

Budget Proposal 2025

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Portsmouth Diocesan Board of Finance

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Introduction from Bishop Jonathan

St Benedict, stability and a deficit budget

At the time of writing, we await the Chancellor's first budget since the election.

Undoubtedly, it will have been a difficult assignment at a time of global turbulence, a cost-of-living crisis, war in eastern Europe, and a black hole in public finances. In our own corner of God's beautiful, promising-yet-broken world, we too are affected by the 'macro environment.'

The diocesan budget set before you for consideration has itself been a tough assignment for our own chancellor of the exchequer, Elaine Coe, and her diligent colleagues. I am most grateful to Elaine, Philip Poulter, the finance team and Audit Committee for their work, wisdom, and advice in its preparation. The budget herein presented to Diocesan Synod by Bishop's Council (sitting as the Diocesan Board of Finance, effectively the *trustee body* of our diocese) will undoubtedly be an uncomfortable read for those being asked to consider, then vote, for it.

2025 is undoubtedly going to be a 'squeeze' year financially as significant investments in people (e.g. incumbents appointed to vacant parishes over the last 2 ½ years with a commensurate loss of rental income) and investments in plant to enable and support ministry in parishes (e.g. long-awaited renovations to clergy housing) take time to impact positively in terms of increased levels of giving across the diocesan community. Evidence drawn from monthly analysis of parish share collection shows it is increasing steadily across the diocese, in all deaneries (when compared to January 2022). Nevertheless, there is a gap, significant next year, between income and expenditure.

We are proposing a budget for 2025 in which a significant deficit is anticipated.

Such a situation is far from ideal; it should not be tolerated in either the medium or long-term. So, what makes me prepared to propose, confidently and without hesitation, such a deficit budget to members of Diocesan Synod?

It is the actions we have been prepared to take in recent years, the multi-stranded financial strategy adopted, and the team and organisational disciplines now in place which, cumulatively, give me confidence that we are heading in the right direction. In short, the underlying building blocks for a financially healthy and sustainable diocesan organisation are firmly in place.

So what, in outline, are these key building blocks, financially speaking?

First: financial controls and good order. Over the past two and a half years we have stripped out unnecessary central costs and restructured our organisation (e.g., removing a tier of management from central structures). We have paid off in full our £2m Coronavirus Business Interruption Loan (CIBIL). Solid mechanisms and disciplines for financial management are now firmly in place to support cost control and to enable financial monitoring, transparency, and accountability.

Second: investment in people and plant noted above.

Third: organisational focus, vision, and strategy. In July 2024 Diocesan Synod voted unanimously to adopt and approve a renewed diocesan-level vision and strategy (the rejuvenate strategy). 'Rejuvenate' will draw the diocese together in focused common purpose and leverage significant inward investment, via the Church of England's national Strategic Ministry and Mission Investment Board (SMMIB).

SMMIB investment will build capacity in our organisation and enable delivery of Rejuvenate's three priority areas (Revive; Revitalise; and Renew). I am most grateful to Steve Daugherty, Vanda Leary, and members of the Bishop's Staff Team (the executive group within the diocese) for sterling work in developing the bid to SMMIB, submitted earlier in the Autumn.

Fourth: a renewed Parish Share Scheme. Following two rounds of consultation facilitated by Sue Jones and her team, our Parish Share Scheme has been revised. Once early adjustments are incorporated ('sea trials' are

designed to show where tweaks are required), I am confident the scheme will deliver a fair and transparent approach, rebuild trust, and continue to facilitate the generosity of the parishes and communities of the diocese.

Fifth: generosity and discipleship. Through the introduction of Generosity Week, we are all being invited to see our financial giving as an essential aspect of our discipleship and response to God's grace and goodness in Christ and the Spirit.

Generosity Week is now a permanent, annual, feature in the life and lexicon of the diocese. Generosity Week (late September each year, with planning starting immediately after the preceding Easter) makes available outstanding resources produced by the national church to clergy and lay leaders in parishes.

Sixth: the wide take up of the Parish Giving Scheme. Through the leadership and tireless advocacy of Chris Parker in stewardship, the diocese of Portsmouth is now close to the top of the national league table for take up of a scheme which dramatically reduces the administrative burden on parish treasurers and finance teams.

So, what of St Benedict?

St Benedict's Rule has set a pattern for Christian living in community, and for growth in humility, love and Christlikeness that has helped form the lives of Christian communities. It contributed to sustaining the cultural life and hope of the West following the collapse of the Roman Empire.

Three core notes or themes have emerged since the early 6th century in Benedictine spirituality. I believe each has pertinence for a diocesan synod facing a deficit budget, and for disciples called to follow Jesus Christ in a troubled world. The three notes or themes are often described as joyful obedience, stability, and conversion of life. A word or two on each.

Joyful obedience: we are invited to listen (the root meaning of the word obedience) for the word of Christ; to be anchored or, as we say in this diocese, **centred** in Christ Jesus. In the midst of all the voices, financial and existential concerns, it is Christ's voice which calms the storm and stills our troubled souls. It is Christ Jesus alone who is 'our joy, our life, our hope.'

Conversion of life: in love for one another, we are invited at every moment or point of decision to prefer Christ above all things, St Benedict's way encourages us always to remain open to the presence of Christ, to His merciful correction of our ways and attitudes, to remain humble and open in readiness to be made more Christlike each day. 'Our life is hidden with Christ in God,' St Paul says in the Epistle to the Colossians; and *each day* we are beckoned to become ever more what we already are in Christ. To be transformed into the likeness of Christ. But it is to the third of the notes or themes that I turn at the close of this foreword.

Stability: once the grace of Christ has won us, reestablished and set our life upon the rock of God's grace, friendship, mercy and humility, we are summoned to live a steady rather distracted life, to express our trust in Christ in daily living through routines of kindness, through the discipline or pattern of our life, by steady, prayerful and patient endurance, by our trust that God will fulfil his promises and be faithful in completing the work He has begun in us.

In other words, we are summoned to stability, to a life of consistent and unwavering faithfulness. Synod, as we accept, address and steer towards our challenges, it is time to hold our nerve and in joyful obedience to move forward, held and stable within Christ's gracious presence.

For all these reasons and for love of Jesus Christ (and for our dear brother St Benedict) I commend this budget to Diocesan Synod without reserve.

A Prayer of St Benedict

O gracious and holy Father,
give us wisdom to perceive you,
diligence to seek you,
patience to wait for you,
eyes to behold you,
a heart to meditate upon you,
and a life to proclaim you, through the power of the Spirit
of Jesus Christ our Lord. Amen.

Introduction from the Diocesan Secretary

I am pleased to report our continued progress, which is reflected in this ambitious budget. During 2024 the Deanery plans have been worked into a significant bid for strategic funding from the Strategic Mission and Ministry Investment Board (SMMI or SMMIB) and we are looking forward to, what we anticipate to be, a positive response. The way the Church of England approaches this funding has a significant impact on our budget, in that a good degree of match funding is required to release the grant.

Also in 2024 we have been able to recruit more Clergy into the Parishes, reflected both in the continued planned increase of Stipendiary Clergy and the investment in training both new clergy (such as the 2nd and 3rd Michaelmas cohort) and major plans for continued development and support of existing clergy and lay ministers. This also has significant impact on the budget, as indeed has the continued work to bring our Vicarages into the 21st Century...

2025 remains a transitional year, with negotiations going on at National level to change the funding which the Central Church provides to Dioceses, which is anticipated to make a significant positive difference to the Budget for the next triennium (2026-2028), however it would be too presumptuous to anticipate this in the projections included in the budget, hence it reflects only a steady progress in these subsequent years.

As last year, to achieve all that is planned, support is needed from the Parishes and the income generated by our diocese's investments. These elements are reflected in the overall Parish Share Ask and the considerable deficit to be funded from Diocesan reserves. If we are to move forward we will all need to have the courage to invest in our future and although that will be costly initially, the results for our Parishes and Diocese, with more clergy and more all-round support, will enable us to successfully continue on our path forwards.

In conclusion: I wholeheartedly recommend this budget and ask for your support.

