quarterly fee for the designated officer.
- There is also an allowance for discretionary grant payments which includes £10k allowance towards the Racial Justice officer project

- The majority of the movement is due to inflationary increases

HR £103k (2026 budget £104k)

- This includes the Employee Assistance programme to support staff with any health and wellbeing needs, an allowance for training for lay staff across all teams, HR support from Kane HR (which covers clergy, parish and lay matters) and recruitment fees for advertising of any diocesan roles if required.
- There is also an allowance for salary reviews offset by the £10.5k rebate against national insurance contributions

Office services £30k (2026 budget £29k)

- Included here are consumables costs in relation to Peninsular House such as printing, postage and stationery, phone systems, office cleaning costs and any equipment rental agreements e.g. franking machine.
- The year on year change reflects the inflationary increases to costs

Building services £178k (2026 budget £165k)

- These costs relate to the cost of maintaining Peninsular House including insurance, water rates and council tax, and service charges for the office payable to VIVID at £101k. This is the largest increase and is based on the current run rate, inflation applied. There are works expected to the building over the coming year however we expect this to be paid for through the designated office repair fund.

Assumptions for 2028 and 2029 include inflationary uplifts on all costs.

20. <u>Governance:</u>

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
18	12	21	14	-16%

Governance costs reflect the expenses of Bishops Council, Diocesan Synod and General Synod including venue and catering costs, and any expenses claimed by those in attendance. The budget reflects the levels of costs incurred to support the HR Advisory Board and the General Synod reps in particular which has increased during 2026.

Costs are expected to remain consistent in 2028 and 2029, with inflation increases applied.

21. <u>Legal & registrar:</u>

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
157	143	140	127	12%

The charges for the diocesan registrar are as per the legal fee order and outside of our control. A proportion (50%) is reclaimed from Church Commissioners in relation to the Bishop's share of the costs (this is included within other income).

In addition, the Chancellor fees are prescribed in the fee order at 14% of the registrar fee.

We continue to see above inflationary increases in these costs and expect a full review as requested by general synod.

Above inflationary increases have been applied for 2028 and 2029 until we know the outcome of the wider review.

22. <u>Training for Ministry:</u>

2027 Budget	2026 Budget	2026 Forecast	2025 Actual	% change 2026 forecast to 2027 budget
£'000				
240	168	168	282	43%

The is the diocesan contribution to the national ministry training fund, with the figures being determined by national church. 2027 will be the first full year of contributing to this fund; 2026 is a transition year and therefore a lower contribution. There are some final pooling arrangements relating to the previous ordinand grant payments; we have a credit of £26k applied to reach the figure above. Our ongoing contribution to the fund is £266k prior to the credit.

The figures for 2028 are based on the forecasts provided from the national church although we anticipate a final pooling adjustment. An inflationary increase has been applied for 2029.

Lay staff salaries:

Historically, the increase in lay staff salaries has been matched to the increase applied to stipends. Due to the unprecedented increase in stipends for 2026, differing rates were applied. The 2027 stipend uplift of 3% is driven by CPI in April 2026 and it is therefore considered appropriate to apply the same level of increase to lay staff salaries as well.

The salary proposal has been discussed by the HR Advisory Board with the following reflections:

- Clergy are not subject to housing cost increases in the same way lay staff would be as the clergy's council tax, some utilities and housing maintenance costs are supported by the diocese. These are areas where the highest levels of inflation are being seen
- Lay staff salaries are based on spine points with 10 tiers, allowing for regular review as roles and capabilities develop. Each tier increase represents a 3% increase to salary which could be awarded in addition to the annual cost of living review.
- Existing salary levels are not resulting in difficulty attracting applicants to apply for roles

As a result of the above, the HR Advisory Board were happy to recommend a 3% salary increase from a staff welfare perspective.

