Paper 2

PORSTMOUTH DIOCESIAN BOARD OF FINANCE (PDBF)

PDBF GENERAL FUND BUDGET FOR THE YEAR ENDING 31 DECEMBER 2022

Opening Remarks

Thank you to all those who have responded to the consultation. The responses are collated in Appendix 2 for information. Those which were received before mid-morning on 26th October were provided in writing to Bishop's Council with a further overview given at the meeting of others received. Thank you also to all those who attended the various deanery meetings which took place over recent weeks. We apologise that the final paper was not available sooner and we understand the frustration this has caused. There is a reduced capacity within the central team since the restructure in November 2020 yet there is still the same volume of statutory work to be completed as well as additional tasks which have fallen this year. In addition to this, the finance team which works across two dioceses has had a number of retirements and people moving to pastures new which has meant that the team which was made up of 8 individuals across the two dioceses has been at only 4 in recent times. Recruitment is underway and 1 new appointment has started very recently but the team will not be back up to full strength until mid-January 2022.

Context of the Budget

It had been expected that a longer-term plan would be able to be presented with this budget after the vision and strategy was discussed at Synod earlier this year. However, an open letter was sent raising some opposition to aspects of that vision. In response to that, the Commissary Bishop and the senior leadership team proposed that there was an extended period of conversation. This was agreed by Bishop's Council and Diocesan Synod and in both those forums it was raised that there was a financial consequence to that extension. Local conversations are ongoing as to the future shape of ministry and how our purpose to grow in depth, impact and number can be furthered in each place. As a consequence of this, the 2022 is a holding budget only. There is an urgency to those conversations from a mission perspective but also from a financial perspective in light of the budget deficit but also so that the triennial budget for 2023-2025 can be based on a growth focussed plan and the central support can be further shaped in support of that.

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 of 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 been adversely affected.
- 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 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 present. 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.

Where we ended as at 31 December 2020, and where we are likely to be as at 31 December 2021

In 2020 we anticipated a best-case scenario of receiving 85% of parish share, this was surpassed as many parishes used their reserves and tried to meet the parish share request. We ended the year at a collection rate of 89%. This success however may be at the expense of contributions for 2021, to September 2021 the collection rate is sitting at 84%. Contributions for October so far is 95%, bringing the collection rate for the year to date to 86%. We continue to work with parishes and expected collections to increase in the last quarter, data to date suggests that this may no longer be the case. We have used a collection rate of 91% in the estimates for 2021.

In 2020 we curtailed all maintenance on properties to emergency repairs only, we now need to start catching up on these repairs in 2021, and particularly the quinquennial repairs in the next 1-2 years.

In 2021, investment income has reduced due to market forces and we have reduced our income projections accordingly.

The furlough scheme has now ended, and staff who also sacrificed portions of their salary in 2020 are no longer able to sustain those sacrifices. This combined with the additional costs to support a hybrid and remote working environment has meant that our operating, as well as the IT infrastructure and hardware must also be upgraded so that we can continue to serve all of our communities.

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To assist with cash flow and the coverage of the deficits projected for 2021 and 2022, we have taken up the coronavirus business interruption loan of £2m in November 2020. Designated funds have been allocated to meet the capital and interest costs starting in November 2021 of £33,333.33

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.

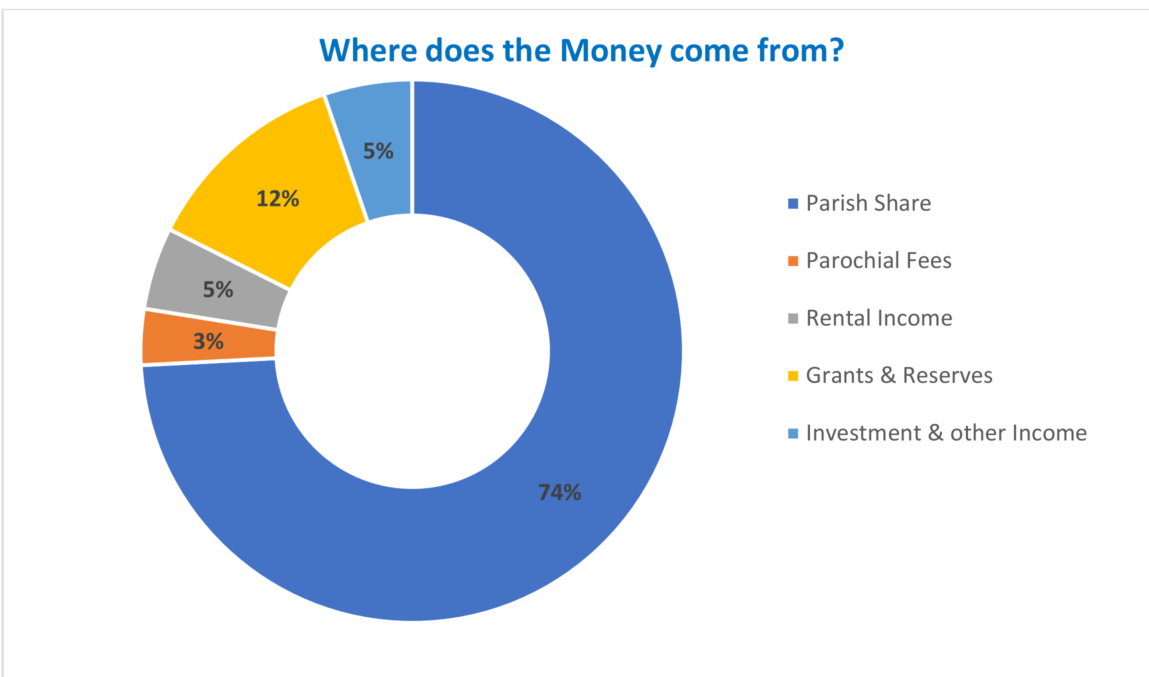
Further, as proposed if we improve the recommended cost of living increase for lay staff by an additional 1% and ordained ministers by 2%, the cost of these increases are £48k and £15k respectively.