National Picture

So far 2024 has brought improved economic stability with inflation now largely on track for the Bank of England target of 2%. There are however ongoing challenges resulting from the previous sustained high level of inflation and subsequent impact on costs, as well as the potential for further energy increases in October.

Interest rates have remained high in the year with the first reduction to the Bank of England base rate being made in August 2024 (delayed in part due to the ongoing political uncertainty caused by the general election).

Current inflation stands at 2.2% with interest rates at 5.0%, still much higher than they have been in recent history. The budget is therefore set based on the assumption that inflation continues to run at around 2% and interest rates fall c1% over the next year.

General Fund Budget for 2025

The budget presented reflects the income and expenditure expected through the unrestricted 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. There is also comment around some of the designated and

restricted funds and how they are currently being utilised to support the work of the diocese, or how they might be used moving forward.

After initial consultations (held with Bishop's Staff Team, Audit Committee, HR Advisory Board, Diocesan Deanery Finance Chairs and Bishops Council), the base case scenario previously presented has now been proposed as the final budget for agreement for 2025. The narrative details the assumptions that have been made for each income and cost line. There is also an outline budget proposed for 2026-27 with details of the expectations of any changes over the next 3 years.

Running alongside the budget plan is the submission to the SMMI board which is due to be reviewed in October. The budget proposal assumes that the full requested funding is awarded and therefore all DBF commitments to match contributions within the bid are reflected here.

The parish share review is also ongoing. The conclusion of this work and recommendations for the shape of parish share apportionments moving forward, is expected to run alongside final approval of the budget at November synod, to be implemented from January 2025. Depending on the conclusions and possible impact of any change, this may need to be implemented in a phased manner and so the impact this may have on improvement in collection rates should be taken into account.

The proposed budget expects a deficit to be made in 2025 and reflects further investment particularly in mission and discipleship to ensure support for clergy is readily available and that we have sufficient resources in place to support the ministry and mission of the diocese. Clergy housing continues to be an area of great challenge with significant investment required in our properties to maintain a suitable living standard for clergy, impacted by the significant increase in the costs of building material and the availability of resources over the last few years. There are still a number of clergy appointments expected in 2025 to ensure key posts as identified in the deanery plans have been filled. We therefore expect an ongoing high level of property works during 2025, but with this reducing into 2026 as we continue to recover from delayed quinquennial works and recruitment reduces. Net Zero Carbon targets are also adding to the requirements for building repairs and impacting on costs.

The first 8 months of 2024 have shown an improvement in parish share collection and we are yet to see the impact of generosity week. Despite this there are early indications of the impact that conversations and engagement with parishes is having. In particular it should be noted that nationally, only 13 dioceses have seen a year to date improvement in parish share collection, of which Portsmouth is one.

The national review of diocesan finances is ongoing and as planning for the next triennium of national funding continues (commencing in 2026), we would expect to have a better idea over the next 6 months of what the proposals might be and what this might look like for the diocese. Nationally the majority of dioceses continue to forecast significant deficits, some much greater than those we are currently forecasting for 2024 and budgeting for 2025, and with lower reserves levels. At the moment, the statistics suggest that our growth in parish share collection compared to the previous year is the third largest across the country, however a large proportion of diocese are reporting an improved position which is encouraging.

It is key to note that we have sufficient reserves to support the projected deficit and will continue to closely monitor where there may be some opportunity to reduce or limit costs or improve the level of income generated. At the start of 2024, the total of unrestricted and designated funds excluding any property assets was £5.374m therefore even with the forecast deficit for 2024 of £1.055m, we would expect to have in excess of £4.0m to support the project deficit moving forward.

The three year budget for 2025-27 is included in appendix 1.

Income

1. Parish Share

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
5,379	5,223	4,468	4,323	20%

Parish share engagement has much improved during 2024 and whilst the outlook remains challenging, we have much greater awareness of the difficulties faced within specific parishes and where further support may be required. The request for 2024 was increased for the first time since 2022, against a backdrop of high inflation and cost pressures. Significant increases have been seen in relation to the costs of ministry such as stipends and housing costs and the movement in parish share request over the last 2-3 years has not kept up with the level of increases, to acknowledge that parishes have experienced similar pressures on their own costs.

The budget for 2025 proposes an increase to overall parish share ask of 3%, which is linked to the expected increase to stipends and salaries. This will operate alongside a renewed calculation of the individual parish share request for each parish resulting from the Parish Share Review which has been ongoing during 2024 and expected to conclude alongside the approval of the budget. We continue to encourage discussion where parishes feel their allocation is unaffordable and the agreed new method of allocation should help to reduce the instances of these over time.

Whilst some may be reluctant to apply an increase when we continue to see collection rates between 84-87% on average, there are reasons to anticipate an increase is possible:

- Our collection levels (in cash terms) to the end of July are 5.1% up on last year against a budgeted 5% uplift
- 6 of the 7 deaneries in the diocese are currently forecast to achieve collection rates of 90% or above for the full year
- To the end of July, 83 parishes (out of 126) have increased payments compared to the same period last year, 50 of which have seen a 5% increase and therefore have managed to meet the 2024 uplift in full
- The parish share review has resulted in greater transparency of diocesan finances and whilst there is still work to be done, the increased engagement is building trust with parishes. The result of the national review of parish share concluded that the method of allocation was much less likely to have an impact on collection rates than the communication and relationships between the diocese and the parishes
- Generosity week is planned for the end of September 2024 and preparations for this have been underway for some months therefore we expect to see much improved engagement compared to last year. As we embed this as an annual event, we anticipated increased giving into parishes and subsequently, greater availability of resources to support the payment of parish share.
- There have been some significant clergy appointments made this year, especially on the Isle of Wight so would anticipate seeing improved engagement and growth within parishes
- New investment as a result of funding such as Flourish and the new SMMI bid should also contribute to growth in communities. These new initiatives will be starting in late 2024 or early 2025 so only low levels of growth are likely during 2025, but we would anticipate seeing greater impact into 2026 and 2027.
- We continue to support parishes to introduce contactless devices to improve ability to generate donations and income
- Greater economic stability as inflation stabilises should enable parishes to plan their finances with greater certainty

Due to the connection to the cost of parish ministry, it is crucial that we increase the parish share requests to ensure we are able to meet our commitment to clergy and support them through their remuneration, housing and training.

Details of historic parish share collection rates are included in appendix 2 whilst the 2024 forecast is noted above. This remains cautious as we seek to confirm any additional payments that can be expected towards the end of the year.

2. Fees

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
258	230	242	283	7%

An increase in fee income is anticipated based on several drivers:

- Inflationary uplift to fees set nationally
- Increased clergy headcount enabling greater opportunity to provide occasional offices which attract fee income (and reduction in the amounts paid to PtO's to cover such services included under parish support costs).
- Better monitoring of returns should result in improved accuracy of reporting and income being received in the year to which it relates (we are currently receiving a large amount of fees relating to previous years which have led to the increased forecast for 2024).

This will be offset by the amount of 2022 and 2023 income being received in 2024 as we continue to increase monitoring of records for fee income.

3. Rental Income

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
600	524	677	698	-11%

The budget for rental income reflects that further clergy appointments are planned for 2025. The loss of rental income resulting from an appointment is c£1k-£1.2k per month and the reduction against the 2024 forecast therefore reflects the properties required to house the planned appointments. We would anticipate an increase in rental charges for any ongoing rental agreements when they become due for review; this has been assumed at 3%. Many of the rental rates tend to be at below market rates.

It should be noted however that a change in legislation and delays in court proceedings if the need arises for repossession may make it more difficult to rent out properties during vacancy. The budget therefore assumes a reduction in the number of properties made available for rent.

Rent for glebe land, and the sub lease of the ground floor of Peninsular House to CafCass are also included within rent income (accounting for £126k of the expected rental income). There has been an increase in the amount recharged to CafCass to represent their share of the increase in the service charges relating to Peninsular House.

