

PORSTMOUTH DIOCESAN BOARD OF FINANCE (PDBF)

PDBF GENERAL FUND BUDGET FOR THE YEAR ENDING 31 DECEMBER 2022

Financial Challenges

- The recent health and financial crisis created by Covid 19 has impacted our normal way of life and whilst there is confidence that the recovery period for the health pandemic is in sight, the financial fallout is expected to be felt long into the future.
- Many dioceses have felt the impact by the inability to have normal worship, reduced activities and a curtailing of life event celebrations.
- Our main sources of income namely parish share, and parochial fees have been affected and our usual collection rates have taken a hit.
- At the start of the pandemic, we discussed that our traditional income was shrinking compared to rising costs due to inflation and increased regulatory requirements.
- Given all of the above, and the fact that we were asked to extend the period for conversation at deanery level about the future shape of ministry, we have chosen to prepare an annual budget for 2022. This is in line with what other dioceses are doing at the moment. Our hope is that the next triennial budget will be done for the financial years 2023 – 2025, and we will be guided by Bishop Johnathan when he starts his post early next year.

Budget 2022 – Variants and Scenario Modelling

The Diocesan Executive Finance Committee discussed the Budget assumptions, and it was agreed to prepare varying scenarios to the Bishop’s Council using the following variables:

1. Parish Share 1% vs 3% using the Budgeted parish share for 2021 as a base.
It was agreed by Bishop’s Council that we should ask for a 3% increase, as this matches the cost of living rise increase for clergy, as well as reduces the deficit value.
2. Clergy vacancy rates 11% vs 13% vs 15% .
The established total number of clergy posts = 86. The table below outlines how the vacancy rate as a percentage translates to the number of clergy posts

Clergy Vacancy Rate	11%	13%	15%
No of Clergy	9	11	13

It was agreed to use a rate of 11%, 9 posts, as has been used in the past. Our current vacancy rate is circa 13% due to the presumptive pause.

3. Cost of living allowance for lay staff

The diocesan practice has been in the past that cost of living increases for both lay and ordained staff are done at the same rate. Cost of living increase for lay staff was approved and implemented pre Covid 19 at 2% for 2020, and there was no increase in 2021, the increased proposed for lay staff for 2022 is 2%.

4. Incumbent/Curates Stipend Rates

Incumbent stipend rates were held at 0% for two consecutive years 2020/21 and 2021/2022. The recommended increase for 2022/23 from the national church is 1%. As a diocese we have paid incumbents at the national stipend benchmark which is higher than the national minimum stipend. Curates have always been remunerated on the national minimum stipend. As such there has historically been a 10% differential between the stipends for incumbents and curates. In order to start the correction process on the stipend rates for incumbents and curates and to re-establish alignment with inflation rates the stipend rates for incumbents and curates, it is proposed that incumbents be awarded a cost of living increase of 3% for the year 2022/23 and curates 1%.

5. All other areas of expenditure have been modelled using the current run rate, with other know areas of increases combined with an uplift of 1% for inflation.

Budget Scenario 1 – 1% Increase in Parish Share

Having considered all the above, applying a 1% Parish share increase along with clergy vacancy rates of 11%, 13% and 15%. When modelled this gives a deficit range of £1.083m to £0.892m.

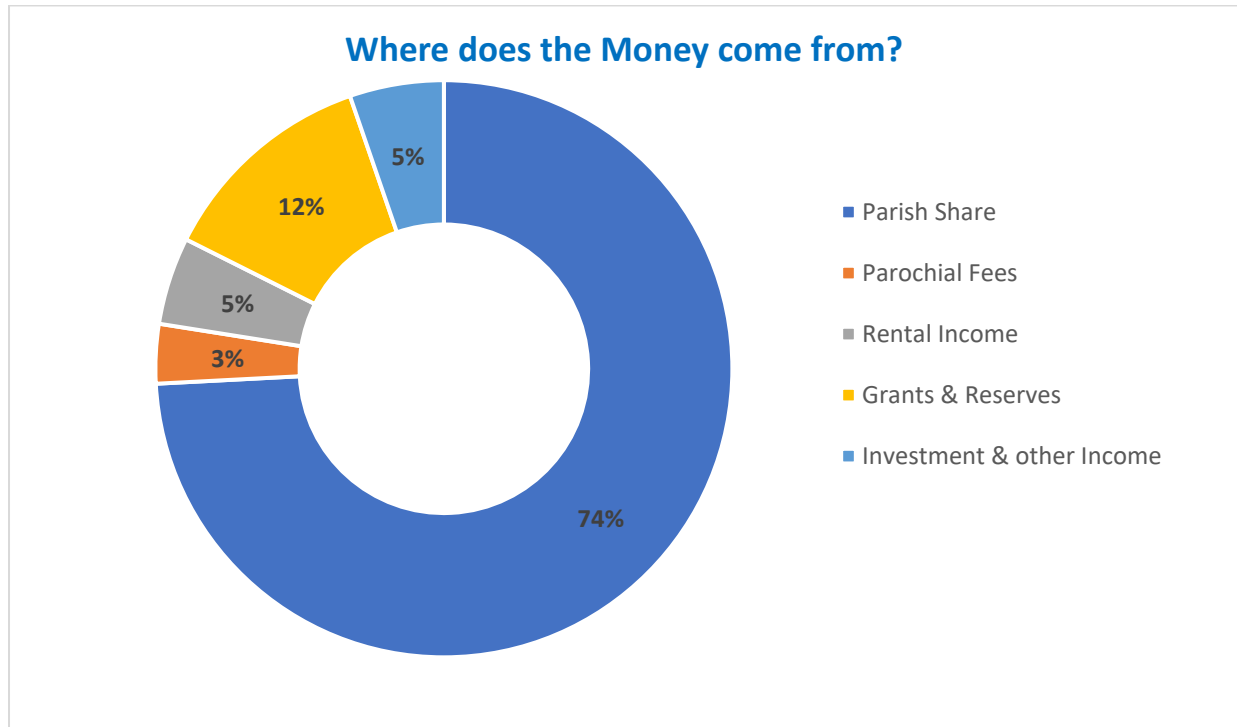
Further, as proposed if we improve the recommended cost of living increase for lay staff by an additional 1% and ordained ministers by 2%, the cost of these increases are £48k and £15k respectively.