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

Appling 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**.

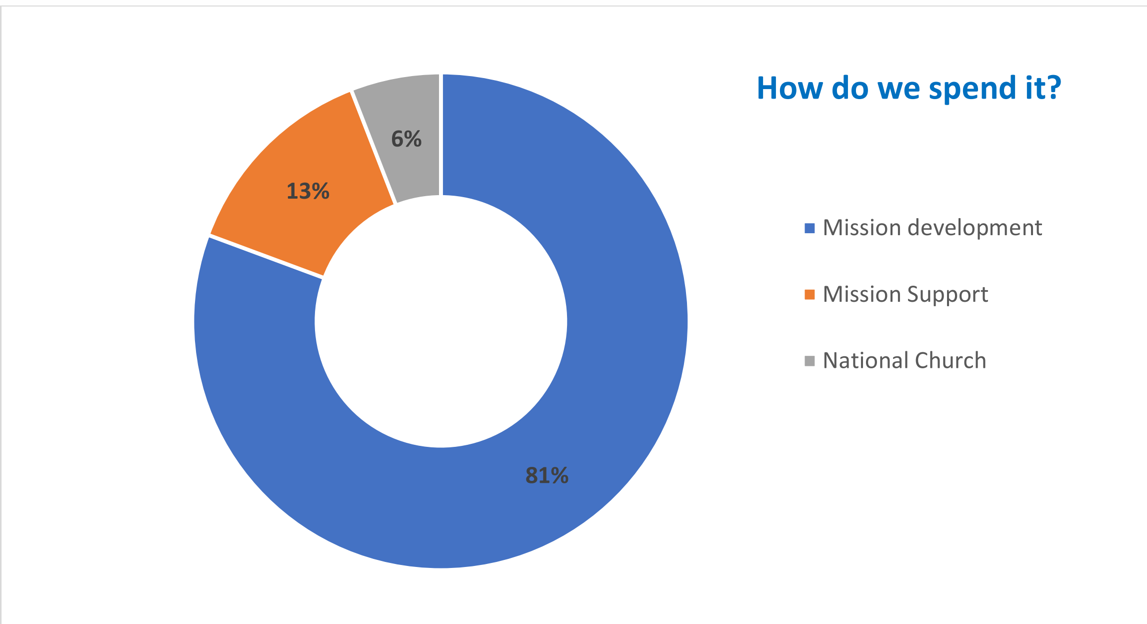
Budget 2022 – Income



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 our 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.

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.

Based on the above the Bishop's Council is asked to consider the approval of the following assumptions used in modelling the Budget 2022:

1. **The cost of living increase for incumbent's stipend rate for the year 2022/23 by a total of 3%. (the cost of the additional 2% is £48k)**

2. **The cost of living increase for lay staff for the year 2022 by a total rate of 2%. (the cost of the additional 1% is £15k)**
3. **The increase in Parish share ask of either of 3% that has been shared with the deaneries at the recent budget consultations.**
4. **A provision for uncollected parish share at a rate of 5%.**
5. **Clergy vacancy rate of 11% has been included in the modelling.**

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

	Full Year						
PDBF	Actual 2019 £'000s	Actual 2020 £'000s	Budget 2021 £'000s	Forecast 2021	Budget 2022	Variance Pro 21 vs Bud 22 £'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)**	