As noted through the cost centre analysis above, a number of the staff team are funded through various restricted grants. Many of the diocesan staff also work part time and some work across a number of roles/teams. The split of staff (including actual number and full time equivalent) and how funded is included in the following table:

	ALL FUNDS Actual Headcount	FTE Headcount	General Fund budget	Other Funds FTE	Expected end date for funding
Diocesan Office	3.00	2.40	2.40	-	
HR	1.00	0.20	0.20	-	
Communications	2.00	1.40	1.40	-	
Clergy Housing	3.00	2.40	2.40	-	
Parish Support	10.00	7.05	3.60	3.45	Net Zero Carbon - 1.0 FTE funding extended for next triennium Church Building Support Officer - 0.45 FTE extended for next triennium Buildings Officer - 0.4 FTE SMMI funding until end of 2027 Giving Advisor - 0.6 FTE funding for 3 years Racial Justice Officer - 0.5 FTE funding for 3 years and 0.5 FTE matched through designated funds
Strategic Programme Team	4.00	3.40	-	3.40	Team funded under current SMMI funding with further to be applied for in next SMMI bid
Safeguarding	9.00	6.40	6.40	-	
Clergy Support	3.00	2.34	2.34	-	
Ministry and Discipleship	12.00	10.15	6.45	3.70	Growing Faith Enabler - 0.5 FTE funded until mid 2027 Leads for Revive, Revitalise and Renew - 2.2 FTE funded under current SMMI funding with further to be applied for in next SMMI bid Lay ministry administrator - 1.0 FTE funded under Innovation funding
Social Transformation (CSR)	6.00	4.23	0.10	4.13	Funded by CSR
Finance	7.00	3.40	3.40	-	
Total	60.00	43.37	28.69	14.68	
Excluding CSR (as separate charity)	55.00	39.24	28.69	10.55	

A recent diocesan wide survey showed the following average number of employees and FTE across all dioceses and then split by size (for which Portsmouth would be classed as small).

	All Dioceses	Smallest 11*	Middle 11	Largest 12
No of Employees	71.8	54.7	73.5	87.2
FTE	53.3	43.8	48.8	66.9

Once the headcount for CSR is excluded as it is a stand alone charity, the PDBF staffing level is clearly below that of other comparable dioceses.

Details of the staff team and the work they do can be found here: [About Portsmouth Diocese - Diocese of Portsmouth]

The total cost of salaries budgeted for the general fund under each scenario compared to 2026 budget and forecast are as follows:

	Scenario 1 (3% uplift)	Scenario 2 (2% uplift)	Scenario 3 (4% uplift)	2026 Forecast	2026 Budget
Total	£ 1,708,241	£ 1,691,623	£ 1,724,857	£ 1,511,128	£ 1,644,439

NB this table excludes the costs for the CSR staff which are fully recovered.

Between April 2024 and April 2026, staff pension costs totalling £424,000 were offset against the surplus on an old staff defined benefit pension scheme. £65k was applied in 2026 and so we would expect staff costs to increase by this amount, before allowing for inflation/uplifts. We continue to offer competitive pension contributions for staff with those employed pre February 2025 receiving a 15% contribution, and those after a 10% contribution. The majority of dioceses offer between a 10% and a 12% contribution although around 25% offer less than 10%.

We understand that there may be a further pension surplus available of £375,000. This is not reflected in the figures above however if available to offset all lay staff contributions throughout 2027, this is expected to result in a cost reduction of £227k in the year, with a further £148k being available for 2028.

Cashflow forecast:

The detailed cashflow forecast accompanies this budget proposal.

In addition to the amounts held on deposit with CCLA and the general bank account with Barclays (which are reflected in the cashflow forecast), there are investment balances also held in the general find, which if needed could be sold to support with operational cashflow.

At 14 August these balances totalled £2,232,572 and have seen an increase in valuation in the last 2-3 months after a period of challenging market performance. If the performance continues to improve this may increase the value available to support cashflow if required, although as with interest on deposit balances this would be partly offset by a reduction in investment income.

The following section regarding other sources of funding details additional resources that may be available in the short term to support with the operational costs within the budget. The impact presented in the cashflow forecast could therefore be reduced by these amounts. The proposed use of designated funds of £124k is already reflected as this continues the approach that has already been in place over the last 2 years.

