

**Paper 4:**

## Live|Pray|Serve Update &amp; Diocesan Missional and Financial Context

## Executive Summary

The paper which follows seeks to outline and highlight the key aspects of our diocesan context. This includes the trends in mission statistics over recent years and outlines in some detail our financial context. In doing so we have sought to answer questions which have been raised during the recent conversations with individuals and PCCs.

There will be opportunity at Synod to raise questions on the paper on points of clarity, but the majority of the time will be spent in small group discussions which will feed back into the Synod.

The reason for this is that we want people to prayerfully consider the position and think over the summer as to how we respond as a diocese to the challenges we face. This will then support the next phase of the conversations across the diocese.

## The Need for Change

Included within this document is the information which we think underpins our need for radical change within the diocese and has arisen out of a number of factors:

- Ongoing congregational decline
- An ageing congregation
- A history of managing of decline
- An over-reliance on a reducing number of clergy and laity
- A lack of missional and financial sustainability
- Current financial challenge
  - Parish finances and giving
  - Central diocesan costs
  - Year End 31 December 2020
  - 2021 Budget
  - Alternative funding received to support during and post Covid
- Historic parish share
  - History of parish share paid – request, in year payments, and arrears
  - History of parish share request vs stipends, RPI & CPI 2010 – 2020
  - How parish share request has been suppressed
- Parishes' ability to pay parish share 2021

These have been talked about in previous sessions of Bishop's Council and Diocesan Synod.

## Next Steps and Aspirations

Following our conversation at Synod we would welcome people to continue to consider the situation as outlined in the paper and where we might go to from here in order that we might achieve our overall vision and purpose. It is important that we hear from individuals and churches on what they think will work and not just the dismissal of what people do not like. During the last few months of this year we will continue to have structured conversations around these topics in line with our governance structure. These culminate with our Diocesan Synod meeting in November where we will need to agree a way forward.

**Day of Prayer** - During the week of the **6 September** we will be holding a day of prayer for all within the diocese to continue to pray for our future and ongoing vision and strategy

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**Bishop's Council** – normal scheduled meeting on **22 September** but will include an update on our current situation, the ongoing conversation with parishes, the upcoming meetings and consultations as well as the way ahead.

**Clergy Day** - Hold a day for archdeacons and clergy on **23 September** to get together in person, to hear from one another openly and honestly. This will allow us to discuss the need for change, the overall vision and strategy for the diocese, and gain a shared understanding on the way forward.

**Lay Conference** – An evening on the **23 September** for our Deanery Lay Chairs and those in lay ministry to get together in person and to speak opening about our current position and the way forward. One held in Portsmouth and one held in Newport.

**Deanery Conferences** - Hold a deanery conference in October for all PCCs, leadership teams and other relevant people from parishes, encouraging us to continue to reimagine church and how we might live out our purpose in our communities.

**Diocesan Synod** – Normal scheduled meeting on 6 November but will include a substantial opportunity to discuss and agree on where we are, the principles behind which we wish to operate and an agreed way forward for the diocese, including an ongoing agreement of the diocesan vision and purpose.

#### Small Group Discussions at Diocesan Synod

The small group discussions at Diocesan Synod will be based around 3 questions. Please therefore come prepared to discuss the following questions in small groups with a view to feeding into Synod discussion: -

- 1. When you read the attached paper what scriptures or theological principles come to mind?**
- 2. In the light of what you have read, what are the biggest challenges we face as a diocese?**
- 3. What questions are you left with having considered our context as set out in the paper?**

## Live|Pray|Serve Update & Diocesan Missional and Financial Context

### 1. Vision and Purpose

Last October we started our journey of transformation as a diocese, beginning with imagining what a thriving diocese might look like in five years’ time. Our vision was to be a place where God’s kingdom could thrive in every community and parish across the diocese (the detail of that vision is included in the appendices). As part of the process of developing this we reaffirmed our purpose of growing in depth, impact, and number and developed four key elements that would be essential for achieving this vision: ‘Visionary Leaders’, ‘Teams on a Mission’, ‘Communities of Kingdom Building Disciples’, and ‘Growth Enabling Structures’ (The details of the Key Elements are also included in the Appendices 1 and 3)

In March this year, the Diocesan Synod was reminded of our context and the stark position we are in following the changes over the last 30 years:

1989	2019	Change
Population: 694,000	Population: 790,000	+14%
Attendees: 16,200	Attendees: 8,900	-45%
Clergy: 138	Clergy: 86	-38%
Parishes: 137	Parishes: 133	-3%
Church Buildings: 172	Church Buildings: 167	-3%
Clergy per 10,000 People: 2.0	Clergy per 10,000 People: 1.1	-45%

Although our diocese continues to grow in population, our decline in attendance is outstripping the cuts that we have been making to clergy numbers in an attempt to keep the diocese financially sustainable.

We can no longer just keep following the same approach that we have been for many years trying to reach this elusive goal of sustainability. Just simply cutting clergy numbers will neither help us achieve this sustainability nor will it improve our ability to achieve our mission and purpose to grow in depth, impact, and number. Therefore, any future planning must focus on achieving a thriving diocese under our Live|Pray|Serve vision and we must seek to direct all resources more effectively to fulfilling our purpose to grow in depth impact and number.

Work in 2021 and onwards over the next five years must focus on shaping and resourcing parishes in our diocese and the DBF for mission and growth. It will only be through such growth that we will ever become sustainable but more importantly a thriving diocese.