4. Grants

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
888	762	808	771	10%

The grant budget consists of the following:

- LINC - £618,178 – paid by Archbishops Council. The figures have been set to the end of 2025 and the 2025 budget reflects c£21k increase from the 2024 payment.
- Benefact Trust (formerly All Churches Trust) - £70,795. This is a recurring grant reducing each year as part of a phasing out process. The grant for 2024 is £84,280.
- Grant from Portsmouth Diocesan Council for Social Responsibility (PDCSR) - £199,425 – this is to cover the cost of the staff team employed by PDBF that work for PDCSR. This offsets salary costs within the

Social Transformation budget line. There is a significant increase here due to additional staff posts for new projects.

The Lowest Income Communities (LINC) grant is received by the diocese for the parishes that rate in the highest areas of deprivation. The grant will be used to underpin parish share to cover costs of ministry in these areas as well as some specifically identified projects. These include the provision of administrative support to Cosham, Wymering and Paulsgrove, and to absorb a necessary increase in the charges for provision of parish websites for those in receipt of the grant.

We do also receive grant funding for restricted purposes which is not reflected in this budget. This includes:

- Strategic development and Strategic Ministry and Mission funding – relating to the proportion of the projects being funded by Archbishops Council. For 2025 this will include the ongoing elements of SDF 3 (Gosport North, Gosport South and Newport) and Ryde. The new SMMI bid will be reviewed and any funding awarded in October 2024 and we would anticipate starting any projects under this early in 2025.
- Net Carbon Zero funding – this funding is to support working towards net carbon zero targets.
- Growing faith funding – received from the Church of England Education towards the growing faith initiative. This will be overseen by the education team.
- Flourish – funding for pilots for new worshipping communities linking churches and schools.

5. Fund Transfers

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
190	178	174	140	9%

The fund transfer represents the amount to be charged to the restricted education fund to cover the PDBF share of the education team (which is a joint team with Winchester DBF). The increase is as a result of the education team transferring to the new Portsmouth and Winchester Diocesan Board of Education (DBE) as a result of government legislation which results in some additional costs for running separate systems and governance. More details regarding the education team are shown under note 14.

6. Investment Income

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
447	501	556	517	-20%

The budget is split between dividend income (£371k) and interest (£76k). Cash reserves have been drawn down in 2024 and this is planned to continue in 2025 to meet the operational deficit, reducing the balance available to accumulate interest. We also expect a to see a fall in interest rates although there continues to be much speculation around the amount and timing of this. The budget assumes reduction of 0.25% per quarter. Dividend income is expected to remain consistent with current year.

Due to the current high interest rates we have tended towards holding funds on deposit where possible to improve investment returns. As we see interest rates start to reduce, we will keep this under review as it may become more beneficial to hold funds within investments.

7. Other Income

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
130	120	159	176	-18%

Other income includes the recharge of a share of the registrar’s costs, income for advertising space in the diocesan magazine, income from generation of electricity from solar panels on DBF properties and other incidental income items. The main change from the current forecast level is due to the transfer of any income related to the education team to the Diocesan Board of Education.

Expenditure

Please note that where salaries form part of the 2024 forecasts, we have assumed that the pension surplus will continue to be available for the remainder of the year. The 2025 budget includes the full staff cost including pensions in order to demonstrate our longer term expenditure commitment however we anticipate the surplus continuing to be available to offset staff pension costs. As a result, for some cost centres there is a significant increase shown between the forecast for 2024 and the budget for 2025 but in reality, we would anticipate the pension saving continuing.

8. Clergy remuneration

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
3,932	3,640	3,231	3,077	22%

The Central Stipends Authority have set the minimum stipend and benchmark stipend increases at 5% and 3% respectively from April 2025. These are usually uplifted by the same amount however the decision has been made to use different rates to acknowledge a commitment to keep up with CPIH whilst acknowledging the affordability for dioceses. The new national rates are therefore as follows:

- National minimum: £30,110
- National benchmark: £31,558
- Archdeacon’s recommendation £43,046

Curates are currently paid at the national minimum level from April 2024 as the recommended uplift was increased to 7% from the 5% that had previously been applied when the 2024 budget was set, leaving our budgeted stipend below this minimum. Therefore to maintain this, they would need to be awarded the 5% uplift even if it was agreed that the 3% uplift was appropriate for all other clergy posts. The 2025 budget has been prepared on this basis.

The initial budget consultation indicated that the following stipend rates should be applied (as recommended by Audit Committee and HR Advisory Board):

	Curent 01/04/2024	Budget 01/04/2025
Curate	28,670	30,110
Incumbent	31,194	32,130
Archdeacon	41,402	43,046

NB stipends for Archdeacons are currently below the archdeacon recommendation as the decision was made to apply a 5% uplift as per the 2024 budget rather than following the increased recommendation of 7% for 2024/25. The budget proposes increasing the stipend to the recommended level. For the 2.0 FTE proposed in the budget, the total cost of this is £806 plus on costs.

Applying the 3% uplift for incumbent stipends retains pay at 1.8% above the benchmark and 6.7% above the minimum.

Appendix 3 details the current stipend rates nationally. As a result of the decision not to apply the 7% uplift for 2024-25, there are now a higher number of dioceses paying greater stipends than PDBF than there was 12 months ago (we were 4th highest in 2023/24 and are now 11th).

The following headcount is budgeted (split as an average across the time periods).

	2025 budget		Current	Forecast
	Jan-Mar 2025	Apr-Dec 2025	Jul 2024	Dec 2024
Curate	14.00	15.00	14.00	14.00
Incumbent	67.50	76.00	64.20	65.45
Archdeacon	2.00	2.00	2.00	2.00

The establishment number for anticipated stipendiary posts is currently 74.5; the proposed headcount from April onwards reflects the proposed appointments from the deanery plans which does exceed the current establishment number. Recruitment is already underway for a number of posts, and preparations are being made for those linked to the SMMI to ensure that these can be advertised on a timely basis once the outcome of the bid is known in October.

The SMMI bid includes 4 clergy posts which are part of the matched funding commitment and therefore included within the general fund budget for the DBF. One of these posts is already filled and the remaining 3 are planned to be recruited during 2025 therefore as a minimum we would expect an increase in stipendiary clergy of 3 FTE during 2025. There are also 4 stipendiary clergy posts which are expected to be SMMI funded. These relate to lead roles for the various elements of the strategy rather than parish-based roles and would therefore be seen as separate to our planned stipendiary clergy levels and are not included in the headcount above.

One of the current clergy posts is also funded through existing SMMI funding for Ryde and therefore does not impact on the general fund, however at the end of the funding period this is expected to revert to SMMI funding.

The budgeted headcount above assumes that the majority of recruitment happens in the first quarter of the year as the new SMMI funded projects get underway. We could realistically expect this to be slightly more evenly phased throughout the year with a c£3.5k reduction in stipendiary costs each month for each post not recruited to (based on one full time equivalent).

NB: the additional cost of one full time appointment costs c£42.1k for the stipend, national insurance and pension contribution based on the 3% uplift. In addition to this, for each post filled we would then incur a loss of rental income (c£12k) and costs for council tax (c£2.5k-£3k) as well as grants related to removals and appointment, buildings insurance on the property and costs related to maintenance of the property and readying for occupation. In comparison, an additional 1% parish share at the budgeted level would equate to a further £53.8k of income.

Curate numbers are expected to be between 14-15 during the year. We have received a commitment to funding 70% of an additional post during 2024 which has not been used due to being unable to recruit the required number of curates. The funding has been deferred to 2025.

The archdeacon headcounts reflect the current filled posts.

In addition to budgeted stipendiary clergy, there has also been ongoing investment throughout 2024 and this will continue into 2025 to support other ministry within the diocese. Anna Chaplaincy continues to grow with around 60 now either licenced or in training, and the third Michaelmas cohort will commence their training in September 2024, which has contributed to the 42 SSMs currently licenced.

9. Clergy Support

Includes salaries for headcount of 2.6 FTE.

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
409	388	380	413	7%

This cost category includes the additional support for clergy outside of their direct remuneration, as well as administrative support for the archdeacons and area deans. Conversations are ongoing to confirm the local need with regards the area dean support as this continues to vary across the deaneries.

Much of the increase here is linked to salary uplifts and the assumption that those employed locally but funded through the diocese, will also be awarded uplifts.