Other sources of funding

As in previous years, there may be opportunity to utilise other designated, restricted or endowment funds to support the general fund budget. The next bid for SMMI funding will be submitted in late 2026. The main impact of this on the general fund will be the request for an additional £500k of time limited funding to provide financial support through 2027 and 2028.

Designated funds

Appendix 4 details the current balances held on designated funds (those that have been set aside by trustees for a specific purpose) and how we plan to support the budget for the remainder of 2026, and what this could look like into 2027 and future years. Each of these funds is held in either shares or deposit accounts with CCLA and so each generates investment income. By managing the use over time, we hope to maintain a level of investment income on the funds as well, to ensure that we can create value beyond 2026 and 2027 from these funds.

Significant balances have been drawn from these funds over the last 2-3 years to support with the operating deficit, and during 2026 some funds have been combined where they had similar purposes.

The support for Choir Church through the mission fund will be reliant in investment income being generated across other funds (SDF and SMMI; from July 2026 all grant funds are now being received in advance in relation to SDF). £38.2k of investment income was generated in 2025. This has reduced to £8.3k so far in 2026. If successful, the new funding under the next SMMI bid will contribute to this in the same way.

The Catherington fund has a particularly large balance (c£690k) with limited use for the funds identified currently, although this will provide matched funding for the Racial Justice Officer role.

The current proposals demonstrates that we may see an additional £124k to support from designated funds with the budgeted deficit for 2027, leaving £1.39m for use in years beyond this.

It may be appropriate to use some of these funds more quickly, and this will be kept under regular review, although being mindful pf the impact of reducing the capital on our ability to generate investment income.

Restricted funds

We continue to review the property portfolio to identify any properties that may be surplus to requirements. There are 2 houses that have been identified that may no longer be required and could be sold with the funds either reinvested in other properties, or proceeds invested in the pastoral fund. These would be subject to pastoral reorganisation before this can happen. During 2026 we anticipate 3 property sales and one property purchase, with the funds from one sale earmarked for a future purchase.

We have been using income generated from the pastoral fund to support the cost of parsonage repairs, and therefore we may see an increase in the income available to do this. The capital would also be available if needed, however we would need to be mindful of any funding required for future housing needs.

Appendix 5 details the current balances on restricted funds, income and expenditure expected for 2027 and where these are being used or could be used moving forwards. This also shows the end dates for current funding to demonstrate where projects may stop, or a decision may need to be made as to whether to fund from additional diocesan resources.

Endowment funds

We potentially have the opportunity to use some of the capital held in our endowments by applying total return. This would enable an increase in fund values above inflation to be available for use. Whilst we hold endowments totalling c£12.5m excluding land and buildings, there will be limitations on how the funds may be applied however we anticipate being able to use the Stipends Capital fund to support with some stipend costs. This is not expected to make any substantial improvement to the financial position but will demonstrate further use of our resources.

Summary of other funds

The following table shows the breakdown of potential changes as noted throughout the report and demonstrates the possible contribution these could make to the budgeted deficit for 2027. There is nothing included from endowments as the work has not yet started to model what might be available and how this might be used.

Possible savings/reduction to budget	**2027 £'000**
Draft deficit (at 88% parish share)	*(1,302)*
Possible savings and transfers	
DBS pension surplus for lay staff	227
Potential Choir Church contribution through SMMIB	12
Time limited funding through SMMIB	250
From designated funds	
Possible usage (appendix 4)	124
From restricted funds	
Possible usage (appendix 5)	95
Potential revised position	*(593)*

We must of course take a cautious approach to the use of the designated and restricted funds as once used, they will not be available again, or we will see a reduction in investment income as a result of using some of the capital. This cannot not be relied upon longer term.