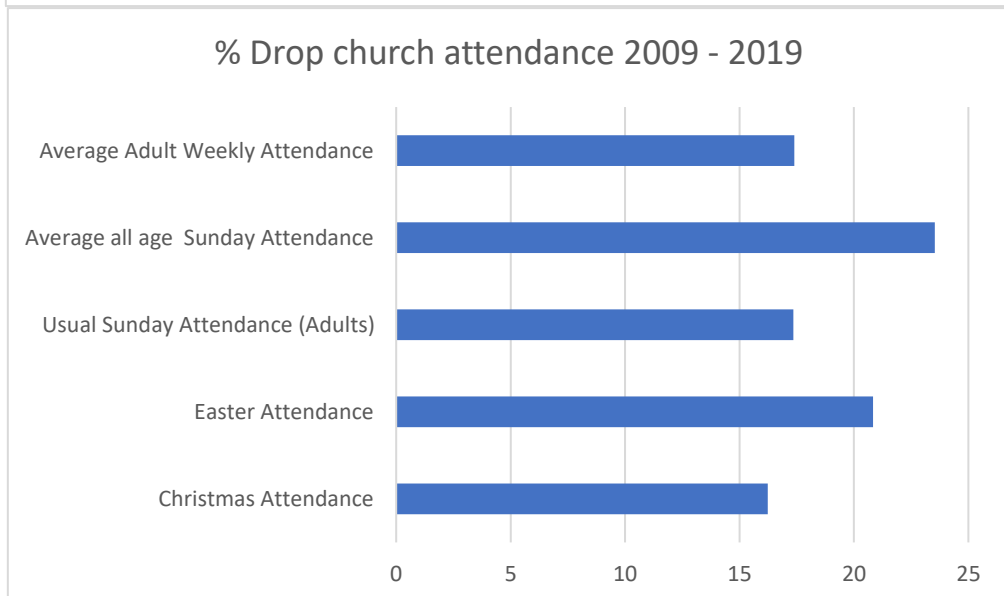
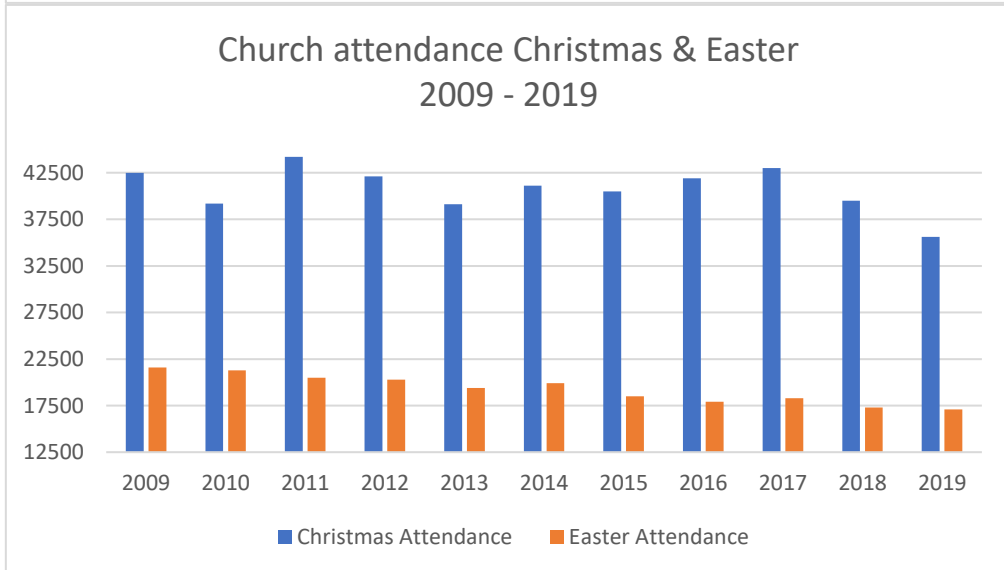
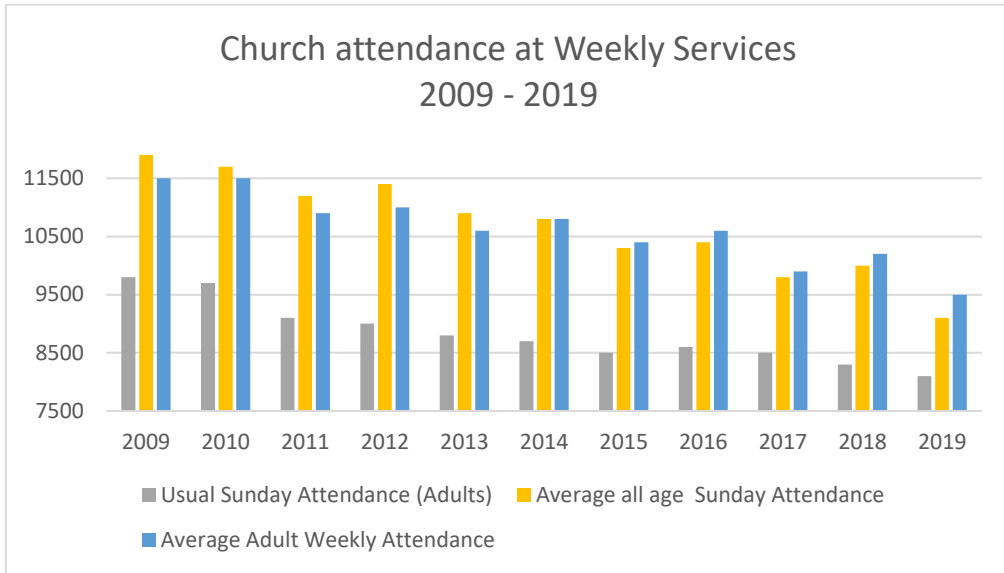
### 2. The Need for Change

The need for radical change within the diocese has arisen out of the following factors:

- Ongoing congregational decline
- Aging congregations
- A history of managing decline
- An over-reliance on a reducing number of clergy and laity
- A lack of missional and financial sustainability

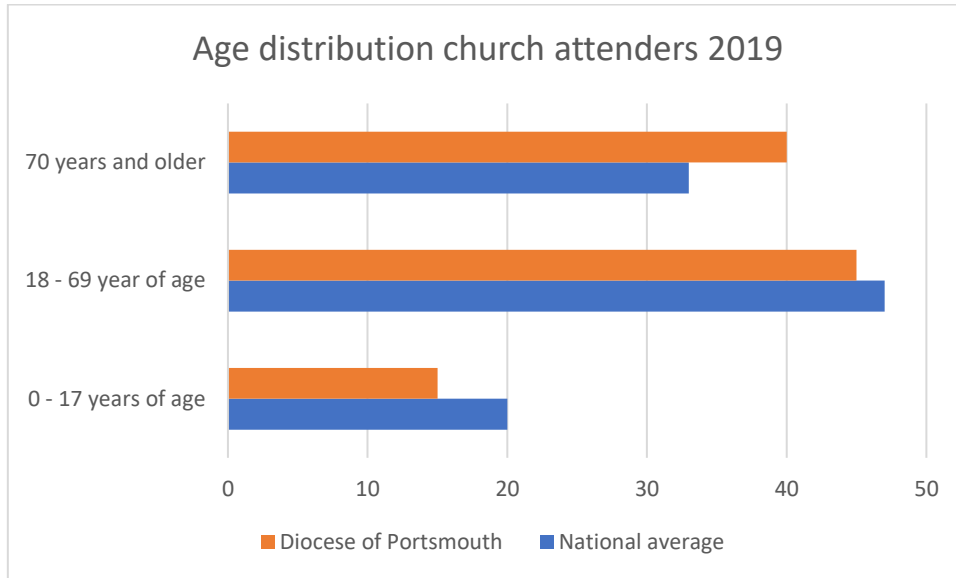
We will look at each factor in turn.