Appendix 2 – Parish Feedback

3% increase in parish share

For

- I support the 3% increase in Parish Share (although our treasurer might have a different view). The work of the diocese is critical to the overall mission of the church and parishes need to understand that they need to somehow find a way to contribute a little more if they are to continue to receive the current level of support.
- Can I thank the DBF for their detailed report. I know it was not an easy process to formulate the 2022 budget given the effects of the pandemic over the last two years. I would like to endorse the increase in parish share by 3%. Unfortunately, sometimes harsh decisions have to be made and we must be realistic. Nobody wants to see an increase of this magnitude but these are extreme times.
- No to increase in the Parish Share which is unrealistic for many parishes 2./3Yes to increase for both stipends and lay salary.
- I'm glad to report that after consulting overnight with my PCC members, the view of Havant's PCC is that they support the recommendation for a 3% uplift in Parish Share. Furthermore, several members have commented on the helpful clarity of the report, for which they are very grateful.
- agree to the assumption of 95% share collection, and the 3% share increase across the diocese.
- We agree to the proposed 3% increase in Parish share as follows:
- We support this increase, in particular to fund the well deserved 3% increase in stipend for incumbents after two years of 0% increase, and in recognition of the considerable additional pressures that the pandemic has brought upon them.
- Yes. Reasons - We see that rising costs must be met. However, we are not convinced that the Church as a whole appreciates that Parishes are the key to the success of the Church.
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Against

- You will understand that at the moment the Parish is only able to pay c1/3rd of the current level of Parish Share and any proposed increase is also unlikely to be payable despite the recent introduction of the Parish Giving Scheme which our treasurer believes will make life easier but he is doubtful that it will increase our income - but we live in hope
- The budget for 2022 shows a 7.7% in the overall Parish Share. The Petersfield deanery will be asked to provide a larger percentage. The situation is worse if you compare with the 2020 actuals. This budget is not being realistic.

- On review of the budget paper my overall comment would be that in accepting an increase of 3% in 2022 for the parish share will be a challenge to meet from the anticipated giving in our parish. There does appear to be a great overlap in the estimated ranges of deficit arising from either a 1% or 3% increase in parish share.
- I DO NOT AGREE WITH ANY INCREASE IN PARISH SHARE. You have not justified any of the figures given, and some explanations should be forthcoming as to why they differ from previous budgets. With the cuts in staff to 24 fte posts, we should expect to see a reduced overall cost for Mission Development and Support, yet it has risen (excluding Clergy Remuneration & Housing) from £1,921,000 in 2019, to a proposed £1,994,000.
- No increase in parish share should be expected or considered until the DBF meets its responsibility to provide a financial model for recovery
- The Diocese should not be putting pressure on parishes to make this increase especially given the figures that were presented in respect of declining numbers in congregations, the age profile of those left attending church, the numbers of buildings that individuals are being left to manage and ensure they are compliant for worship. In our instance we now know we have to pay for a new roof so any increase in our giving needs to be restricted so that we can continue to have a place of worship.
- It is difficult for those in the pews to understand why they are being asked to increase their funding to the Diocese rather than to their parish where they can see a direct impact of their giving.
- You ask if we agree to the level of parish Share increase for 2022 and our answer is no. On the contrary now is the time for the Church Commissioners to show tangible support to the many thousands of volunteers who work tirelessly to support the Mission of the Church and have had to deal with so many difficulties during these extraordinary times.
- A 3% increase in Parish Share for 2022 will take our Parish further into debt. Our financial position is such that we have had to negotiate a reduction in the amount paid each month to £2,000.00 from £5,912.00 which so far has accrued a deficit of £19,560.00. We understand the need for the financial support of all clergy and lay stipends and the costs related to the mission of the Diocese but with this further increase St Peter's will find it difficult if not impossible to maintain the reduced rate with its percentage increase never mind the full share.
- I do not agree with any proposed increase in our Parish Share for 2022, and I do not agree with the proposal of a 1% or 3% increase. We all know that the last year has been very difficult for all, however, it does appear that Parishes are being expected to "stump up" and increase their contributions of Parish Share by up to 3% when Parish income levels have been dramatically affected by the reduction in bottom line income, with fewer numbers especially in the last year. In order to be able to pay

Parish Share, many Parishes will have to rely on additional income from social activities and fundraising which they will need to add to their reduced regular giving receipts to allow them to be able to pay their Parish Share in full. Quinquennial Inspections have still taken place during the pandemic and Parishes are still being expected to keep their Estate in good condition whilst continuing to juggle their reduced income and potential increased Parish Share demands. This is not sustainable, and many Parishes will face difficult decisions in the next year.

- given the state of the economy I think 3% is probably the least that can be paid (legal minimums aside) to keep people in the position they were. For our particular Parish Share, we will struggle to pay (as we have in previous years) given that our reserves are almost completely drained from paying in earlier years.