Appendix 1: General fund 2027 & forecast 2028-29 budget scenarios

PDBF Budget 2026	Actual	Budget	Forecast	Budget	Budget	Budget
	2025	2026	2026	2027	2028	2029
	£'000	£'000	£'000	£'000	£'000	£'000
INCOMING RESOURCES						
Parish Share (88% allocation)*	4,548	4,876	4,708	5,071	5,325	5,564
*Income at 92% collection**		*5,098*		*5,301*	*5,461*	*5,624*
*Income at 95% collection**		*5,264*		*5,474*	*5,639*	*5,808*
*Income at 100% collection**		*5,541*		*5,762*	*6,051*	*6,323*
Fees	302	271	271	279	287	295
Rental Income	488	433	414	405	419	384
Grants	693	1,342	1,323	1,303	1,264	1,220
Income from CSR	203	236	236	207	213	219
Fund transfers	175	195	190	192	197	202
Investment Income	473	430	461	516	461	359
Other income	167	144	173	159	163	168
Total Income	**7,049**	**7,926**	**7,776**	**8,131**	**8,330**	**8,411**
COSTS OF MINISTRY AND MISSION						
Mission						
Clergy Remuneration	3,551	4,091	3,845	4,255	4,382	4,513
Clergy support	409	418	394	483	454	462
Clergy Housing	1,670	1,518	1,764	1,557	1,479	1,462
	5,629	6,028	6,003	6,295	6,315	6,438
Safeguarding	346	419	407	439	451	462
Ministry and Discpleship	430	588	527	512	512	522
Social Transformation (CSR)	211	244	224	215	222	227
Education	190	195	190	192	197	202
Communication	102	125	120	119	122	125
Parish Support	283	319	326	319	315	280
Mission Total	**7,191**	**7,917**	**7,797**	**8,091**	**8,135**	**8,257**
Mission Support						
Finance	233	258	255	262	267	274
Diocesan Office	557	666	668	664	683	702
Governance	14	12	20	18	18	19
Registrar and Legal	127	143	141	157	173	186
Mission Support Total	**932**	**1,078**	**1,084**	**1,101**	**1,142**	**1,181**
Nationational Church Contributions						
Training for ministry	**282**	**168**	**168**	**240**	**276**	**284**
TOTAL EXPENDITURE	**8,405**	**9,163**	**9,049**	**9,432**	**9,553**	**9,722**
Surplus/(Deficit) before transfers	**(1,356)**	**(1,237)**	**(1,273)**	**(1,302)**	**(1,223)**	**(1,311)**
Gain/(Loss) on Sale of Fixed Assets						
Net surplus/(deficit) for the year*	**(1,356)**	**(1,237)**	**(1,273)**	**(1,302)**	**(1,223)**	**(1,311)**
Sensitivity - adjusted deficit to reflect impact of undercollection of parish share:						
If 92% collection achieved*		*(1,015)*		(1,071)	(1,087)	(1,251)
If 95% collection achieved*		*(849)*		(898)	(909)	(1,067)
If 100% collection achieved*		*(572)*		(610)	(497)	(552)

Appendix 2: Historic parish share collection rates

The following shows the historic trends in parish share collection:

Year	Cash Collection	Budget	% Collection	% increase vs previous year
2025	£ 4,548,143	£ 5,379,471	84.55%	0.83%
2024	£ 4,510,614	£ 5,222,782	86.36%	4.34%
2023	£ 4,323,125	£ 5,122,000	84.40%	-2.07%
2022	£ 4,414,295	£ 5,122,000	86.18%	0.21%
2021	£ 4,405,115	£ 5,034,417	87.50%	-6.10%
2020	£ 4,691,178	£ 5,218,218	89.90%	-1.91%
2019	£ 4,782,580	£ 4,925,417	97.10%	

Appendix 3: Allocation of LINC funding

The LINC funding budgeted for 2027 totals £899,447. The table below shows the specific projects that have been identified where we expect to provide support through the LINC funding and the level of this.