a) Ongoing congregational decline

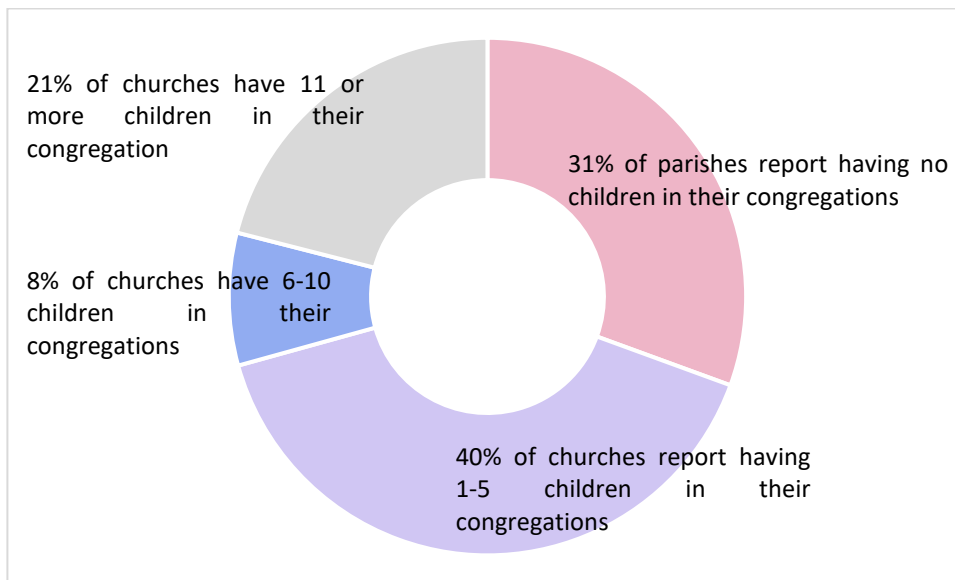


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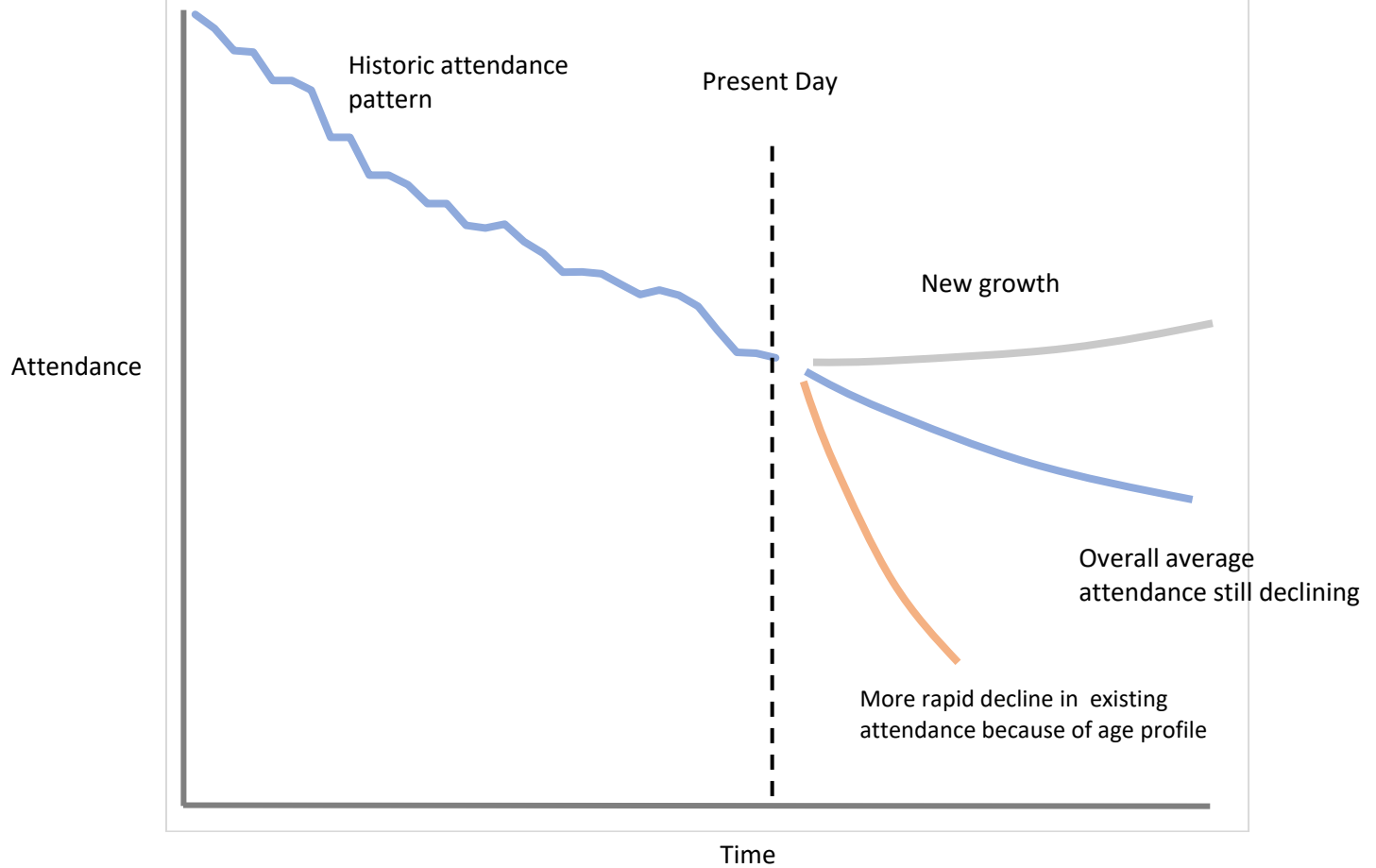
b) An ageing congregation



The 2018 British Social Attitudes survey stated that only 1% of people aged 18 – 24 identify as Church of England, and even in those over the age of 75 only one in three identify as Church of England. In Portsmouth Diocese a 71-year-old is eight times more likely to go to church than a 15-year-old. Portsmouth Diocese has 155,000 children but only 1,900 of these are church going (0.6%) which is below the national average.

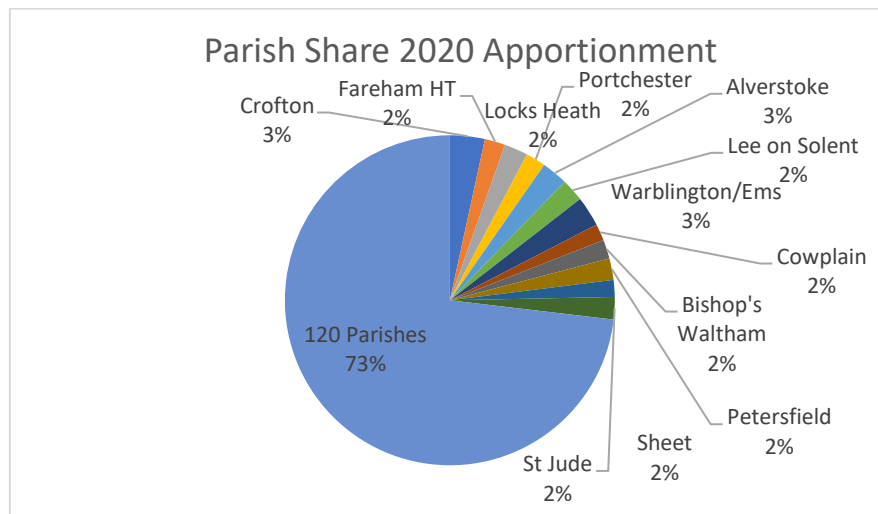


Due to the Church's age profile, further decline should be expected, whatever new growth can be stimulated

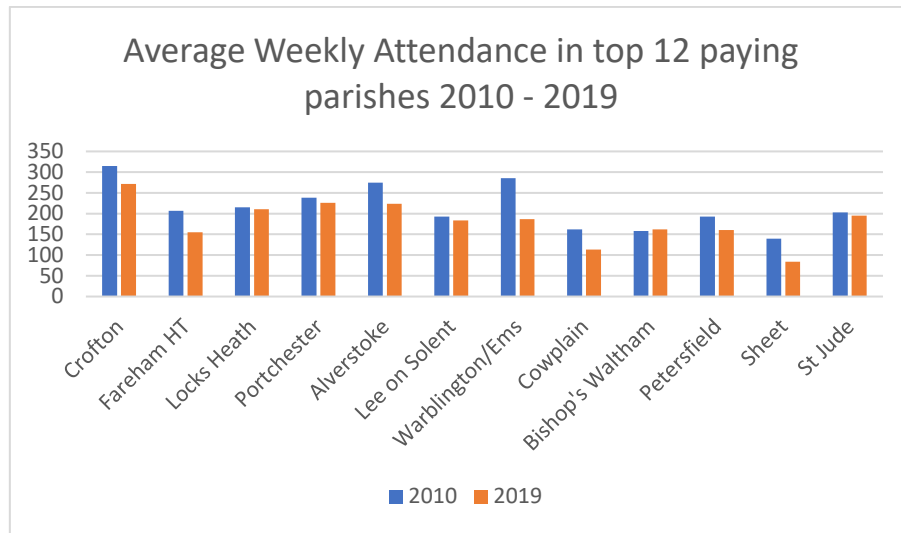


c) A history of managing of decline

The Diocese of Portsmouth has a total of 132 parishes. In 2020, twelve parishes (9%) paid 27% of the total parish share request. While they receive 14 stipendiary posts from the parish share system, they pay for 11 further stipendiary posts that are deployed in other parts of the diocese. The 25 stipendiary posts they fund equates to 32% of the total number of budgeted stipendiary posts in the diocese. This greatly restricts the ability of our larger potential resource churches from more active missional engagement and leads to their numerical decline.



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Our challenge is increased because we have 53% of our parishes with 50 people or less in regular attendance and a further 36% of our parishes have 30 people or less in regular attendance.

d) An over-reliance on a reducing number of stipendiary clergy and laity

Our diminishing number of incumbents (95 to 85 from 2010 to 2018) and laity, worship leaders and officers have been continually stretched further and further to maintain and fund historic ministry structures. Churches are finding it harder to find suitably experienced and knowledgeable people to fill governance roles, with many unable to elect full PCCs or fill key statutory roles: 19% of our parishes only have one churchwarden, while a further 2% have no churchwarden at all; 8% of our parishes do not have a PCC Secretary; and 2% of PCC Treasurer posts are vacant.