First appointment and resettlement grants and allowance for removal costs are also included in this category assuming the budgeted headcount is reached.

10. Clergy Housing

Includes salaries for headcount of 2.6 FTE.

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
1,381	1,108	1,659	1,427	-17%

The budget expects the level of property repairs to be significant based on the quinquennial works required, albeit some have been planned in 2024 while properties are vacant or due to the need to prevent further deterioration. There is also expected to be some further vacancy works required for the upcoming appointments (largely driven by the posts required under the SMMI bid).

We continue to experience significant pressures on costs and delays in completing quinquennial works over the last few years has led to significant increases for some works compared to when they were originally costed. Some works have become more urgent and therefore we lose flexibility to choose the most reasonable quote in favour of the contractors that are available to complete work in the required timescales.

In some areas we are seeing an increase in the standards of properties expected and so the cost of some vacancy works has increased, and in some cases the parishes are unable to afford some of the redecoration works expected of them and so the diocese may also pick this up alongside planned works.

Other increases include insurance and council tax which are expected to have above inflation increases. We are also paying council tax for a greater number of properties as a result of clergy appointments.

There are some additional works which will be covered by Net Carbon Zero funding under the demonstrator project of £54k. Any further availability of grants will also be monitored.

As the number of rental properties is expected to fall, we would also expect to see a reduction in agency fees for management of these properties.

The budget includes an additional staff post at 0.6 FTE to support the diocesan surveyor.

The level of works in 2023 was offset by the £315k of designated funds resulting in a net cost of £1,112k for 2023. Details of further funds which may be available to offset future costs are included within the 'other sources of funding' section below. We are also exploring the possibility of releasing endowment funds to support property costs where they lead to enhancement to property.

11. Safeguarding:

Includes salaries for headcount of 5.8 FTE.

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
380	363	322	276	18%

The safeguarding team have now been fully recruited throughout the year and the main driver of the increase in costs is the salary uplift of 3%.

The budget continues to include an allowance for legal costs for legal support at core groups. Legal advice may be required where an allegation has been made against a church officer and so the budget includes an allowance for attendance of the registrar at these meetings, although this is not expected to be necessary at all meetings and has not been required to date in 2024. There is also an allowance for counselling sessions for survivors in case it is deemed necessary under the national redress scheme.

Expenses also include the annual subscription cost of the My Concern case management system which replaces Safebase.

A memorandum of understanding is being drafted between PDBF and the Cathedral to document resources provided by each organisation. This includes the provision of safeguarding support by the team to the Cathedral and therefore it is anticipated that there will be some income from the Cathedral to offset part of these costs; £11k is included within other income for this.

12. Mission and discipleship:

Includes salaries for headcount of 9.45 FTE.

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
612	538	404	426	52%

The mission and discipleship team support the training and development of lay and clergy including ordinand and reader training, Anna Chaplaincy, Michaelmas Cohort and ongoing support through continuing ministerial education. There is also ongoing support for Lay Ministry training including worship leaders and pastoral assistants. The increase to the budgeted costs for 2025 reflects further investment in the staff team to support with development of ministry and youth work in parishes. The planned investment is expected to include the following roles:

- Children, youth and family's officer
- Two growing faith enablers (one funded by a grant from the Community of St Denys)
- Additional posts to support our matched funding commitment under the SMMI bid.

In addition, the IME2 Coordinator role, previously with Cuddesdon as part of the (now closed) Portsmouth Pathway, is now an internal DBF role.

The additional posts and need for support reflects the growth in ministry which has already been seen and that is planned for the coming year. This includes the increase in stipendiary clergy as well as non-stipendiary (including 42 self-supporting ministers and 3 house for duty), and with the recent investment in the Michaelmas cohort and also Anna Chaplains (with 50 now licenced).

The budget for 2024 also included the youth development posts which have not yet been recruited to however this expected to commence before the end of the year.

The training of ordinands is supported by grant income from Archbishops Council which covers the costs of the Theological Education Institutions (TEI). The diocese is required to pay maintenance grants however, to those in full time training. The budget for this for 2025 is £98k which is a reduction against the 2024 budget of £127k. This will vary depending on the number of ordinands in training and their personal circumstances.

The agreement with Cuddesdon for training of readers and ordinands ended in July and the reduction in costs is reflected in the budget as we mainly use Sarum college moving forward.

Other expenses in this category include contribution to the Bishop's trip to Taize with young people from the diocese and grants for clergy wishing to take a sabbatical and a transfer of funds to the conference fund In preparation for conferences and centenary celebrations expected in the next two to three years. There is also £5.4k towards catering and hospitality costs to enable the cairns under the Revive strand of the SMMI bid to meet together quarterly.

The budget assumes that all additional staff posts are in place from the start of the year. There could be a reduction in the staffing costs depending on the timing of recruitment.

It is likely that the designated Catherington fund will be available to offset some costs within this budget line, for example the salary costs for the Cairns officer where their role is linked to spirituality, Anna Chaplaincy training costs and any associated resources and training costs.

13. Social transformation:

Includes salaries for headcount of 4.7 FTE.

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
205	107	132	106	56%

Included here are the costs for staff members who are employed by PDBF but work for PDCSR. Their costs are recharged and included within grants is income of £199k in relation to this so there is a nil net effect on the general fund budget for these roles. There are new projects underway in PDCSR which has led to the increase in the staff posts.

There are also expense allowances included for a variety of advisor posts e.g. environment, racial justice, urban ministry.

14. Education:

Includes salaries for headcount of 6.57 FTE.

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
190	181	196	182	-3%

The education team support our Church Schools and the majority of the costs relate to the staff in the team and their expenses incurred in working with the schools. The team work across both Portsmouth and Winchester Dioceses and the costs are shared in proportion to the number of schools in each diocese.

The budget reflects the DBE being in place since 1.7.24 and that all systems related to the new charity are in operation by the end of the year. The budgetary allocation is very similar to past years, reflecting staff costs being the main element, with allowance for legal costs and the global citizenship programme.

Portsmouth's share of the costs will be paid for by the Education fund, a restricted fund held by PDBF. The income from this fund to offset the costs is shown under 'fund transfers'. This is net of any other income received into PDBF in relation to Education. The balance on the education restricted fund is c£1.5m and it generates c£70k-£80k of income each year. There is also an endowment fund that generates income of c£30k.

The DBE have approved the draft budget for 2025 subject to confirmation that that necessary funding is available from the DBF.

The team have also secured funding to support with Growing Faith which is a restricted funding within the DBF.

15. Communications:

Includes salaries for headcount of 1.6 FTE.

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
114	110	103	96	11%

Communications costs include the costs of producing the diocesan magazine (@CofEPortsmouth), costs for provision of parish websites, the staff team who provide communications support across the diocese and the equipment and resources they require to do this, including costs relating to running the diocesan website.

We receive some advertising income from the diocesan magazine however this is not sufficient to cover the full cost of producing the magazine. Bishops Council have previously approved a cost of £5k-£10k to produce the magazine and the 2025 budget remains within these parameters.

Parishes also contribute to the costs of managing their websites; part of this cost is covered by LINC funding for those within the LINC parameters.

16. Parish support:

Includes salaries for headcount of 4.2 FTE.

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
293	208	264	43	11%

Staff roles included here are the stewardship advisor, the DAC team (Diocesan Advisory Committee for Care of Churches), Synod and Electoral role officer. There is also a Church Buildings support officer for which we have received funding, however the DBF is required to support 10% of the costs of the role.

This category also includes the costs of fees for vacancies and sickness in relation to occasional offices. Whilst we would expect this to reduce as further clergy recruitment takes place, there is also a need to review the fee structure and how we manage services for occasional offices to ensure we are offering services and supporting communities effectively, which may have an impact on this cost line, but also the associated fee income.

Other expenses within this section include the cost of Grantfinder, the DAC faculty system and ACAT for support for parish treasurers. Historically there has also been payment for the Parish Giving Scheme however no further contribution to this is required.