Parish	Reason	Amount
Cosham & Wymering	Administrative Support	19,084
Paulsgrove	Administrative Support	11,186
Leigh Park	Administrative Support	6,885
West Leigh	Administrative Support	14,726
Portsea St Marys	Administrative Support	13,788
St Lukes, Southsea	Administrative Support	9,255
Rowner	Administrative Support	11,177
Hartplain	Children, familie and youth	10,000
Haven, Gosport	Lay pioneer minister	36,182
General	Faculty fee support	1,500
General	Recruitment costs	1,500
		135,282

The remaining LINC funding will contribute to unallocated and unpaid parish share where we expect this the amount under the new calculation. This reflects that for LINC funded parishes, even the transitional arrangements may be a financial challenge, especially if they are also parishes that have seen significant growth as a result of SDF and SMMI funding, and the parish income will not have seen the same level of growth.

This remaining allocation also reflects that although we do not link parish share to the direct cost of ministry for a parish, we know that our overall parish share collection falls short of the costs of providing ministry and therefore the LINC funding supports with bridging this gap. This enables us to continue separating the share request from the level of support received by a parish.

The recipients based on the initial parish share proposals are expected to be:

Parish	Deanery
St. Mary, Portsea	Portsmouth
St Lukes, Southsea	Portsmouth
Leigh Park	Havant
Barton	Isle of Wight
Harbour Church Portsmouth	Portsmouth
St. Catherine Ventnor	Isle of Wight
St Saviour & Ascension, Portsea	Portsmouth
St. Saviour Shanklin	Isle of Wight
Ryde	Isle of Wight
St. John the Evangelist, Sandown	Isle of Wight
Holy Trinity Ventnor	Isle of Wight
Haven Church Gosport	Gosport
Whippingham	Isle of Wight
Christ Church Sandown	Isle of Wight
Bonchurch	Isle of Wight
Hart Plain	Havant
Newtown	Isle of Wight
Newport Minster	Isle of Wight
Lake	Isle of Wight
Rowner	Gosport
Niton	Isle of Wight
Brading	Isle of Wight
Shanklin St Blasius	Isle of Wight
Gatcombe	Isle of Wight

Diocese of Portsmouth

THE CHURCH OF ENGLAND

Appendix 4: Designated Fund proposals

Fund no	Name & description	Balance 31/07/2026	2026 commitment remaining	Committed elsewhere	Balance remaining	Potential cashflows to support operational budget 2027	2028	2029	Balance	Notes
DF04	Dio Conference - towards cost of diocesan conferences when held	£ 75,491		-£ 75,491	**£ -**				£ -	This fund is being held for the diocesan conference in Sept 2026 and the centenary event in 2027. There has been a contribution to the conference costs from SMMI funding as well. The balance is added to each year to ensure an allowance is available for the for future conferences. There is an allowance in the 2027 budget of £8,000.
DF06	Dio loan - to support with short term loans to parishes	£ 330,180			**£ 330,180**				£ 330,180	Held for parish loan requirements. Two loans have currently been paid out - £30k to Blendworth, £85k to Ryde. A loan of £45k to Newport has been reapid in 2026. The balance to be retained for future loans
DF07	Parsonage repairs - repairs and maintenance in relation to parsonages	£ 161,981	-£ 20,000		**£ 141,981**	£ 20,000	£ 20,000	£ 20,000	£ 81,981	The balance is used to pay the parsonage insurance costs and to support some of the expected parsonage expenditure. Investment income generation will offset part of this. Insurance cost £39.8k in 2026, investment income of c£12k generated
DF08	CME - continuing ministerial education	£ 145,906	-£ 12,500		**£ 133,406**	£ 25,000	£ 25,000	£ 25,000	£ 58,406	To support with the ministry and discipleship budget - expectation of additional costs from MDRs.
DF11	Winterbotham - for DBFs own purposes	£ 158,346	-£ 26,100		**£ 132,246**	£ 45,000	£ 45,000	£ 42,246	£ -	Merged with sustainability fund. Use to underpin the general fund. Investment income generated is already paid to the general fund.
DF12	Office repair - repair and maintenance of office equipment	£ 146,827	£ 8,000	-£ 23,932	**£ 130,895**				£ 130,895	Website costs of £20k have moved from Brown Doigs - merged funds. Balance required for large costs under the service charge (currently expecting external cladding and bin shed replacement). Topped up each year by £20k. Best estimate of costs as awaiting final quotes from VIVID. Top up for 2026 will be completed if not spent in year. Recent redecoration works to pay from 2026 allowance, expect balance of £8k to be added to the fund from the general fund budget.
DF13	Mission	£ 94,338		-£ 68,148	**£ 26,190**	£ 26,190			£ -	The fund is used to meet diocesan matched commitments under SDF and SMMI bids. Investment income generated on these funds and the SMMI funds received in advance will be used to cover choir church and any variances in costs under the matched commitment. For choir church, usage depends on level of spend (budgeted £52k for 2026 and budget reduced for 2027). Fund will be topped up quarterly by investment income elsewhere therefore may be more available towards budgeted total
DF17	Catherington	£ 692,358		-£ 72,950	**£ 619,408**	£ 40,000	£ 40,000	£ 40,000	£ 499,408	The Catherington fund has been identified as matched funding for the Racial Justice Officer role - the amount listed as committed will fund the role for 3 years. As other spirituality projects are identified some further use is expected; this is expected to include the Dolling Centre for the provision of training through St Lukes at an expected cost of £35-£40k pa
DF20	Reader Board	£ 6,177		-£ 6,177	**£ -**				£ -	Funds used to support reader conference and reader ministry
		£1,811,604		-£ 246,698	**£1,514,306**	£ 156,190	£ 130,000	£ 127,246	£1,100,870	