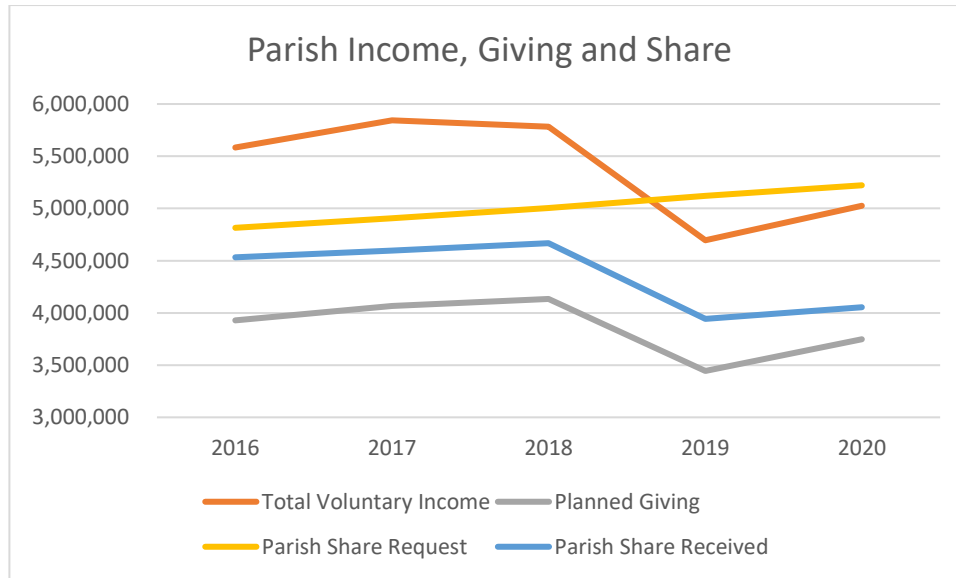
e) A lack of missional and financial sustainability

Sustainability has eluded us as the rate of cutting clergy posts has been outpaced by the decline in attendance and the number of givers. This is what happens when finance becomes the driver for change and so mission is now the central driver for our vision.

3. Parish finances and giving:

It is important when looking at our ability to become a thriving diocese to look at the trends in parish finances in recent years.

The parishes in the Diocese of Portsmouth received a total income in 2019 of £13.5m but this was marginally exceeded by a total parish expenditure of £13.7m. The total parish share paid was £4.8m with total planned giving standing at £4.2m.



The number of planned givers was 6,400 and so the average weekly ‘planned giving’ per giver stood at £12.80 which is slightly lower than the national average of £14.10 per giver. This is also compared to the average ‘planned giving’ per week per giver in 2010 of £9.01. The total number of planned givers in the diocese has dropped from 7,200 in 2010 to 6,400 in 2019.

#### 4. Central diocesan costs:

##### a) Office

There are various lease arrangements in place in relation to the office block at Peninsular House. Our diocesan office takes up only one floor of the building, and not the whole.

The lease arrangements and the subsequent use of the building can be summarised as follows:

- There is a head lease with Portsmouth City Council is dated 1 November 1984 for a term of 150 years from which other subleases are derived.
- The diocese took a sub-lease from Portsmouth Housing Association dated 13 November 2006, which expires on the 28 October 2134 (113 years).
- Our sublease covers the 1<sup>st</sup> floor which the DBF staff team occupies, and the ground floor.
- The ground floor is split such that a small part is used as our archive space, but the majority is then sublet by the DBF to CAFCASS.
- The diocese’s sub lease to CAFCASS is dated July 2018 and expires on the 19 February 2023 so only has an unexpired term of 19 months. We have not yet sought confirmation from CAFCASS that they wish to renew their lease in 2023, but the work of CAFCASS is such that they are likely to continue to need premises.

Financially, the position is as follows:

- In 2006, Bishop’s Council decided to purchase the lease. That purchase by the DBF completed in 2006 for which the DBF paid £1,561,622 (this figure included unrecoverable Vat of £234,582).
- The impact of this investment in 2006, is that there is no longer any rent payable under our lease, leaving maintenance requirements being the only ongoing cost of the building.
- Under their sublease, CAFCASS pay the diocese an annual rent of £47,250.



- The combination of the investment in 2006 and the sublease to CAF/CASS means the net cost to the diocese for leasing and maintaining the office is £26, 930 per annum. This makes it an extremely cost-effective office space.

The total running costs of the diocesan office is £166k per annum, which includes £102k in IT provision. It also includes photocopying, postage, telephones, training, audit fees, and health and safety.

b) Salaries & diocesan office restructure

The net budgeted salaries in the 2021 budget totalled £1.4m. However, in October 2020 (after the 2021 budget was recommended by Bishop’s Council), a restructuring of the diocesan office staff team was undertaken by the Diocesan Secretary, supported by an external HR company. Following consultations, five staff were made redundant, and a number of staff had their hours reduced. This equated to savings of £250k on salary costs. The budget has not been amended to reflect this, but you can see the saving being realised in the actual vs the budget figures.

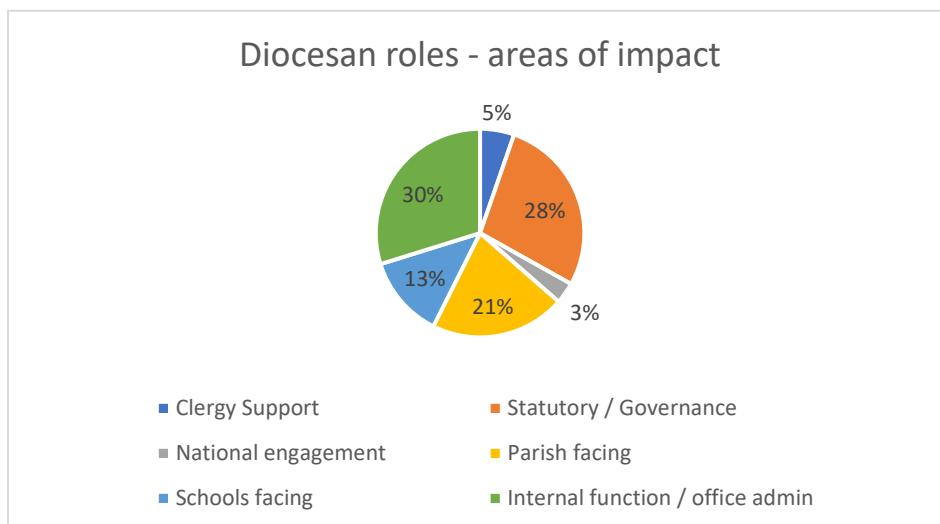
c) Activities

In addition to staff costs, there are the activity related costs from the work undertaken in support of clergy, parishes, schools and communities, which can be summarised as follows:

MDM activity costs net after income	222,133
Education activity costs net after income	34,035
Resources and Strategy activity costs net after income	34,501
Mission & Society activity costs net after income	12,921
Communications	11,439
<b>Total</b>	<b>£315,029</b>

d) Diocesan roles – areas of impact

Several roles in the diocesan office are statutory, including various aspects of property, synodical governance (deanery, diocesan and general (national)), pastoral reorganisation as well as safeguarding and elements of the work education team. Several roles are parish facing for day-to-day support and advice. A couple of the roles are currently funded by grants from the central church.



### Current financial challenge:

#### a) Year End 31 December 2020

Covid has had a significant impact on the finances of our parishes and diocese. For the year ended 31 December 2020 the general fund had a deficit of £351k, prior to consideration of exceptional one off Covid related income. Furlough claims received from the government totalled £164k and reduced the deficit to £187k. This is compared to a budgeted deficit of £226k (2019: deficit of £311k).

The diocese was generously supported the Archbishop's Council with a sustainability grant of £600k in 2020. This has been transferred to a designated fund so that it can be used in the future to match expenditure that has been deferred from 2020 to future years due to Covid e.g. quinquennial repairs.

A shortfall of £187k for the year 2020 was achieved through:

- i. parishes surpassing collection rates at 89.8% compared to the initially anticipated best case of 65% (projected best case increased to 85% towards the end of the year)
- ii. a much-reduced level of activity and closely managed expenditure giving rise to savings of £995k.
- iii. significant use of the government furlough scheme and some non-furloughed staff members making voluntary salary sacrifices. The furlough reclaim from the government totalled £164k in 2020 (our use of the scheme ended after restructure of diocesan office November 2020).

These expense savings are one off and not expected to reoccur in 2021 at this level of magnitude once lockdown restrictions are lifted in June this year and normal activity resumes. See Appendix 5 for more detail.

#### b) Alternative funding received to support during and post Covid

In addition to the furlough funding and Archbishop's Council Sustainability Grant mentioned above, the DBF took out a Coronavirus Business Interruption Loan (CBIL) in the sum of £2m. This loan is to support with the cashflow challenges faced in 2020 and into 2021. See section 7k for further details on the CBIL.