Caveated Response re Parish Share

- I am not an expert in the Diocesan budget, but, in an effort to be helpful, rather than just critical, this is how, on the basis of the paper you circulated, I suggest you might think about immediately reducing the 2022 budget deficit to manageable proportions.

  1. Hold the central administration budgets (“ mission support”) at the 2019 outturn level except for an additional £60,000 to strengthen the finance function. Saving £100,000.

  2. Hold the “ lay and ordained ministry” and the "mission and social transformation” budget lines at the 2021 outturn level. Saving £145,000.

  3. Increase the clergy housing budget by 5 per cent (not the proposed 40 per cent!) on 2021 levels. Saving £300,000 approx.

  4. Hold clergy vacancy levels at the present 13 per cent and delay any pay rises for clergy and lay staff for six months. Saving approx £50,000, perhaps more.

  This reduces the budget deficit by £600,000. I think you then have the basis for asking parishes to agree to an increase of 3 per cent in the parish share and to ask them to make a supreme effort to pay the maximum they can to help out the Diocese and support the new Bishop. You might then be able to reduce the deficit even further and not need all the contingency you have set aside in case there is a shortfall in the parish share payments. Surely worth a try.
- To keep the Parish Share at the same rate as 2021 would allow Parishes time to regroup and reset to a new normal. Freezing the Parish Share would allow more Parishes to pay a higher percentage of their individual Share contributions in 2022, and would appear to be within an acceptable margin of error on these calculations. I

accept that the three year budget from 2023-2025 will be a challenge, but I hope that sufficient and more time will be afforded to the process to allow a more complete discussion and management of the potential issues next year. This will give Parishes time to plan responsibly.

- Given the immediate circumstances the 3% increase seems reasonable, but we have had some discussion regarding whether the balance is right between what the parishes are expected to contribute and the costs of centrally led activity and overheads.
- Parish Share is a contentious issue largely that it is not understood by all. Paul defends our contribution well at PCC but there are only so many times you can ask a congregation to dig a little deeper to generate the sum asked for. In extremist asking for more money can have a detrimental effect as one Lee-on-the-Solent Resident told me 'All the Church want is my money so I stopped giving to St Faith's'. Increases in the Parish Share have been exponential for St Faith's in the last few years which can be viewed as a punishment for success. It was notable at the Parish Boundary re-alignment meeting a couple of years ago that some voiced concern about getting to Church with some evidence afterwards that the same people are happy to travel quite a distance to shop. I know there is a group looking at Parish Share. However, whilst I fully support Mission not Money unfortunately the latter is required to deliver the former. I think those Parishes that are significantly struggling to make their Share should be asked for a plan for how the sum asked for can be achieved. If the plan is not robust and an audit of contributions over the last few years shows a trend of non-compliance I suggest it is time for some tough love and for the Bishop's Council to cut the cloth as necessary.
- With the proviso that tight control on central staffing costs is maintained, a 3% increase in parish share is appropriate, given that it reflects current inflation rates and falls in line with the recent government spending review
- this concerns the quantum of the proposed Parish Share increase. Like other parishes, we have experienced a drastic reduction in income during the pandemic so a low increase would obviously be desirable. However, frankly, the level at which the increase is set is almost immaterial: we will endeavour to pay as much as we can but may not be able to pay the full amount.
- Whilst we understand that Parish Share largely covers the stipend bill our PCC was not, in the main, in favour of a rise in Parish Share for next year while we are trying to recover from the financial hit and decreasing numbers experienced from the pandemic, as well as our need to fund both necessary quinquennial repairs and a long-overdue refurbishment of our Church Hall. However two suggestions were made: (a) that an increase could be staged across the next 3-year budget, with 1% in the first year, 2% in the second and 3% in the third; (b) notwithstanding the CBIL, reserves should be released, from the diocese and central church funds, to demonstrate leadership and encouragement to parishes who are already eating into

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their own reserves significantly (or have used them up completely) but without seeing clearly a similar willingness to do so from 'higher up'.