Also included within this budget category is £42k in relation to choir church. Commitment has been made to funding the first cohort from September 2024, and if successful, potentially a second cohort. It is anticipated that part of this will be funded by the investment income generated on the designated mission fund (which is used to meet our matched funding commitment on current SDF and SMMI funded projects).

Net zero carbon also falls under parish support. Whilst most of the costs are covered by national grant funding, there is a small allowance included for the conference planned for early 2025 although it is hoped the attendees will be charged a small fee and this will be cost neutral.

17. Finance:

Includes salaries for headcount of 3.6 FTE, which reflects our share of those team members employed by the Winchester Diocese (WDBF).

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
230	223	220	180	4%

The increase in finance costs is largely driven by increases in staff salaries (which will be driven by WDBF). Other costs include expenses for the team, fees for running the Diocesan Payroll and the Audit charges. There is an additional staff post included to support with the work on custodian funds and discretionary trusts on a fixed term basis.

18. Diocesan office:

Includes salaries for headcount of 3.0 FTE.

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
664	649	702	749	-5%

This category encompasses various central support functions and can be further broken down as follows:

Diocesan secretary's team - £220k (2024 budget: £176k)

- *The costs largely relate to the salaries of the diocesan secretary, the executive assistant and their support expenses. There is an allowance for legal fees which includes the quarterly fee for the designated officer. An amount of £12k has also been included to be given as grants at the discretion of the diocesan secretary for example to support visits from Ghana, or local items such as the Havant Passion Play. £32k of the increase is due to the additional staff role for administrative support, part of which has been moved from HR (see below).*

HR - £81k (2024 budget: £92k)

- *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 both clergy and lay matters) and recruitment fees for advertising of any diocesan roles if required. There was previously some allowance for staff time here however this has now been reallocated to support the Diocesan Secretary's team.*

Building services - £178k (2024 budget: £152k)

- *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 £107k. There has been significant increase in the service charge for 2023/24 and expect similar for 2024/25 therefore an additional £30k has been budgeted for 2025. This is largely driven by increased utility costs and we are investigating ways we can manage this for the diocese. There is also depreciation on the office building which doesn't incur any cash outflow (£37k per year). We do recharge part of the building to CAF/CASS and included in rental income is £90k relating to this. The net cost of the building is therefore budgeted at £88k.*

An amount of £20k has been included in the budget to be transferred to the office repair fund (a designated fund) in case of any works being required to the office that are not covered by the service charge. This prevents a large cost being incurred in the general fund at the point that any significant works are required.

Office services - £46k (2024 budget: £48k)

- *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. photocopiers. There is a recharge to Bishopsgrrove for part of these costs as well as IT costs (see below) which totals c£8k and is included within other income. A reduction in the lease agreement for the office phones commences Q4 2024 however this is offset by increases in rental agreements for photocopiers which have been in place for some time. This is due to expire in late 2025.*

IT – £139k (2024 budget: £181k)

- *IT costs are budgeted to reduce as the transition from remote desktop to cloud based working completes in 2024. This reduces the costs of provision of services and the level of maintenance and support required. Other costs here include the property management software, accounts and expenses software and internet connectivity for Peninsular House.*

19. Governance:

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
12	11	11	14	5%

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. There is also an allowance for the Bishops Staff Team, as the executive for the DBF, for any training and expenses incurred by the team in this capacity. Expenses for any other advisory committees would also be reflected here.

20. Legal & registrar:

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
145	116	113	96	28%

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, a new diocesan Chancellor was appointed from the end of March and charges for their services (the previous chancellor waived this fee). This cost is again prescribed in the fee order.

21. National Church Votes:

2025 Budget	2024 Budget	2024 Forecast	2023 Actual	% change 2024 forecast to 2025 budget
£'000				
282	376	373	373	-24%

These charges are set by Archbishops Council and are outside of our control. There has been a small increase to the charges for 2025 however PDBF share of pooling of ordinand costs has increased significantly which offsets these costs. The pooling reflects the costs of maintenance grants that are paid to ordinands, and then effectively shared out nationally; a credit suggests that a diocese we have paid above average which could be based on the numbers supported and the amount of support provided.

Lay staff salaries:

Salary costs are included throughout the categories noted above. Salary figures are subject to a 3% increase to match that applied to stipends. A summary of the expected salary costs is as follows:

	2025 £
Total salaries	1,282,993
Total NI	109,301
Total pension	199,531
	1,591,825

The figures above reflect DBF staff posts only and so although the CSR staff costs are included at section 12 above, they have excluded from this table to demonstrate the relevant cost of staff to the DBF.

It should be noted that there are also staff posts that are funded by existing restricted funds. Their costs do not appear in the figures above.

The following table shows the current head count in each team and the budgeted headcount for 2025 (split between the whole staff team and those funded by the general fund):

Department	Current headcount (FTE)	Budgeted headcount 2025 (FTE)	Included in general fund:	Other roles funded by	Notes
Clergy support	2.60	2.60	2.60		
Clergy housing	2.00	2.60	2.60		
Safeguarding	5.80	5.80	5.80		One day of DSA to be recharged to the Cathedral so corresponding income also budgeted
Lay and ordained ministry	3.26	10.46	6.86	0.6 FTE Growing Faith Enabler funded by Community of St Denys funding 3 new posts included within the SMMI funding bid	
Communication	1.60	1.60	1.60		
Parish support	5.27	5.50	3.85	0.8 FTE net zero carbon 0.45 Church Building support officer grant	Also support from Net Zero Carbon programme manager (0.2 FTE) who is employed by Guildford DBF and funded under the NZC grant
Finance	3.10	3.50	3.50		All employed by Winchester DBF
Diocesan office	2.00	3.00	3.00		There are also 0.4 FTE of IT support staff employed by Guildford DBF. Their costs are included within our IT costs
Strategic programme	1.00	3.30	-	Strategic development and SMMI funding	Includes 0.3 FTE project finance role employed by Winchester DBF under their SMMI funding
TOTAL	26.63	38.36	29.81		

For information the figures relevant to the education team and CSR are as follows:

Department	Current headcount (FTE)	Budgeted headcount 2025 (FTE)	Included in general fund:	Other roles funded by	Notes
Education	6.57	6.57	-	All employed through the Diocesan Board of Education and funded through Education restricted fund	
Social transformation	5.00	5.00	5.00		All staff roles recharged to CSR so corresponding income also budgeted
TOTAL	11.57	11.57	5.00		

We currently have a pension surplus that is being used to offset the employer pension contributions for the DBF. Pensions have been budgeted in full in case of any change to the usable pension surplus, however on the assumption that this can continue throughout 2025, we would expect a reduction in costs of c£200k. This isn't quite the full pension cost as some of the diocesan staff team are enrolled in the clergy pension for which the surplus isn't applicable.

There will also be a review of the current pension policy which may result in a reduction in pension costs for new staff.

All new staff appointments have been budgeted for a full 12 months. There may be some savings against the budget depending on timing of recruitment.

Cashflow forecast:

The cashflow forecast for 2025 is included in appendix 4. The parish share is included at c88% collection rate whilst the costs are included at the full budgeted level. We currently have a policy of retaining cash and deposits to meet 12 week's expenditure. The cash balances fall below this level from March 2025 although positive cash balances are retained. It may therefore be necessary to review the cash reserve policy alongside the availability of funds to support the general fund over the coming year as we await the outcome of the diocesan finance review.

Other sources of funding

Designated Funds

To support with the unrestricted funds and the financial challenges currently faced by the diocese as we invest in recruitment of clergy and work towards improving the parish share collection rates, we continue to review designated funds and their possible uses. These are funds that have been set aside for a particular purpose but are not restricted and therefore trustees could re-designate the purpose if the original purpose is no longer relevant.

Historically, in periods of surplus, PDBF was able to set aside amounts each year to build up some of these designated funds but not all have been regularly used. Some of these funds continue to be built up over a period of time for a specific purpose, others have remained relatively unchanged for some time.

At 31 July 2024, the following designated funds were held, alongside a description of what the funds are held for and how they are currently being utilised. As well as investment income and allocation of expenditure, the balances will be subject to market movements in shares where they are underpinned by investments.