#### c) 2021 Budget

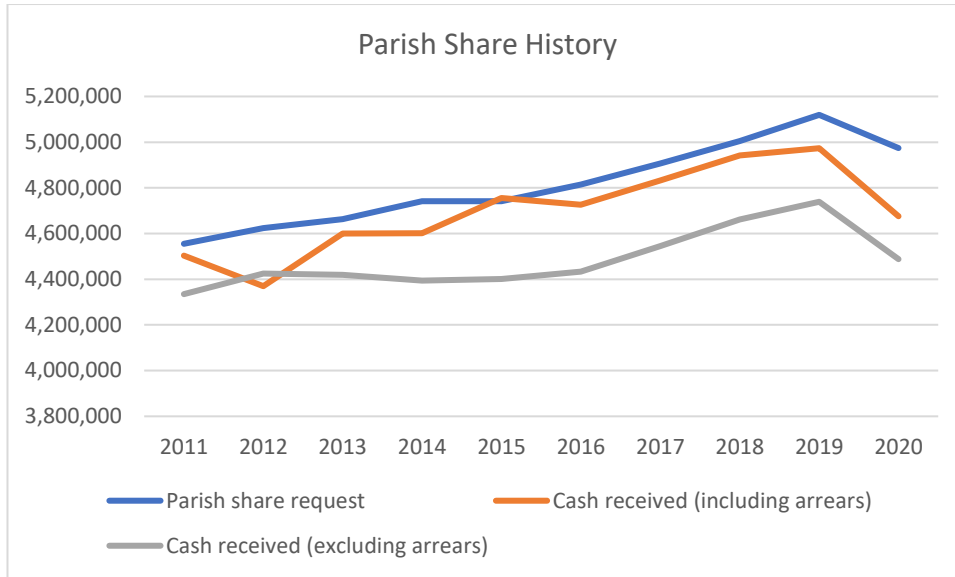
The diocesan budget for 2021 was set on the following principles:

- Total parish share request would be set based on actual parish share payments received in 2019. (Reduction of £248k from 2020 total parish share request)
- No clergy or lay staff cost of living increases for 2021.
- Clergy housing budget held at 2020 levels, pending a review of the property portfolio.
- Bishop's Council agreed to re-designate some designated funds to meet funding gap: Car Loan Fund; Diocesan Loan Fund; Office Repair Fund see Appendix 5 below for more details.

The 2021 budget has an operating deficit expected of £972k. However, over the past five months the parish share payments received have been between 1% and 2% lower than the same months in 2020. This is not sustainable going forward.

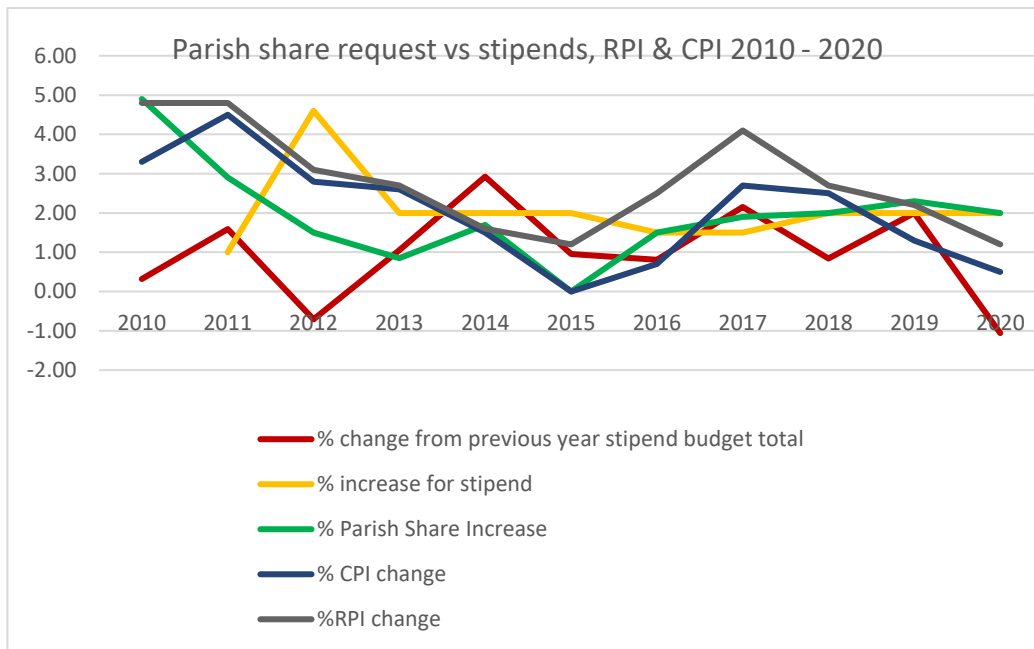
5. Historic parish share:

a) History of parish share paid – request, in year payments, and arrears



The parish share ask continues to rise each year however over the past two years we have seen an increase in the gap between the ask and receipt. Clearly this gap increases the challenge on the DBF to meet essential costs of clergy and staff.

b) History of parish share request vs stipends, RPI & CPI 2010 – 2020



Efforts have been made to keep parish share in line with CPI. There have been years when increases were below CPI and others where it has been above, but it has broadly been inline for the last ten years.

The minimum stipend and the stipend benchmark is set nationally each year and those have not always mirrored CPI. This has been an important factor in the level of parish share each year. Indeed, parish share has consistently tracked stipend changes over the last five years.

c) How parish share request has been kept down:

- Vacancy rate increases - The vacancy rate has increased from 7.7% to 11% from 2010 to 2016 and has been maintained at that level.
- Reduction in clergy numbers - Sheffield numbers required a reduction in 5 stipendiary posts in 2011 and a further 2.5 in 2012. A further 1.5 posts on the IOW were reduced in the 2018 budget.
- Stipend levels - In 2012, there was a significant national minimum stipend (NSM) increase of 4.6% but the cost of this to parish share was offset by the reduction in clergy numbers above. With this exception all of the clergy stipend annual cost of living increases have been between 1% and 2% over the rest of the period from 2011 to 2020.

6. Parishes' ability to pay parish share 2021

The Stewardship Advisor undertook a comprehensive consultation with the parishes over the past couple of months. Individual parish treasurers were contacted and asked 4 questions:

1. Do you anticipate being able to meet your Parish Share allocation for 2021 in full?
2. If yes, will you need to access your reserves to do so? To what extent?
3. If no, what percentage of Parish Share do you anticipate being able to pay?
4. If no, please briefly summarise the reasons why you will not be able to make the full payment.

Responses from Deanery Parishes to date (7 July 2021)				
Deanery	Response Rate (%)	Allocation	Prediction	% of Allocation
Bishop's Waltham	100%	464,444	464,444	100.00
Fareham	100%	791,118	748,826	94.65
Gosport	75%	373,026	272,285	72.99
Petersfield	93%	571,748	504,218	88.19
Havant	91%	988,042	817,749	82.76
Portsmouth	89%	646,775	578,031	89.37
Isle of Wight	94%	1,042,265	664,973	63.80
<b>Totals</b>	<b>92%</b>	<b>4,877,418</b>	<b>4,050,525</b>	<b>83.05</b>
We might also reasonably expect full payments from the some of the non-responsive Parishes (to date):				
<b>Total</b>			<b>47,707</b>	
<b>Revised Estimate</b>			<b>4,098,232</b>	<b>84.02</b>

If parish share receipts for 2021 only reach 84.02% of the 'total ask' of £4,973,491 the diocese will receive £4,178,315 leaving a shortfall of £795,176 to add to the budgeted deficit of £972k bringing the total deficit to £1.76m.

## 7. Main factors affecting budget – Assumptions used for 2021 budget:

### a) Clergy numbers

It was anticipated that budgeted clergy numbers would remain the same for 2021:

- Archdeacons – 3 (2.5FTE)
- Incumbents – 85
- Training curates – 16.5
- University chaplain – 1

### b) Clergy stipend increases

Set by national church at 0% for 2021. This is not expected to be repeated in 2022 when a 1% increase is anticipated.