Appendix 5: Restricted Fund proposals

Fund no	Name	Balance 31/07/2026	Used regularly?	Description	End date if project funding	2027 income expected	2026/2027 expenditure expected	Plans	Potential general fund budget support?
RF02	Barclays Bequest	£ 8,445	N	For new church buildings		£ 200		Investment income only. Could be some possible use re Welborne/Berewood/Boorley Green over coming years if meets fund requirements	
RF03	Benefice Augmentation	£ 110,489	N	For stipends				Expect to use by end of 2026	
RF05	Christian Healing	£ 292	N	For Christian Healing work				Expect to use by end of 2026	
RF06	Harrison	£ 21,192	N	Loans to parishes		£ 700		Investment income only. To keep available alongside diocesan loan fund	
RF07	Huckstepp Legacy	£ 116,383	Y	Support for ordinands candidates and junior clergy towards training			£ 6,000	Currently supporting where candidates fall outside of the scope of the nationally funded grants. Assume some contribution to ministry and discipleship budget for training for junior clergy (within 3 years of ordination)	£ 10,000
RF09	New Churches	£ 1,429,919	N	For new church buildings		£ 40,000	£ 45,000	Investment income only. Up to £45k has been offered to support with a new church building for St Columba, Fareham. Could be some possible use re Welborne/Berewood/Boorley Green over coming years if meets fund requirements	
RF10	Turret House	£ 140,923	N	Church building projects and new church purposes		£ 4,000		Investment income only. Could be some possible use re Welborne/Berewood/Boorley Green over coming years if meets fund requirements	
RF11	Surrexit	£ 21,321	Y	Youth Development	Oct 2027	£ -	£ 21,321	Final funding towards Children, Families and Youth Trainer before reverts to general fund	
RF12	Pastoral	£ 1,666,311	Y	Managed in accordance with Mission and Pastoral Measure 2011. Use investment income towards parsonage repairs. May be opportunity to use capital as well. Property purchases and sales through the fund, also supports closed church		£ 35,000	£ 10,000	Investment income to support general funds (parsonage repairs). Allowance for spend for closed churches. Uses of capital to be explored in light of housing plans/potential purposes. Assume additional £50k released towards repairs	£ 85,000
RF15	Corban	£ 53,978	N	For Poor and needy in Portsmouth St Albans parish		£ 1,500		Investment income only. To review full trust details for possible use or expansion of fund	
RF16	Eckersley	£ 518,686	N	To assist clergy families with young children in the diocese and to benefit them in mind, body or spirit		£ 16,000		Investment income only. To review full trust details for possible use or expansion of fund	
RF17	Education	£ 828,888	Y	Education within the diocese		£ 85,000	£ 191,500	Along with education endowment, used to support the DBE costs. Income from rental and investment income	
RF19	Strategic Development Funding	£ 137,151	Y	Funding for projects in Gosport. Newport and Harbour	Sept 2027	£ 66,800	£ 203,951	Project funding for Jul-Dec 2026 received in advance. Projects have been extended to September 2027 to use final funding.	
RF22	Energy	£ 14,834	N	To support PCCs with increased energy costs				Explore use over 2026/27 winter	
RF23	Net Zero Carbon	£ 12,083	Y	Net Zero capacity building grant (2026-2028 now awarded)	Jun 2029	£ 44,000	£ 56,083	Ongoing for duration of the grant to support project cost as per project bid	
RF24	Church Building Support Officer	£ 9,024	Y	Supports IOW Church Building Support Officer role (2026-20228 now awarded	Jun 2029	£ 22,688	£ 31,712	Ongoing for duration of the grant to support project cost as per project bid	
RF25	Minor Repairs and Improvements	£ -	Y	Small scale repairs and improvements to church buildings				Expecting new funding round but details not yet released	
RF26	Flourish	£ 40,701	Y	Funding for Flourish projects with schools to develop new worshipping communities	Dec 2029		£ 40,701	Current funding to be used by end of 2026. Further funding to be applied for through SMMI	