In these scenarios we have assumed a collection rate of 98%, which given the current rates, may prove to be optimistic, therefore a further fall in collection rates of 3%, has been factored in to bring the revised collection rate to 95% (95.7% projected for 2021). After consideration of the additional changes above the revised **deficit range will be £1.295m - £1.104m.**

Budget Scenarios 2 – 3% Increase in Parish Share

Applying the same factors as noted above whilst increasing the parish share ask by 3% gives a reduced deficit range of **£1.199m to £1.008m.**

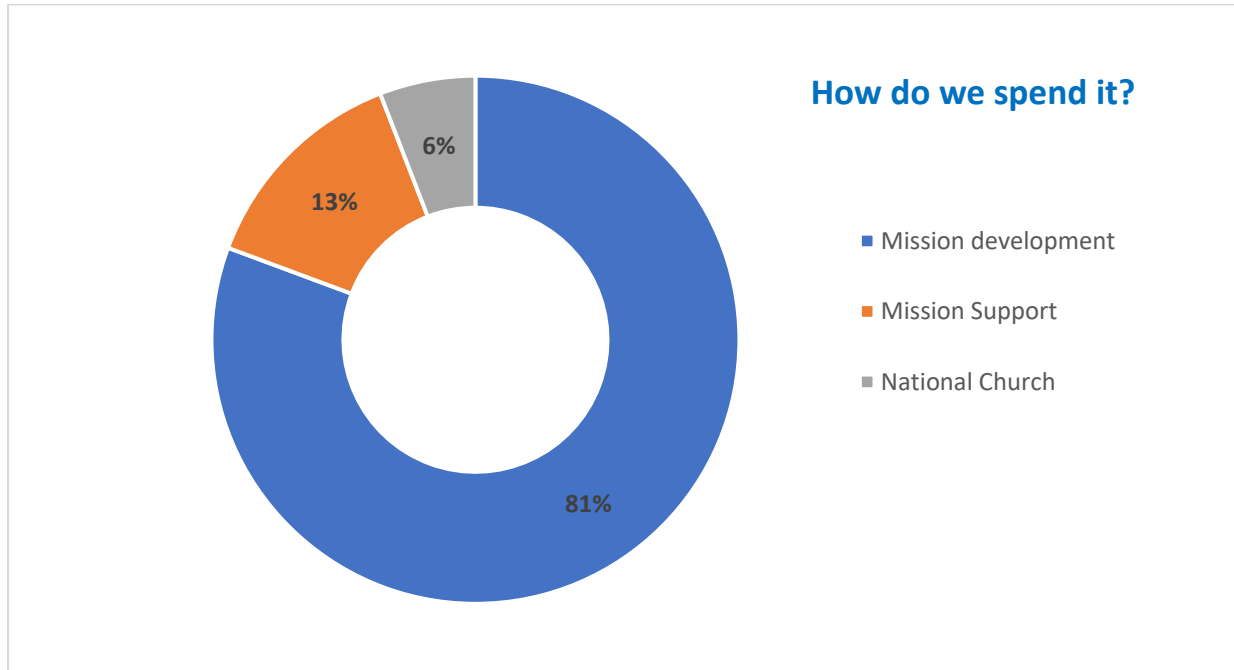
Budget 2022 – Income



What contributes to the incoming resources for the PDBF?

- Parish share covers a significant amount of our expenses and contributes 74% of the total income for the PDBF; thank you for keeping up to date with your payments.
- Parochial fees are the element paid to the DBF by parishes for any weddings and funerals that are performed.
- Rental income is earned during vacancies and on DBF specific properties.
- Grants at the moment are only received from the All Church’s Trust and the National Church to cover expenses associated with Votes 1-5, which is also shown as an expense on the next chart.
- The PDBF investment portfolio is held with CCLA investment managers and is made up of deposits, and further investments in the property and equity funds.