3% increase in clergy stipend

For

- I support your proposed increase in stipends. Our clergy more than deserve their pay and we need to keep up to avoid recruitment and retention becoming a problem.
- I think that the proposed increases in stipends and lay salaries would be acceptable given the freezes in previous years and the levels of inflation that are occurring.
- I also endorse the increase of the stipend for clergy of 2% and lay salaries of 1%. One of the major side effects of the pandemic is an increase in the cost of living. We are/will suffer financially as a result due to higher fuel, utility bills and food cost.
- We cannot penalise them for something out of their control. We are in this together and our clergy are needed in the community in which they serve even more, with the support of an excellent administration structure.
- Stipends should increase in line with the cost of living.
- On the one hand, this is welcome, and I quite agree that it's right to increase so we don't have a big hit later or make posts in this diocese less desirable. My concern is that the increase in parish share is a reasonable jump as well, and I wonder if it might be better to increase stipends by closer to 2% and expect to do the same again next year (or the year after). A bit like buildings, it's probably just pushing the problem on, but it does feel quite high against the landscape of the rest of the budget. Please don't hear this as ungratefulness, it is a real sign of the care you have for clergy, but in case I'm not a lone voice, I would quite understand in the current context if this wasn't quite possible at that level.
- the PCC agrees the 3% stipend lift for clergy and the 1% for lay staff (with the variation for curates as you explained it)
- This is a decision for the DBF in the light of what deficit can be afforded and the DBF plans to 'correct our position'.
- We consider it vital to the Mission of the Church that our clergy and lay workers are appropriately remunerated and the modest increases proposed are the least they deserve.
- I agree that the proposed stipend level and salary level of all staff should be increased but the figures will need to be re-visited in light of the Chancellor's latest announcements. I realise the increase will need to be funded but that leads back to Parish Share, the number of Vicars employed, funding from Central and whether land can be sold.

- Maintaining parity between stipend and cost of living is vital and would be the aim of all responsible employers in relation to their work force. It is hard to argue against such an intention.
- I support your proposed increase in stipends. Our clergy more than deserve their pay and we need to keep up to avoid recruitment and retention becoming a problem.
- I agree with the proposal
- Supportive, but will find increasing our financial support to the centre very challenging.
- 'about the minimum that should be offered' even in a current deficit situation
- In general the PCC supports a 3% increase for Incumbents and Curates. We have been blessed to have a Curate during our vacancy.
- Those commenting were in favour of the proposed increases in stipends for clergy

2% increase in lay staff salaries

- The 3% increase should apply to the clergy not the Diocesan package. The Diocese should be cutting their own cloth to fit the budget and their deficit.
- Lay salaries are too high, especially at the top with 2 over £70,000 and none of the staff bringing in any income to the Diocese. Many are overheads that we cannot afford.
- We also support the 2% cost of living increase for Lay staff after a 2% increase in 2020 and a 0% increase in 2021. We wish to point out that if we are to place a greater reliance on Lay Ministers in the future then we should be looking at reducing any pay differential between them and incumbents.
- This is a decision for the DBF in the light of what deficit can be afforded and the DBF plans to 'correct our position'.
- we consider it vital to the Mission of the Church that our clergy and lay workers are appropriately remunerated and the modest increases proposed are the least they deserve.
- I agree that the proposed stipend level and salary level of all staff should be increased but the figures will need to be re-visited in light of the Chancellor's latest announcements. I realise the increase will need to be funded but that leads back to Parish Share, the number of Vicars employed, funding from Central and whether land can be sold.
- Maintaining parity between stipend and cost of living is vital and would be the aim of all responsible employers in relation to their work force. It is hard to argue against such an intention.
- I agree with the proposal
- As before, we are supportive, but will find increasing our financial support to the centre very challenging.
- Proposed 2% increase supported

- Those commenting were in favour of the proposed pay increases for lay employees

Vacancy rate of 11%

- You might look at ways to gently keep vacancies open a little longer. This not only saves money but can actually have a positive impact on parishes as it sometimes stretches and develops lay leaders. Sharing clergy for a whole can also help build long-term relationships between parishes.
- The choice of an 11% vacancy rate as opposed to an actual 13% is dishonest. If each stipendiary clergy 'costs' £55k then the budget has been un-necessarily swelled by £110k.
- We fully agree that the clergy vacancy rates should be held at 11% rather than increasing it to 13 or 15%. Indeed we believe that every effort should be made to reduce the number of vacancies below 11% to give a greater emphasis on Growth and the resulting increase in funding. There is more than enough evidence to show that a reduction in or absence of an incumbent has a direct negative impact on both Growth and funding. Durley PCC would be prepared to further increase its Parish Share to help achieve this.
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Other Miscellaneous Comments on Budget

- Mission support spending seems surprisingly low to me, I presume you would like to increase it were funds available!
- Given the state of the markets over the last year, I'm surprised your investment income isn't higher.
- The budget lacks a clear cash flow statement to show how the deficit will be funded. In order for the BC/PDBF to be confident that the Diocese is a going concern, the forward looking cashflow must have been prepared for 12 months from the date of audit sign off. It should not be too onerous to extend this until the end of next year.
- Property maintenance costs seems to be increasing significantly. I appreciate that there was an underspend in 2020 and 2021 but this major item needs reviewing by the DFEC before it is allowed to increase to £1.2 m. I understand that we are talking about the living conditions of our clergy and we must not allow these to be substandard, but after the three year (?) project to bring the housing stock up to standard, funded out of reserves, became incorporated into the annual costs we have to be certain and clear that the money is not only necessarily but also well spent. Is a centrally managed pot the best way forward?
- Central costs are increasing - it would be helpful to understand how the £250,000 reduction has been overtaken by other cost increases and in what basis they have been allowed to go up.