### c) Clergy pension (including deficit) (See appendix 6)

Portsmouth DBF participates in the Church of England Funded Pensions Scheme for stipendiary clergy, a defined benefit pension scheme. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Responsible Bodies. Each participating Responsible Body in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at as 31 December 2018. The 2018 valuation revealed a deficit of £50m, based on assets of £1,818m and a funding target of £1,868m. The deficit fund transfer required by the diocese to handle this was approximately £300k last year.

### d) Clergy housing

It was agreed to keep the maintenance budget at 2020 levels for 2021. However, it is recognised that based on the last five years the maintenance budget has required an additional £250k annually in order to meet the repair needs of our clergy housing in keeping with the Repair of Benefice Buildings Measure (1972). Furthermore, there has been a significant increase in cost of materials and there is an expected increase in the cost of labour.

### e) Lay staff salary increases

In line with national church this is set at 0% for 2021.

### f) Training and development of clergy

The total activity costs in the budget to support the training and development of clergy totals £184,840. This does not include associated staff costs.

### g) Payments to national church

Each year every diocese makes payments to the National Church to cover Training for Ministry, National Church Support, Grants & Provisions, Mission Agencies & Pensions, Clergy Retirement Housing. For us, this contribution in 2021 is £478k but we receive the same amount back from the National Church in Lowest Income Communities Funding (LInC) (see below).

### h) LInC funding/grants received from national church

For 2021 we are receiving approximately £478k to support parishes with low incomes, this is an increase of approximately 3% from last year.

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i) Rates of inflation

A 2% inflationary increase has been applied to the diocese operating costs and curacy stipends, the latter of which is set nationally.

j) Investment returns

The finance team manages an investment fund worth just over £33m but these investments are not all for the purposes of the DBF. Approximately 25% of the portfolio relates to parish trusts over which the DBF is custodian trustees. The £1.1m for the Council for Responsibility (CSR) while managed by the DBF finance team is under the governance authority of the independent CSR Board.

Portfolio	Market Value		Market Value	
	Dec 2020		March 21	
DBF Corporate	21,418,424	64.68%	21,532,107	
Trusts	8,427,884	25.45%	8,420,143	
Education Trusts	2,118,431	6.40%	2,146,990	
Council for Social Responsibility	1,148,208	3.47%	1,155,877	
<b>Grand Total</b>	<b>33,112,947</b>		<b>33,255,117</b>	

The Investment Advisory Group supports in the management of the investment portfolio as well as on likely returns to be expected in any budget cycle. This is an important aspect of the DBF budget and helps to underpin parish share. The table below outlines the nature of the various investments and the returns each achieved in 2020:

Fund Description	Dec 2020	Total Return
Investment Fund	20,376,124	10.20%
Global Equity Fund	2,118,126	22.69%
Property Fund	6,055,064	-0.48%
Fixed Interest Income securities	671,185	6.77%
<b>Sub total</b>	<b>29,220,499</b>	
Cash Deposits	3,890,519	0.42%
<b>Grand Total</b>	<b>33,111,018</b>	

k) CBIL loan repayments with interest

As mentioned previously, last year the diocese took on a £2m CBIL loan for a period of six years. The first year was interest free and the following years were charged at 2.25% and we are due to start making repayments of £33k in November this year. The Investment Advisory Group have agreed to have an additional meeting in September to determine the best course of action in terms of repayment of the CBIL in the light of parish share contributions at that point as well as investment forecasts in the light of eased restrictions.

## 8. Next steps

Over the past number of months there have been numerous meetings with individual clergy, clergy chapters, PCCs, Deanery Synods, Archdeacons and members of the diocesan staff team. It has been increasingly evident that there has been a disconnect between the vision and the proposed next steps. We therefore proposed that we produce a clear and accessible document for all on the issues we face (financial, size, demographic, and the missional challenge), and this document is intended to fulfil this purpose and will therefore support the steps below. For the next steps we are proposing:

- During the week of the 6 September we will be holding a day of prayer for all within the diocese to continue to pray for our future and ongoing vision and strategy.
- Hold a day for archdeacons and clergy on 23 Sept to get together in person, to hear from one another openly and honestly. This will allow us to discuss the need for change, the overall vision and strategy for the diocese, and gain a shared understanding on the way forward.
- We are also holding two meetings on the evening of the 23<sup>rd</sup> for Lay Chairs, Readers, Lay Worship Leaders and Lay Pastoral Assistants. One event will be on the mainland and the other on the Island.
- Hold a deanery conference in Oct for all PCCs, leadership teams and other relevant people from parishes, encouraging us to continue to reimagine church and how we might live out our purpose in our communities. This could contain a mix of online input and discussion within churches and deaneries to maximise participation. All this should be set in the context of prayer and worship.
- Encourage deaneries to continue to work together on deanery plans, seeing where mission and ministry could be fruitfully done together, and encouraging collaboration between parishes.
- The IoW Deanery is proposing to run a feasibility study to look at how parishes could work more effectively together. Working on a shared vision, mission statement and governance structures for a grouping. This would be led by the Area Dean for the IoW and include representatives from across the grouping.
- Continue to explore the model of ministry, working with others to test how it might work or require amendment (based on evidence) in different contexts and define criteria for contexts where parishes may need to become part of a wider team and engage in a conversation with the whole diocese as to why we think teams may be appropriate in most contexts – and be clear what those criteria are.
- Where pastoral reorganisation is proposed, there will need to be a clear process for engaging with those parishes individually and as a group, explaining why pastoral reorganisation will be better for those parishes than their current arrangements. Ideally, the desire to work in a team will come from those parishes themselves, after the process described above.

November's Diocesan Synod will include a substantial opportunity to discuss and agree on where we are, the principles behind which we wish to operate and an agreed way forward for the diocese, including an ongoing agreement of the diocesan vision and purpose.



## Appendix 1

### Vision

Whilst committing our vision to paper may not do justice to the dynamism of the conversations and aspirations that were shared, a collation is included here to remind ourselves of what we are striving to achieve through a transformation of the diocese.

### Growing in Depth

- We talked about seeing people living a personal and collective rhythm of life. One that is both daily and seasonal. One where our faith and spiritual encounters shape who we are, our relationships, our choices and what we do.
- We talked about hearing people and churches speak about their identity in Christ, knowing who they are called to be and what they are called to do. People speaking about our personal vocation as something that we all consider and work out and not just something for a chosen few. Focussing, both corporately and personally, on what we are best able to do excellently and supporting and joining in with others doing what they do excellently as well.
- We talked about feeling the generosity expressed by and for others within our communities. A generosity that is demonstrated through a mutual appreciation of other's beliefs, approaches, their needs and gifting. That stewardship of our focus, time, resources and finances as one of the out workings of this generosity.

### Growing in Impact

- We talked about seeing our buildings being repurposed in a way that supports our communities. Whether through food banks, community wellbeing, social enterprise, artistic expression or any one of the many ways in which communities regularly interact and relate to each other.
- We talked about feeling that the church is a focal point around community unity, harmony and reconciliation. That the church plays a role in bringing people together around their shared experiences and ideas rather than a place which brings division.
- We talked about seeing the church playing a central role in changing our communities approaches to God's creation. That we would lead others in creating environmentally sustainable buildings and lives.

### Growing in Number

- We talked about hearing people speak about their faith and spiritual encounters with vibrancy and joy. With them naturally inviting others to share in what we know and have through an outpouring of our own experiences.
- We talked about seeing people creating fresh ways for others to explore spirituality and faith in Christ for themselves. In ways that are relevant and easy to access no matter what your background or current situation is. Whether through digital or online communities, through house-based churches or whatever best works in each situation.

## Appendix 2

### Congregational Decline

The Strategy and Development Unit (SDU) at the national church have provided some figures based on the mission statistic returns that each of our parishes return annually.

Over the last ten years approximately 65% of the churches in the diocese have experienced sustained decline. The median sized church in the diocese has decreased in size from 65 to 50 regular attenders in the same period. This is a slow but steady decline that over time has a significant impact. Church attendance is down 45% on 30 years ago and 20% on 10 years ago. This is against the backdrop of an overall increase in our population of 14% over the past 30 years.