Budget 2022 – Expenses



How does the PDBF spend the money?

There are three main elements for expenses as shown above

- The majority of the spend, as we would expect is used for furthering the mission of the church through the clergy. For example, stipends, clergy housing, the mission and social transformation team (e.g. mission development, and stewardship) and of course safeguarding. The potential under collection of parish share at 5% is also included in this category. These costs make up the Mission development spend at 81%.
- All the other costs to support the mission of the diocese such as the finance team, information technology, Peninsular House rents, insurance, legal etc are pooled together into the mission support elements.
- National Church expense - all dioceses contribute to votes 1-5. These payments cover training for ministry, national church responsibilities, mission agency support, clergy retirement housing and ordination training. Portsmouth diocese however receives a grant from the National Church in the form of Lowest Income Communities Funding, which currently equals the amounts payable to the National Church. Therefore Votes 1-5 have no impact on our bottom line.

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Summary of Budget 2022

Outlined in appendix 1 is the net position for the general fund budget for the year 2022, after consideration of all the above which leaves us with a deficit of £1.2m. For comparison we have also included the actual results for 2019 (our most recent normal but still declining year) and 2020. As well as the current forecast for 2021.

Please bear in mind that the actual results for 2020 includes some one off savings for expenses such as clergy housing maintenance costs and quinquennial repairs which will still be required in 2022 and beyond, hence the increase in the budget for 2022 compared to actual 2020 and forecast for 2021.

We also had to make some improvements, in 2020 we purchased and implemented a new general ledger system because the existing system was archaic and could not cope with the new way of remote working. It would also have become unsupported before the end of 2020. We also had to purchase and implement a new payroll administration system in 2021 for the same reasons. In doing all of this we also have to update our IT equipment and connectivity to support the hybrid model of working from home and in an office. The majority of the IT equipment used by staff was originally reconditioned machines, not new and many have not been replaced since 2012.

Whilst budgeting for yet another deficit in the coming year is not ideal, it may take a period of three to five years for us to correct our position. The general fund may be able to sustain potential deficits in the very short term if we continue to strive to achieve our purpose to grow in depth, impact and number but it cannot do so in perpetuity.

What's next

Please consider the following questions: -

1. Do you agree with the level of parish share increase for 2022, giving reasons for your comments?
2. What are your views on the proposed increase to the stipend level for 2022?
3. What are your views on the proposed increase to lay salaries for 2022?

Any other comments you would like to submit should be sent by email to lauren.mcdermott@portsmouth.anglican.org. Those responses will be collated and provided to Bishop's Council when it meets on 27th October 21. Responses can continue to be received until 5th November and a summary will be provided to Diocesan Synod when it meets on 6th November to consider the budget.

Lisa Streeter

Finance Director

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22 October 2021

Appendix 1 : GENERAL FUND BUDGET FOR THE YEAR ENDING 31 DECEMBER 2022

PDBF	Full Year							
	Actual	Actual	Budget		Forecast	Budget	Variance	
	2019	2020	2021		2021	2022	Pro 21 vs Bud 22	
	£'000s	£'000s	£'000s				£'000s	%
INCOMING RESOURCES								
Parish Share	4,973	4,691	4,973		4,758	5,122	364	7.7%
Parochial Fees	352	224	125		228	230	2	0.8%
Rental Income	411	319	326		310	339	29	9.2%
Grants	867	606	874		618	745	126	20.4%
Fund transfers	246	130	106		106	106	-	0.0%
Investment Income	540	372	487		296	296	-	0.0%
Other Income	55	112	26		45	68	23	49.9%
Total Income	7,443	6,454	6,917		6,362	6,906	543	
RESOURCES EXPENDED								
Clergy Remuneration	4,241	3,635	4,344		3,959	4,132	173	4.4%
Clergy Housing	1,111	584	1,079		876	1,226	350	39.9%
Lay and Ordained Ministry	499	418	493		290	391	102	35.0%
Mission & Social Transformation	190	120	223		93	136	43	46.2%
Education	135	180	73		198	136	(62)	-31.2%
Safeguarding	96	119	83		156	169	13	8.6%
Communication	76	151	77		74	74	1	0.9%
Provision for uncollected Parish Share						256		
Mission Development Total	6,350	5,206	6,372		5,645	6,521	620	
Finance	142	200	183		203	264	60	29.6%
Diocesan Central Support inc HR & IT	713	645	751		645	747	102	15.9%
Registrar and Legal	70	100	78		77	77	1	1.0%
Mission Support Total	925	946	1,011		925	1,088	163	
National Church Votes 1-5	479	487	498		475	475	-	
TOTAL EXPENDITURE	7,754	6,638	7,881		7,045	8,084	783	
Financial Challenge	(311)	(184)	(965)		(683)	(1,178)	(239)	

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