- With a deficit of £1m forecast for the second year running, with what might be seen as unrealistically high assumptions about PS collection, I would expect both BC and Diocesan Synod to be focused on sustainability - how are we going to balance the books? Dipping into reserves are not sustainable.
- Safeguarding budget is out of control compared with 2020 actuals
- Given that this deficit is not sustainable for more than 3 or 4 years, we need a plan for reaching a balanced budget in that very short timescale. What are the plans for creating and achieving that budget? Some parishes are able to pay more share than they do, while the IoW share has been unrealistic for many years given their 65% collection rate. Some are paying share unsustainably from reserves. How can we find out what is a sustainable and reasonable level of share to ask from parishes, and so what is a sustainable level of resource and shape of ministry for the diocese in the future? Given that costs must be minimized, and that this will mean a decrease in stipendiary clergy, there needs to be a link between reducing stipendiary posts, investments and central staff. What plan is there to ensure that these are reduced in a balanced way? If the central team cannot be reduced without failing to meet statutory responsibilities which cannot be met by volunteers or shared with other dioceses, this means that the central team cannot be reduced in line with parish clergy reductions and selling off investments. Would this point be the point at which the size of the diocese (in terms of its budget, number of clergy and central resource) was no longer viable, and options of reshaping or combining with another diocese should be explored? At the highest level, the central church's decision to remove grants to dioceses to sustain mission and replace it with the SDF and grants for specific projects is a key factor in making the diocese of Portsmouth unsustainable as an Anglican diocese of parishes. This would suggest that the balance between sustaining parish ministry and resourcing new initiatives is weighted too far towards new initiatives. Is there a way to address this balance given the impact of current financing models on parish ministry here and in many other dioceses? The parish agrees entirely that the long term solution is a renewed commitment to mission and the growth of the church in each parish and context, and is working with our neighbours to achieve this. If we are able, we will explore paying more than 100% share to bring down the deficit, but this is dependent on balancing our own budget too.
- I remember the 'fairer share' process being brought in and it doesn't seem to be a process that will last much longer, like the IT equipment mentioned in the report. What about following the role model of the Apostle Paul who was proud of the fact that he was not a drain on his churches but supported himself by his tentmaking. If future clergy (not current ones) were provided with accommodation, which the Diocese already has, but were asked to work in paid employment for 50% of their time to support themselves and their families, they would then be in a position to give the rest of their time to church just like all the lay volunteers who run parish churches. This has two advantages: Firstly, the cost of clergy would substantially

reduce and the burden could be lifted from the parishes. There is a general feeling amongst the public that you don't want to go into a church as they will only ask you for money. Secondly, the clergy would be spending 50% of their working time amongst other working people which would enable them to carry out their mission in the workplace. On the Isle of Wight, where I am, clergy have all but disappeared from the church scene and where they exist, they are spread so thinly that they cannot fulfil the role they trained for. As all churches have to cope with an interregnum from time to time, the congregation can be left to get on with the general running of the church. If a church cannot manage this due to lack of volunteers, then the church would eventually close of its own volition thus fulfilling another object of the Diocesan plan.

- The purpose of a budget is to agree how a strategic plan is to be implemented and, in particular, how any opportunities are to be developed and threats mitigated. This proposed budget is not fit for purpose: there is no plan to recover our diocese from its present, dire situation; no opportunities have been identified; and the threats, all too apparent, have not been countered.
- This budget proposal should be rejected. In its place should be a rolling three month plan of expenditure based on recent experience with a determination to minimise costs. In the meanwhile, Bishop’s Council should be asked to submit another budget to Synod that must include appropriate comparisons, cash flow forecasts, a credible three-year recovery plan and a detailed commentary.
- Central costs (2022bud – 2019act) have increased by £73k and not reduced by £(250k) as claimed following the 2019 reorganisation. This is key to the lack of confidence felt by many in the whole budget process. The onus is on Bishop’s Council to explain how this happened and why it is acceptable.
- Housing costs appear to be completely out of control. A recent three-year project was intended to upgrade all our housing stock to an acceptable standard. It used reserves to increase the annual spend exceptionally to c. £1M. This project has been completed but the 2022 budget is £1,226k and there is no comment on it.
- There is no cash flow analysis, no sensitivity study on any of the key assumptions and no three year plan.
- There is no forecast of clergy numbers. This is particularly surprising given the debate during the General Synod election, the emergence of the Save the Parish initiative and on-going discussion on deanery structures.
- Transfers In have been considerable in 2020 and 2021 and are budgeted to continue into 2022 but there has been no explanation of their nature.
- To propose a deficit of over £1M with no plan to recover the situation is irresponsible. This budget is unjustified and does not explain to our parishes what is being done with their donations.
- In the present financial situation of the DBF and the dire financial position of many parishes in the Diocese this paper is deficient.
- The paper does not give essential and complete information. For example, there is no mention regarding the capital reserves available to the DBF. Nor does the paper

give any impact of setting a deficit budget on capital and resulting income. Without this information we are unable to understand issues and the context.