It should be noted that any use of these balances may result in a reduction in the investment income generated and therefore use should be carefully balanced with future need.

Name of Fund	Description of Fund	Balance at 31 July 2024	How the funds are being utilised currently	Investment income forecast 2024	Possible use or redesignation	Available to support deficit (if no redesignation)
Brown, Doig, Silver Bequest	To offset DBF office costs	£63,667	<p>£30k was transferred into the fund at the end of 2024 due to the project to review the diocesan website not having been completed. Part of this work has now been undertaken however the full project is not expected to cost £30k. This therefore provides further funds for future website projects and updates.</p> <p>Funds will be available here to support any other office works such as the upgrade to the conference room (expected to be completed in 2024).</p>	£1,781 – paid to general fund	N/A - will need to remain available for future office and website works	
Catherington House Fund	For work of the Diocesan Spirituality Adviser	£686,317	<p>This fund was reduced in 2021 in order to redesignate part of the funds towards repayment of the Coronavirus Business Interruption Loan. A small amount of spirituality costs are being incurred in 2024 eg training costs and will be offset against the fund.</p> <p>It is likely that one of the new posts in mission and discipleship team (Cairns Officer) will be relevant to this fund, along with any related operational costs for spirituality/training,</p>	£20,207 – reinvested back into fund	We would expect the spirituality element of the budgeted post and the related expenses to be largely paid from the income from this fund.	<p>£42k for Cairns officer (or some part thereof)</p> <p>Up to £7k for training and related costs</p>
CME Fund	Continuing ministerial education	£145,476	This fund hasn't been used in recent years despite various clergy training being undertaken. CME is a key area of focus for the 2025 budget therefore it is proposed that a proportion should be drawn down against CME (budgeted for 2025 at £50k).	£869 – reinvested back into fund	Could be expanded to include some of the other areas of training being provided to enhance ministry and mission	Up to £25k against 2025 CME budget (50% of budget)

Name of Fund	Description of Fund	Balance at 31 July 2024	How the funds are being utilised currently	Investment income forecast 2024	Possible use or redesignation	Available to support deficit (if no redesignation)
					e.g. Anna Chaplaincy and Michaelmas Cohort	
Diocesan Conference Fund	To offset cost of diocesan Clergy Conference	£56,824	No conference has been held for some time however the balance is expected to be used for a conference in early 2026 and also for diocesan 100 year celebrations in 2027. Work is underway to estimate the likely costs and ensure sufficient reserves are available.	£2,902 – reinvested back in fund	A Net Zero Carbon conference is planned for 2025 and although the plan is for this to be cost neutral, a small proportion of the fund could be made available for this.	
Diocesan Loan Fund	Loans to Parishes	£318,784	This fund is allocated for loans to parishes in need of financial support. The loan policy was revised in early 2023 as it was anticipated that loans may be required in the current economic crisis however to date, only one has been paid out and this was a short term, emergency situation. The balance on this fund was reduced to contribute towards the CBIL loan repayments as it had been underutilised. As parishes continue to face financial challenges and commitments, it is considered appropriate to continue holding the fund for loans to parishes.	£9,514 – reinvested back in fund		
Evangelism Fund	For evangelism within the diocese	£175	Small amounts have been paid out for Alpha grants during 2024 and this is expected to be used in full over the coming months.			

Name of Fund	Description of Fund	Balance at 31 July 2024	How the funds are being utilised currently	Investment income forecast 2024	Possible use or redesignation	Available to support deficit (if no redesignation)
Lambeth Conference Fund	To offset the next Lambeth conference costs	£8,715	Like the diocesan conference fund, the Lambeth conference fund is built up each year to cover costs of attendance at the Lambeth conference. The last conference took place in 2022 but no costs were incurred against this fund therefore no budget has been allocated to this in 2024.		N/A - required for future conferences	
Mission Fund	For outward focussed mission activities	£491,400	<p>This is the fund that has been set aside to provide matched funding for the Strategic Development Fund and SMMI where there is a commitment to match fund elements that would perhaps not ordinarily be paid through the general fund.</p> <p>Transfers were made to ensure sufficient capital was available to meet the current budgeted costs. This is generating investment income which will be used to fund Choir Church (commencing September 2024).</p> <p>The balance will also be topped up with any amounts generated on restricted funds for SMMI, Net Carbon Zero assuming there are no overspends on these projects.</p>	£26,575 reinvested back into fund	N/A - expected to be used for current matched funding commitments under SDF/SMMI	Investment income to be used towards choir church – budgeted cost of £42k
Office Repair Fund	Repair and maintenance of Office Equipment	£110,194	This balance is available for repairs to the diocesan office, and a balance is held as a contingency for any repairs required under the terms of our lease e.g. to the roof, which is expected to be required in the short term.	£4,147 reinvested back into fund	N/A - will need to remain available for future office works	

Name of Fund	Description of Fund	Balance at 31 July 2024	How the funds are being utilised currently	Investment income forecast 2024	Possible use or redesignation	Available to support deficit (if no redesignation)
			<i>A budget of c£20k per annum is allowed for either in year works (eg reconfiguration of the safeguarding offices during 2024), or for any unspent amount to be transferred to this fund in case of future works.</i>			
Parsonages Repairs Fund	Repair and maintenance of parsonages	£278,676	<p>This balance has been used to pay insurance on the parsonages historically, and income from the fund has been transferred to the general fund to offset some repair costs however the capital has not been utilised.</p> <p>It may be necessary to review this in light of ongoing property repair costs, whilst retaining a balance to generate investment income.</p>	£18,626 reinvested back into fund	No need to redesignate but look to use the capital towards some of the property repairs if required, or to subsidise any loss of rental due to changes in legislation	Propose up to £50k available and review ongoing.
Sustainability Fund	To aid transition	£94,278	<p>This is the balance remaining of the funding received during COVID which was not utilised at the time due to the diocesan finances not being as severely impacted as expected. This has been used to aid repayment of the CBIL loan and also top up the mission fund for the matched funding on SDF and SMMI funds where general fund surpluses have not been available to do this.</p> <p>These funds would potentially be available to support deficits within the general fund.</p>	£4,693 reinvested back into fund		£94,278 – with particular view to any additional elements as part of the SMMI bid eg operational costs for cairns (£5,400), balance of Choir Church (£15,000)
Valpy Bequest	For stipends	£36,148	No income or capital has been used from this fund in recent years. It may therefore be appropriate to use this fund to support the stipend costs in 2025 as the additional	£1,050 paid to general fund		£36,148

Name of Fund	Description of Fund	Balance at 31 July 2024	How the funds are being utilised currently	Investment income forecast 2024	Possible use or redesignation	Available to support deficit (if no redesignation)
			headcount will not be fully matched by the increase in parish share.			
Winterbotham Legacy	For DBF's own purposes	£150,023	This appears to have been set up as a contingency fund which could be used to support operations and historically the income from the fund has been transferred to the general fund to offset operational costs.	£5,437 reinvested back into fund		£150,023 -this could be used to support any underlying deficit
Reader Board	Work of the Reader Board	£17,919	The balance has been taken in house in late 2023 as this is used to be operated locally by the Board. The funds will be held to support with costs of running the annual conference (where not covered by attendees) and other connected expenses for the board.			
Total designated funds		£2,624.236		£95,875 of which majority is not currently paid to general fund		c£431k

Use of restricted funds

As with the designated funds above, there may be the opportunity to review the restricted funds and the purposes they are held for to ensure that these funds are being utilised where relevant, and if not making an approach to the charity commission as required to change the purpose of the funds if we are able. This is an area where review has commenced and is ongoing. The balances as at 31 July 2024 are shown below, along with details of the description of the fund for those that are regularly being used to support existing work across the diocese.