Fund no	Name	Balance 31/07/2026	Used regularly?	Description	End date if project funding	2027 income expected	2026/2027 expenditure expected	Plans	Potential general fund budget support?
RF27	Quick wins	£ 29,200	Y	For small grants to parishes for net zero projects	Mar 2029	£ 25,183	£ 54,383	Continue funding grants to parishes via application process	
RF28	Rejuvenation	£ 482,790	Y	For activities as identified in the strategic plan	Dec 2031	£ 1,120,700	£ 1,603,490	Use of funding as per project budget (Renew, Revive, Revitalise)	
RF31	Additional Stipendiary Ministry	£ 61,453	Y	3 year donation to ministry costs	Dec 2028		£ 23,767	Contribute to 0.5 FTE post as per restriction on the donation	
RF31	Curacy Grants	£ 27,338	Y	3 year grant for 90% of curacy costs	Jun 2028	£ 56,317	£ 83,655	Contribute to 0.9 FTE post	
RF32	Lay Ministry	£ 38,805	Y	Innovation grant towards lay ministry training	Feb 2029	£ 47,117	£ 85,922	Continue funding work of the project as per grant application	
RF33	Ryde	£ 100,050	Y	SMMI funding for Ryde	Oct 2028	£ 208,200	£ 308,250	Continue funding work of the project as per grant application	
RF34	Housing project	£ 20,378		New award - to support exploration of housing options for properties	Mar 2027		£ 20,378	Project work due to be undertaken in late 2026/early 2027	
RF35	Racial Justic Grant	£ -		New award - for Racial Justice Officer role and acitivities		£ 35,000	£ 35,000	Project work to commence late 2026/early 2027	
		£ 5,890,632				£ 1,808,405	£ 2,821,112		£ 95,000

Appendix 6: Toolkit to support growth of income

When considering what options may be available to a parish to improve their financial health and giving, it would be useful to consider the following:

- How to establish a process for attracting new givers
- How to increase giving from existing givers
- How to move people onto the Parish Giving Scheme from other types of giving
- Effective use of Generosity Week
- How to preach on the subject of generosity
- How to increase income from legacies
- How to approach high-net-worth individuals in your Parish
- How to maximise gift aid of regular giving
- How to maximise gift aid of one-off and visitor income
- How to install and renew contactless giving devices
- How to gift-aid contactless and other modern forms of giving
- How to find grants through Cornerstone
- How to increase trading income through church halls and other assets
- How to increase returns from Parish investments
- How to get a better deal when purchasing utilities

From here the diocese can help to signpost to the relevant resources that may be available such as Parish Giving Scheme, Cornerstone and other resources outlined in the financial sustainability plan.