- We note that the paper identifies that '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.' Where is the evidence base for this statement?
- We believe that the proposed reorganisation of deaneries will not correct matters. Reorganisation may provide a short term grant but no indication has bene given by the Diocese on any savings v keeping everything working as it is with many parishes already working in clusters e.g. BCI with St Johns.
- So a question that needs answering is 'What are the DBF proposals going forward that they believe will achieve the necessary correction? The DBF has not proposed any cuts in expenditure, in fact it proposes the opposite which is unacceptable for parishes struggling to currently pay their parish share, substantial increase in utility bills and to ensure the upkeep of ancient buildings without even considering` any much needed developments to secure our futures.
- To attain the General Find to balance the expenditure of the DBF would clearly need to reduce, If expenditure is not cut to live within a realistic prospective income, then the situation within the Diocese will continue to worsen.
- Regret that we see only 2 years' performance, which '…can't allow for any potential return to equilibrium should the effect of Covid taper off'. One respondent is concerned that the timescale is short, given that the budget is 'a key driver in the operation of the Diocese'
- Concern about the contract with Caffinity – its costs, length and the recording of related expenditure in the accounts
- Concern that there is a deficit budget of over £1m without a recovery plan in place
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Miscellaneous Comments on Process and Governance

- With five days (including two weekend days) to make comments before this goes to BC, there cannot possibly be adequate consultation. I have circulated the paper to Treasurers and asked them to make responses directly to you. We have a Deanery Synod on 3rd November after which a collective response made be made, but by then BC will have opined. You should not expect Budget approval by Diocesan Synod to be a rubber-stamping exercise. I hope that DFEC has been able to give the budget full scrutiny, without which I do not believe that members of BC, as the PDBF, can possibly discharge their duties as trustees properly.

- My recommendation is that the budget is withdrawn, and that central spending is scaled down to the essentials. DFEC should put a three month rolling budget to BC and review it monthly, with the objective of keeping the deficit to an absolute minimum, pending the outcome of the review undertaken by the ad hoc group you have set up. As soon as it is possible to make a longer forecast, based on greater certainty coming out of the review and a clearer understanding of the shape of the Deaneries and Parishes is obtained, a three year budget, reflecting the implementation of changes can be properly considered and put out for meaningful consultation. We also have the advantage of the new Bishop being installed in January.

- We do not agree to the Parish Share being used to reduce the deficit until the national church comes up with an effective plan to rationalise the number of diocese, supporting staff, and bishops to help reduce the deficit. We find it simply not credible, that while the church tries to run itself as a "business", no effort seems to have been made to rationalise it's higher level management structure, as any other national organisation would do in times of financial pressure, in order to preserve its front line customer base, and deliver Mission and Growth more effectively. Why for example do we still need in a continuing age of declining congregations, two Diocese and four Bishops in Hampshire ? We fully understand and support that change is required in many aspects to better deliver Mission and Growth, not least in services and outreach, but it has to be, and be seen to be, throughout the current church structure, not just at front line.
- We do understand that Portsmouth Diocese has commendably made savings, but we are also aware that the Church Commissioners portfolio has now returned to pre pandemic valuation levels. What are they and the National Church doing financially to help the Diocese deficits ?
- We fundamentally believe that the priority focus of the Church in delivering Mission and Growth, should be to reinforce its front line clergy and lay people, and their direct linkages with parishes and communities. It is primarily they rather than the dioceses that deliver this into the communities, and directly inspire parishes and Christians to maintain church numbers and increase funding. We would strongly oppose any plan to further reduce clergy numbers, indeed we believe that a greater effort should be made to reduce the number of vacancies, and we would be prepared to further increase our parish share to achieve this, as already mentioned above.
- We have already responded to the original Diocesan proposal that clergy should be centralised from parishes into teams, and firmly rejected this plan for the reasons outlined above. We fully agree however that greater coordination of resources is required, and believe that a more focussed and supervised approach is required to improve the Church's Mission and Growth. We believe that this is best achieved by a greater focus at Deanery level to coordinate, oversee and support the work of individual incumbents working in named parish/communities, as laid out in our Deanery "A Way Ahead" paper.
- As has become usual, the budget information has been made available only very recently. The lack of time available has allowed for only a brief response.
- We do not recognise that this is a consultation, something that we feel the DBF needs to acknowledge.
- For those who attended the Havant Deanery event on 6th October we were told it was a