Name of Fund	Description of Fund	Balance at 31 July 2024	How the funds are being utilised currently	Investment income forecast 2024	Headcount covered by grant
Education Restricted	Education within the diocese of Portsmouth	£1,493,018	Use to support the work of the education team. This will fund the costs being incurred by the DBE	£52,166 – paid directly to fund	6.57 in DBE
Strategic Development Fund	For activities specifically identified in the strategic plan	£109,837	For activities under the SMMI and SDF bids	<i>Paid to mission fund</i>	1 x clergy 1 x staff (1 post in recruitment)
Surrexit Fund	For youth development	£26,944	Youth development work – currently for the development of Choir Church and Flourish, will cover the salaries for one of the youth posts once recruited	£898 - paid directly to fund	
Energy Grant Fund	To support Parochial Church Councils with increased energy costs	£15,334	Provided by Archbishops Council to support PCCs with high levels of energy bills. Expect to see increased use again over the winter to utilise final balance on fund	No fund set up – expected short term holding	
Net Carbon Zero	To support work towards net carbon zero initiatives	£20,117	For the work towards net zero carbon. This includes the work of the team as well as costs for works and small grants that can be made out to parishes for quick wins	£890	1.2 FTE of PDBF staff and project manager employed by Guildford
Church Building Support Officer	Isle of Wight Church buildings support officer role	£1,176	To pay salary and operational costs of the work of the buildings officer	Awaiting payment of invoice to set up fund	0.5 FTE, PDBF have to meet 10% of costs
Minor Repairs and Improvements	For small grants to be paid to parishes for urgent repairs and improvements	£24,255	Grants have been applied for and awarded by panel. Awaiting payments to parishes once evidence work has been completed	TBC	

Name of Fund	Description of Fund	Balance at 31 July 2024	How the funds are being utilised currently	Investment income forecast 2024	Headcount covered by grant
Flourish	New worshipping communities between schools and churches	£44,000	New grant – recruitment for Flourish works is underway with work planned to start in new academic year	TBC	Posts recruited locally

Use of total return accounting for permanent endowments

At the moment, we don't adopt Total Return accounting as a policy for our permanent endowment funds. This would mean that as well as using any income generated on the fund, we would also be able to use some of the capital movement where this has increased since the original endowment was made. The original value of the capital would need to be retained, however.

We have commenced a review of the funds that may be available and will begin modelling how this could be applied and what value this might release.

Permanent endowments may also be available for property works where it can evidence that there is an enhancement. In effect the investment or deposit balances within the endowment may decline but there would be an equivalent increase in the values of the asset.

Three year budget outline

As well as the budget proposal for 2025, appendix 1 includes a forecast position for 2026-27.

These are based on best estimates and assumes that we maintain grant income at a similar level to the current LINC grant as we currently have no further information about what any future changes to funding might look like. We would anticipate an increase in the level of support provided and therefore would expect a further reduction in the deficits than those projected.

The forecast assumes the following:

- Inflation remains at c2% for the majority of costs
- Parish share increases by 3% to catch up some of the increases that haven't kept in line with inflation over recent years (although subject to the outcome of the parish share review and impact on collection rates)
- Investment income will see a reduction as interest rates reduce and balances are used for operational cashflow
- Fees income improves as we have greater stability in clergy numbers
- Clergy remuneration stabilises and we aim to recruit for any vacancies on a timely basis
- As appointment numbers stabilise, payments for removal costs and resettlement grants reduce leading to a reduction in clergy support costs
- Clergy housing costs reduce as we have lower numbers of appointments for vacancy works, and the backlog of quinquennial works is caught up
- Clergy training costs reduce as we expect to pause the Michaelmas cohort (currently trained through Cuddesdon)
- Choir Church commitments increase as we anticipate a second cohort (subject to the success of the first) leading to an increase in parish support

The position remains challenging with ongoing deficits projected, emphasising the importance of any change in funding from Church Commissions. The designated and restricted funds remain available to support this deficit where used on a sustainable basis and we continue to have opportunity to release permanent endowment funds through total return.

The pension surplus is expected to run out during 2026 and so we would return to incurring costs for staff pension contributions unless any further surplus can be crystallised.

Jesus-centred, Kingdom-seeking

Appendix 1: General Fund 2025 budget scenarios

PDBF Budget 2025	Actual	Budget	Forecast	Budget	Budget	Budget	Notes
	2023	2024	2024	2025	2026	2027	
	£'000	£'000	£'000	£'000	£'000	£'000	
INCOMING RESOURCES							
Parish Share	4,323	5,223	4,467	5,379	5,541	5,707	1
<i>Income at 95% collection</i>		<i>4,962</i>		<i>5,110</i>	<i>5,264</i>	<i>5,422</i>	
<i>Income at 92% collection</i>		<i>4,805</i>		<i>4,949</i>	<i>5,098</i>	<i>5,251</i>	
<i>Income at 88% collection</i>		<i>4,596</i>		<i>4,734</i>	<i>4,876</i>	<i>5,022</i>	
Fees	283	230	242	258	266	274	2
Rental Income	698	524	677	600	594	587	3
Grants	771	762	809	888	910	938	4
Fund transfers	140	178	174	190	194	198	5
Investment Income	517	501	531	447	425	403	6
Other income	176	120	159	118	121	123	7
Total Income	6,908	7,538	7,059	7,881	8,050	8,230	
COSTS OF MINISTRY AND MISSION							
Mission							
Clergy Remuneration	3,077	3,640	3,231	3,932	4,108	4,195	8
Clergy support	413	388	380	409	339	337	9
Clergy Housing	1,427	1,108	1,659	1,381	1,197	1,172	10
	4,918	5,136	5,270	5,721	5,644	5,704	
Safeguarding	276	363	322	380	388	396	11
Mission and Discipleship	426	538	404	612	597	595	12
Social Transformation	106	107	132	205	212	216	13
Education	182	181	196	190	194	198	14
Communication	96	110	104	114	116	119	15
Parish Support	43	208	264	293	318	315	16
Mission Total	6,046	6,644	6,692	7,516	7,469	7,542	
Mission Support							
Finance	180	223	220	230	233	238	17
Diocesan Office	749	649	702	664	650	640	18
Governance	14	11	12	12	12	13	19
Registrar and Legal	96	116	113	145	152	159	20
Mission Support Total	1,039	998	1,047	1,050	1,047	1,050	
Training for ministry	167	168	168	58	59	61	
National Church responsibilities	108	111	111	114	116	118	
Grants and provisions	19	19	19	20	20	21	
Mission agency support	6	-	-	6	7	7	
Clergy retirement housing	73	77	77	83	85	86	
National Church Votes 1-5	373	376	376	282	287	293	21
TOTAL EXPENDITURE	7,457	8,018	8,114	8,848	8,803	8,885	
Surplus/(Deficit) before transfers	(549)	(480)	(1,055)	(966)	(753)	(655)	
Potential pension savings				(192)	(88)		
Potential transfers from designated funds				(201)	(195)	(206)	
Net surplus/(deficit) for the year	(549)	(480)	(1,055)	(574)	(470)	(449)	
<i>Sensitivity - adjusted deficit to reflect impact of undercollection of parish share:</i>							
<i>If 95% collection achieved</i>		<i>(741)</i>		<i>(843)</i>	<i>(747)</i>	<i>(735)</i>	
<i>If 92% collection achieved</i>		<i>(898)</i>		<i>(1,004)</i>	<i>(914)</i>	<i>(906)</i>	
<i>If 88% collection achieved</i>		<i>(1,107)</i>		<i>(1,220)</i>	<i>(1,135)</i>	<i>(1,134)</i>	

Appendix 2: Historic parish share collection rates

2023 - £4,323,125 – 84.4% collection (£5,122,000 budgeted)

2022 - £4,414,295 – 86.2% collection (£5,122,000 budgeted)

2021 - £4,405.115 – 87.5% collection (£5,034,417 budgeted)

2020 - £4,691,178 – 89.9% collection (£5,218,218 budgeted)

2019 - £4,782,580 – 97.1% collection (£4,925,417 budgeted)