The average attendance per capita of the population in 2019 was 1%. In some parishes we have less than 0.5% of the local population regularly attending church.

### An ageing congregation

The national analysis of our mission statistics returns noted that 40% of our congregations are over the age of 70. The SDU has also studied these statistics and noted that a 71 year old is eight times more likely to attend church than a 15 year old.

### A history of managing decline

Over the past 30 years our population in the Diocese of Portsmouth has grown 14% but our church attendees have dropped by 45%. The number of clergy in the diocese has dropped 38% and yet the number of parishes and church buildings has remained broadly static.

The Diocese of Portsmouth has a total of 132 parishes. In 2020, twelve parishes (9%) paid 27% of the total parish share request. While they receive 14 stipendiary posts from the parish share system, they pay for 11 further stipendiary posts that are deployed in other parts of the diocese. The 25 stipendiary posts they fund equates to 32% of the total number of budgeted stipendiary posts in the diocese.

These 12 parishes have paid a similar proportion of parish share for at least 10 years based on available data, and anecdotally for the previous decades also. These are parishes with high average weekly attendance (AWA) numbers and social impact programmes as well as financial strength. However, it does come at a cost. Of these 12 parishes seven of them have had their AWA numbers decline between 14-40% over the past ten years, four others have had their AWA decline between 2-6% and only one has increased their AWA, this is by 3%.

The learning information provided by the Strategic Development Unit states that while the majority of the churches in our diocese are in decline there are 15% of our churches that have experienced sustained attendance growth over the past 10 years. This is positive news, but it is evident that it is not in the parishes that currently underpin a significant portion of the parish share system. These parishes logically should be well-placed with their larger congregations to focus on growth in depth, impact and number and be significant resource churches in missional energy for other parishes in their areas and have substantial impact in their communities rather than just a financial resource.

The past management of decline in the diocese has restricted the ability of our larger potential resource churches from more active missional engagement and hence perpetuated their degeneration. This is coupled with 53% of our parishes having 50 people or less in regular attendance, 36% of our parishes have 30 people or less in regular attendance.

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We need to increase the number of ordained and lay leaders in our ministry teams to support intentional growth while reducing our financial expenditure through reducing the number of stipendiary clergy in the short-term.

#### Over-reliance on reducing number of clergy and laity

Our diminishing number of clergy and laity, worship leaders and officers have been continually stretched further and further to maintain and fund historic ministry structures. Churches are finding it harder to find suitably experienced and knowledgeable people to fill governance roles, with many unable to elect full PCCs or fill key statutory roles: 19% of our parishes only have one churchwarden, while a further 2% have no churchwarden at all; 8% of our parishes do not have a PCC Secretary; and 2% of PCC Treasurer posts are vacant.

#### Lack of sustainability

Sustainability has eluded us as the rate of cutting clergy posts has been outpaced by the decline in attendance and the number of givers. This is what happens when finance becomes the driver for change and so mission is now the central driver for our vision.

#### Current financial challenge

Covid has had a significant impact on the finances of our parishes and diocese. The diocesan budget for 2021 has an operating deficit expected of £972k. However, over the past five months the parish share payments received have been between 1% and 2% lower than the same months in 2020. This is not sustainable going forward.

### Appendix 3

#### Key Elements essential to enable change

As part of the visioning exercise undertaken by the diocese last year, we talked about the necessary things that we would need to put in place to achieve the vision. The four key elements that were decided upon were Visionary Leadership, Teams on a Mission, Communities of Kingdom Building Disciples and Growth Enabling Structures. Over the past few months, the senior leadership team have led four discussion groups to ascertain what each of these elements look like and what kind of things we might need to do to achieve them. Here is a summary of their findings:

#### Visionary Leadership

A visionary leader is someone who can share a narrative well, someone who can tell the story, move people, and take them on a journey. It is worth noting the importance in the ministry of Jesus Christ of telling stories in order to both explain and lead people on a journey to a new and better place.

- **Vision & Journey**

A visionary leader is prepared to ask the big questions and have the conversations which help them and others to see the destination and can then describe it to others.

- **Culture & Values**

A visionary leader has a level of self-awareness which gives them confidence in themselves and their communities. This comes from knowing what their values are and keeping an unrelenting focus on these, constantly referring to them in all decisions and actions.

- **People**

Visionary leaders know that the vision, journey, culture, and values are made real and tangible through the people in an organisation. Visionary leaders are able to work with people to identify their gifts and skills and then to free them to develop and use these to make the journey towards the vision.

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## Teams on a Mission

Within the church we use teams in many different ways forms and some of which are more formally recognised than others. As well as ministry teams, we have a number of governance-focussed teams, administrative and buildings teams. These teams are based in parishes, deaneries and across the whole diocese.

The things that are needed to have good teams include:

- Good leadership with a clear vision and purpose
- Has a shared vision and values
- Each member of the teams has a clear role and responsibility
- Makes use of specialism and recognises excellence in others, allowing people to focus on their strengths and preferences
- Team members have high self-awareness and emotional intelligence
- Foster a culture of mutual support
- Feel responsible for shared output or product
- Need to be equipped, enabled and empowered to fulfil their purpose
- Have a culture of celebration and encouragement of each other
- Play together as well as work together

## Communities of Kingdom Building Disciples

Communities of kingdom building disciples, therefore, need to focus both on growth in the 'inward' depth of their discipleship, and the 'outward' impact of that discipleship in building the kingdom of God. These 'inward' and 'outward' dimensions are connected and complementary. Such communities, therefore, need to be organised so that they are:

- **Open** to Christ's love and to the experience of his Spirit in all that they say, think and do.
- **Understand and practice** the ways that God strengthens Christian discipleship as part of the learning community that is the Church.
- **Confident** in applying faith in daily life, and as good citizens sharing their values with others for the common good.
- **Share** in Christ's mission of radical inclusion to the wider world by acting and speaking in ways that support the oppressed and build the Kingdom of God.

## Growth Enabling Structures

A growth enabling structure: -

- is based around a clearly defined purpose & goal aligned to the overall vision which drives the work and dictates the staffing, the use of resources and finances.
- should exist to serve and resource the 'front line' with an ethos of seeking to say 'yes' and be enabling of those it serves.
- is transparent, easily understood by those within it and those it serves.
- is logical- departments and sections have the same operational and governance structure (with adaptations only if necessary for the specific nature of their work) and at every level there is an understanding that decisions and activity can impact the life of the diocese in the short, medium, and long term.
- reflects the ethos and character of the mission and purpose it serves.
- is effective and measures its effectiveness against the goals.
- has processes and outcomes which are clearly communicated and add value

#### Appendix 4

### BISHOP'S COUNCIL - PDBF GENERAL FUND STATEMENT OF FINANCIAL ACTIVITIES

For the period ended 31 December 2020

#### Financial Highlights

For the year ended 31 December 2020 the general fund resulted a deficit of £351k, prior to consideration of exceptional one off Covid related income. Furlough claims received from the government totalled £164k and reduces the deficit to £187k. This is compared to a budgeted deficit of £226k (2019: deficit of £311k).

The sustainability grant of £600k has been transferred to a designated fund so that it can be used in the future to match expenditure that has been deferred from 2020 to future years due to COVID, e.g. quinquennial repairs.

A shortfall of £187k for the year 2020 is a welcomed result and is a combined result of

- parishes surpassing collection rates at 89.8% compared to the initially anticipated best case of 65%, and
- a much-reduced level of activity and closely managed levels of expenditure giving rise to savings of £995k.

These expense savings are one off and not expected to reoccur in 2021 at this level of magnitude once lockdown restrictions are lifted in June this year and normal activity resumes.

#### Appendix 5

### PDBF GENERAL FUND budget 2021

#### Overview

The key risk facing us all at the moment is uncertainty due to COVID 19. Rules are changing quite rapidly and with very short notice. We have to be very agile and vigilant to accommodate these changes. In light of this uncertainty, the Bishop's Council upon the recommendation by the Diocese Secretary and myself have agreed that we would prepare a one-year budget, rather than a triennial budget. The details of this budget has been reviewed by both Diocesan Finance Committee and Bishop's Council over the recent months while consideration has been given to the ever-changing circumstances presented by 2020 and the likely impact moving into 2021.