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- Deanery Conference (including budget consultation) at St. Alban Church, Havant on 6th October 2021 at 7pm. There will be the opportunity to ask questions about what transformation looks like in our Deanery and consider how we best allocate resources.
- This invitation was to discuss the reorganisation following the suspension of all conversations on the matter over the summer period. On that evening, no other reorganisation proposals were presented, the figures given were in compete and inaccurate and again no long terms financial savings were given which are essential if we are to vote on the clusters in the future. The whole evening was not conducive to an effective discussion given the technology failures and the lack of relevant information. There was no real opportunity or guidance to discuss how we might best allocate resources for the future. Discussion was focused on how we might work together in clusters that have yet to be costed and finally agreed upon. As a PCC we received a document from the Diocese on 22 October, and we were given just 5 days to respond before the DBF meeting on 27 October. There was no explanation as to why we were given the normal period of consultation (several weeks in the past) nor an apology for not allow a period of time that would even allow PCCs to meet in person to consider the proposals and the impact of the proposals on our congregation.
- The DBF budget paper fails to acknowledge that collectively parishes are struggling to pay their current parish share contribution. The DBF needs to put a plan in place to support parishes apart from closing churches who are unable to contribute.
- The 2020 DBF annual report admitted the situation in parishes, stating that the DBF had received a sustainability grant of £600,000 from the Archbishops' Council and this had been credited to a designated fund 'to help fund the re-organisation work that will be needed to address the significant number of parishes that have become financially unsustainable'. Given this admitted scenario, where does the DBF envisage there exists sufficient capacity to increase overall parish share take?
- The figures we were shown on 6th October outlined the decline in congregation from 2009 to 2019. We would suggest that since 2019 those figures are even worse given the impact of COVID and that the Diocese needs to work on current data. Even if all the churches in the Diocese 'buck the trend' across the country, the decline in congregation numbers as given in several National C of E report and we actually grow in depth and number that is unlikely to lead to increased income. The various suggestions for looking at church differently as discussed on 6th October do not account for increased numbers nor determine that those increased numbers would contribute to our parish share. Realistically there is little, if any chance, of new givers replacing or increasing income. Your own figures indicated our Diocese has an older population who attend church many who receive state pensions that have no increase this year.
- The DBF should identify and set out the potential changes they envisage implementing within the next 5 years that will enable the Diocese 'to correct our

position', so the parishes can make an informed decision about parish share and prioritising their own financial position and plans. Without a sizeable uplift in parish share contribution, alternative additional income, or a progressive reduction in overall diocesan expenditure, it is appropriate to conclude that the current trajectory will continue. The situation in our parish is more precarious than at DBF level.

- In acting responsibly the DBF needs to acknowledge and address the challenges and to share their plans with the parishes from which they seek funding. We feel it is unacceptable to present a deficit budget, request an increase in parish contributions, and offer no comprehensive plan for recovery.
- Timing and Process: I became Deanery Treasurer and member of the DFC primarily because I was concerned that the Budget process was not serving the Diocese or the parishes well. I have repeatedly called for a proper consultation process with the people, in the parishes, who fund Diocesan expenditure. The passage of time has served only to increase, rather than alleviate, that concern. For each year in which well intentioned improvements were not implemented there have been very valid reasons, but taken together eventually we have to say enough. That time has come.
- The time allowed for comment is absurdly short.
- To ask for approval of an increase in Parish Share without full explanation as to why this is required is illogical, especially at a time when clergy numbers are being reduced and central costs have increased dramatically. At a time when collection rate is under pressure it's a poor way of motivating parishes.
- This is made even more incomprehensible by the fact that the increase has been approved by the Bishop's Council before any consultation with Parishes has taken place.
- The budget is based on the assumption that there will be 11 clergy vacancies. As Mission is our raison d'être and as the clergy are the key resource in this, it does seem extraordinary that we should simply accept this level of vacancies at a time when central costs are budgeted to increase by 15%.
- We feel that the whole process is opaque. A simple plan and timetable for preparing the budget needs to be drawn up, communicated and acted upon. Parishes will feel much more committed to it - and the Diocesan finance function will have a much better understanding of the views on the ground - and will probably save cost and time as well.
- All our parishes work away at fundraising but there is no evidence of fundraising at Diocesan level.
- There is no forward plan, apparently, for running down the deficit.
- It is understood that there has been criticism of the budget process for several years and yet still nothing has been done about it. This is the moment to respond to these criticisms, which are widely held, and fix the process once and for all.

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