Appendix 3: Stipend figures 2024/25

Diocese	Notes	Diocesan Basic Stipend		Residentiary Canons' stipends (post 1 April 2004 appointments)	
		2024/25	2023/24	2024/25	2023/24
		£	£	£	£
Bath & Wells		30,638	29,152	32,859	31,266
Birmingham		29,972	28,544	32,353	30,812
Blackburn		29,971	28,141	31,510	29,586
Bristol	1	30,279	28,718	32,811	31,119
Canterbury		30,363	28,917	33,957	32,340
Carlisle		30,912	29,440	31,865	30,347
Chelmsford		31,422	29,926	33,622	32,022
Chester		31,026	28,996	32,582	30,450
Chichester		31,440	29,945	33,970	32,354
Coventry		30,941	28,917	33,058	30,895
Derby		31,690	29,615	34,252	32,009
Durham		31,060	29,580	33,755	32,146
Ely		30,638	28,634	33,021	30,861
Exeter		30,260	28,820	32,672	31,118
Gloucester	1	31,754	29,676	34,264	32,021
Guildford		32,292	30,464	32,899	31,036
Hereford		30,870	29,400	34,025	32,405
Leeds		31,093	29,333	32,327	30,497
Leicester		31,669	29,905	34,006	32,112
Lichfield	1	30,090	28,655	32,752	31,190
Lincoln		31,152	29,087	33,635	31,405
Liverpool		30,638	28,635	32,502	30,377
London		31,644	29,574	33,980	31,757
Manchester		30,607	28,342	32,258	29,871
Newcastle		30,638	28,890	33,176	31,283
Norwich		30,638	28,634	33,083	30,919
Oxford		31,756	29,959	33,985	32,062
Peterborough		30,638	28,634	33,076	30,913
Portsmouth		31,194	29,709	33,480	31,886
Rochester		30,655	29,195	32,466	30,920
St Albans		31,758	29,680	33,802	31,590
St Edmundsbury & Ipswich		30,067	28,206	32,467	30,458
Salisbury		30,676	29,215	32,532	30,983
Sheffield		30,509	29,056	32,821	31,257
Southwark	1	30,760	29,285	33,160	31,570
Southwell & Nottingham		30,638	28,634	33,483	31,293
Truro	1	31,061	29,303	32,646	30,799
Winchester		31,670	29,598	34,257	32,016
Worcester		30,855	29,386	33,321	31,734
York		30,390	28,942	32,747	31,187
National Stipend Benchmark		30,638	28,634		

1. Diocesan stipends change on 1 January each year, but residentiary canons' stipends will change from 1 April.

Appendix 4: Cash flow forecast to 31 December 2025

PDBF Cash Flow to December 2025	Actual		Forecast										Forecast									
	2024 (using forecast, adjusted for known changes to pensions)										2025											
	June	July	August	September	October	November	December	January	February	March	April	May	June	July	August	September	October	November	December			
Opening Cash Balance																						
Cash held at Bank	309,541	184,197	110,063	88,613	404,873	361,369	232,651	537,049	274,674	126,317	48,028	140,526	184,131	277,450	158,193	(74,480)	83,219	(116,447)	(100,467)			
Unrestricted CCLA Deposits	2,273,382	2,313,982	2,361,197	2,239,647	1,889,850	1,867,938	1,846,389	1,596,592	2,163,256	2,111,742	2,060,228	1,808,714	1,557,200	1,305,686	1,305,686	1,305,686	1,005,686	1,005,686	705,686			
	2,582,923	2,498,179	2,471,260	2,328,260	2,294,723	2,229,307	2,079,040	2,133,641	2,437,930	2,238,059	2,108,256	1,949,239	1,741,330	1,583,136	1,463,879	1,231,206	1,088,905	889,238	605,219			
Cash Inflows																						
Parish Share	344,860	447,703	354,137	376,484	362,282	370,615	444,738	266,995	390,486	378,965	409,785	424,765	365,552	474,565	375,385	399,073	384,019	392,852	471,422			
Fees	13,232	53,107	11,000	23,000	21,000	18,000	30,000	2,322	4,877	6,003	44,841	13,266	13,628	59,700	11,330	23,690	25,630	18,540	33,900			
Rental Income	52,707	52,719	48,281	53,346	42,646	40,163	45,577	49,247	50,232	51,236	50,980	50,725	50,471	50,219	49,968	49,718	49,470	49,222	48,976			
Grants & other income	0	0	0	0	84,280	0	0	618,178	0	0	0	0	0	0	0	0	70,795	0	0			
Fund transfers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Investment Income - cash	127,279	164	47,700	111,806	0	0	135,365	43	141	82,379	28,461	0	101,823	140	38,160	89,445	0	0	108,292			
Other Income	24,355	17,619	19,764	29,291	20,078	20,078	29,291	23,090	23,090	33,685	23,090	23,090	33,685	23,090	23,090	33,685	23,090	23,090	33,685			
	562,433	571,312	480,882	593,927	530,287	448,856	684,972	959,874	468,826	552,268	557,158	511,846	565,160	607,714	497,933	595,610	553,004	483,704	696,275			
Cash Outflows																						
Budgeted Expenditure	647,176	627,584	652,129	627,464	623,588	627,371	630,371	655,585	668,697	682,071	716,175	719,755	723,354	726,971	730,606	737,912	752,670	767,724	783,078			
Estimated Savings																						
	647,176	627,584	652,129	627,464	623,588	627,371	630,371	655,585	668,697	682,071	716,175	719,755	723,354	726,971	730,606	737,912	752,670	767,724	783,078			
Net Inflows/(outflows) from Operations	(84,744)	(56,272)	(171,247)	(33,537)	(93,301)	(178,515)	54,601	304,289	(199,871)	(129,803)	(159,017)	(207,909)	(158,194)	(119,257)	(232,672)	(142,301)	(199,666)	(284,020)	(86,803)			
Financing Activities																						
Loan Funds/Mission Fund																						
Repay Loan Fund																						
Purchase/Sale of Investments, Deposits	(40,601)	(17,862)	149,797	349,797	49,797	49,797	249,797	(566,664)	51,514	51,514	251,514	251,514	251,514		300,000			300,000				
Designated fund transfers																						
Property Sales																						
Property purchases																						
External financing Repayment																						
	(40,601)	(17,862)	149,797	349,797	49,797	49,797	249,797	(566,664)	51,514	51,514	251,514	251,514	251,514	0	0	300,000	0	300,000	0			
Cash Flow after Financing activity	(125,344)	(74,134)	(21,450)	316,260	(43,504)	(128,718)	304,398	(262,375)	(148,357)	(78,289)	92,497	43,605	93,320	(119,257)	(232,672)	157,699	(199,666)	15,980	(86,803)			
Closing Cash Balance																						
Expected cash held at Bank	184,197	110,063	88,613	404,873	361,369	232,651	537,049	274,674	126,317	48,028	140,526	184,131	277,450	158,193	(74,480)	83,219	(116,447)	(100,467)	(187,270)			
Less working capital/other fund movements																						
Actual cash held at bank	184,197	110,063	88,613	404,873	361,369	232,651	537,049	274,674	126,317	48,028	140,526	184,131	277,450	158,193	(74,480)	83,219	(116,447)	(100,467)	(187,270)			
Unrestricted CCLA Deposits	2,313,982	2,361,197	2,239,647	1,889,850	1,867,938	1,846,389	1,596,592	2,163,256	2,111,742	2,060,228	1,808,714	1,557,200	1,305,686	1,305,686	1,305,686	1,005,686	1,005,686	705,686	705,686			
	2,498,179	2,471,260	2,328,260	2,294,723	2,229,307	2,079,040	2,133,641	2,437,930	2,238,059	2,108,256	1,949,239	1,741,330	1,583,136	1,463,879	1,231,206	1,088,905	889,238	605,219	518,416			
Expense Reserve Requirement (12 weeks)	1,941,529	1,882,752	1,956,388	1,882,391	1,870,764	1,882,112	1,891,112	1,966,756	2,006,091	2,046,213	2,148,524	2,159,266	2,170,063	2,180,913	2,191,818	2,213,736	2,258,010	2,303,171	2,349,234			
Designated CBIL Annual Repayment																						
Potential Cash available for medium term investments	556,651	588,508	371,872	412,332	358,543	196,928	242,529	471,174	231,968	62,043	(199,284)	(417,936)	(586,927)	(717,034)	(960,611)	(1,124,831)	(1,368,772)	(1,697,952)	(1,830,818)			

Jesus-centred, Kingdom-seeking