Outlined below is the general fund budget for the year ending 31 December 2021. The forecast to the end of 2020 is based on the cash flows that are being reported on a regular basis and uses the parish share collection rate profile that has been projected for the year ending 31 December 2020. Ideally, the Budget for 2021 would be compared to the forecast for 2020, but given the unusual circumstances this year, and the one off savings arising out of furlough and reduced housing repairs etc, it has been compared to the 2020 budget instead.

Having considered all the above and the assumptions noted below, the budget for 2021 results in a deficit of £972k, compared to an optimistic forecast deficit of £1.06m for 2020 and a budgeted deficit of £236k.

	Budget	Budget	Bud 21 vs Bud 20		Forecast	Actual	Actual
	2021	2020	£'000s	%	2020	2019	2018
Parish Share	4,973	5,222	(248)	-5%	3,909	4,973	4,934
Other Income	1,943	2,408	(464)	-19%	2,048	2,469	2,801
<b>Total Income</b>	<b>6,917</b>	<b>7,629</b>	<b>(713)</b>		<b>5,956</b>	<b>7,443</b>	<b>7,735</b>
<b>Expenditure</b>	<b>7,889</b>	<b>7,865</b>	<b>24</b>	<b>0%</b>	<b>7,017</b>	<b>7,754</b>	<b>7,747</b>
<b>Deficit</b>	<b>(972)</b>	<b>(236)</b>	<b>(737)</b>		<b>(1,060)</b>	<b>(311)</b>	<b>(12)</b>
<b>Collection rate</b>	<b>98.0%</b>	<b>98.0%</b>			<b>75.0%</b>	<b>97.1%</b>	<b>98.7%</b>

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The reduced overall parish share allocation for 2021 and the anticipated reduction in other income streams in 2021 has the combined impact of a reduction of £713k on the annual budget.

Steps have been taken in 2020 to make costs savings where possible which have included effective use of the Job Support Scheme. HR consultations are ongoing at present within the DBF team where reduced hours and redundancies are being discussed, as a consequence of the financial position of the DBF. This process is anticipated to conclude before the end of 2020.

Deaneries are also currently looking at the parish structures and deployment which will be necessary to support growth in depth, impact and number.

The budget for 2022 onwards will therefore map changes for the resource allocation in the diocese as we progress on a journey of change to support growth.

### General Fund Plan Assumptions 2021

The following assumptions have been applied in the modelling of the 2021 budget.

Income	Assumptions Used
Parish Share	Set at 100% of parish share received in 2019. With a 2% provision for under collected share included in the Diocese Office Expenses. The collection rate target is therefore 98%. This means a reduction in the overall parish share ask for 2021 of £248k. Individual parish allocations will be subject to the usual formula which will use 2019 average weekly attendance figures submitted by parishes. Individual allocations, may go up or down depending on the impact of the formula in a particular place.
Fees	Given the already noted downward trend, combined with a reduction in services, this has been reduced to £125k
Rental Income	No material changes have been made existing rental income streams
Grants	Material grants are expected to continue as per previous years
Investment Income	Has been included at per CCLA predictions less a provision of 10%
<b>Expenditure</b>	
General rate of Inflation	We have assumed a rate of 2% for 2020 as per the Bank of England projections where relevant
Stipends	NMS will be increased by 2% for Curates and withheld for all other clergy and clergy related Clergy vacancy rates is one of the biggest uncertainties in a diocesan budget. The budget assumes a vacancy rate of 11%. Clergy pension contribution remains at 39.9%, despite the deficit having reduced from £236m to £56m This comprises 28% for future service and 11.9% for deficit recovery. The deficit recovery period is set to run until at least 31 December 2025. Average annual deficit funding required is £240k.
Salaries	An annual cost of living allowance has been set at 0%
General Diocese Expenses	All expenses have been reviewed in detail and reduced where appropriate given the new way of working remotely.

General Fund Budget for the year ending 31 December 2021

PDBF	Actual	Budget	Budget	Notes	Forecast	Budget	Variance	
	2019	2019	2020		2020	2021	Bud 20 vs Bud 21	
	£'000s	£'000s	£'000s				£'000s	%
<b>INCOMING RESOURCES</b>								
Parish Share	4,973	5,119	5,222		3,909	4,973	(248)	-6.4%
Fees	352	410	359		74	125	(234)	-317.8%
Rental Income	411	362	362		364	326	(36)	-9.8%
Grants & other income	867	816	852		440	874	22	4.9%
Fund transfers	246	553	267	1	684	106	(161)	-23.5%
Investment Income	540	542	542		461	487	(55)	-11.9%
Other Income	55	28	26		24	26	(0)	-1.1%
<b>Total Income</b>	<b>7,443</b>	<b>7,830</b>	<b>7,629</b>		<b>5,956</b>	<b>6,917</b>	<b>(713)</b>	
<b>RESOURCES EXPENDED</b>								
Clergy Remuneration	4,241	4,148	4,195	2	4,075	4,351	156	3.8%
Clergy Housing	1,111	1,225	1,095	3	854	1,079	(16)	-1.9%
Mission Discipleship and Ministry	499	567	596	4	403	494	(102)	-25.4%
Mission & Society	190	189	204		108	223	18	16.9%
Education	135	180	160		64	73	(87)	-135.9%
Safeguarding	96	77	84		87	83	(1)	-1.0%
Communication	76	63	74		74	77	3	3.6%
<b>Mission Development Total</b>	<b>6,350</b>	<b>6,450</b>	<b>6,408</b>		<b>5,663</b>	<b>6,380</b>	<b>(29)</b>	
Finance	142	108	158		160	183	25	15.3%
Diocesan Office	713	722	741	5	631	751	10	1.6%
Registrar and Legal	70	63	72		74	78	6	8.5%
<b>Mission Support Total</b>	<b>925</b>	<b>893</b>	<b>970</b>		<b>866</b>	<b>1,011</b>	<b>41</b>	
Training for ministry	184	182	184		184	188	4	2.0%
National Church responsibilities	162	161	165		159	168	3	2.1%
Mission agency support	2	2	2		5	2	0	0.8%
Clergy retirement housing	63	63	66		66	70	3	5.0%
Ordination Training	67	79	69		74	70	1	1.9%
<b>National Church Votes 1-5</b>	<b>479</b>	<b>486</b>	<b>487</b>		<b>488</b>	<b>498</b>	<b>12</b>	
<b>TOTAL EXPENDITURE</b>	<b>7,754</b>	<b>7,830</b>	<b>7,865</b>		<b>7,017</b>	<b>7,889</b>	<b>24</b>	
<b>Financial Challenge</b>	<b>(311)</b>	<b>0</b>	<b>(236)</b>		<b>(1,060)</b>	<b>(972)</b>	<b>(737)</b>	

Notable Variances as per above:

1. Fund transfers have been reviewed and amended. This can be adjusted as required following the outcome of the re designation of existing designated funds.
2. Clergy remuneration has been adjusted to defer any increase for 2020. This can be adjusted pending the outcome of the clergy transformation and pastoral reorganisation.
3. Clergy housing held at the 2020 budget level, pending a review of the property portfolio.
4. Lay staff transformation is also under review and any savings arising out of that exercise has not yet been finalised.
5. The diocesan office line of expenditure includes the provision for under-collected parish share of 2%, circa £99k.

Lisa Streeter  
Finance Director  
2 November 2020

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## Appendix 6 – PENSIONS

Portsmouth DBF participates in the Church of England Funded Pensions Scheme for stipendiary clergy, a defined benefit pension scheme. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Responsible Bodies. Each participating Responsible Body in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

The membership figures that we hold as at December 2019 and December 2020 for Portsmouth DBF are set out in the table below. These are used as part of the Board’s calculation of the deficit contributions in payment at each year-end, which in turn feed into the FRS102 calculations, so are provided here for reference.

### Number of members at this Responsible Body

December 2020	December 2019
103	110

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme’s assets and liabilities to each specific Responsible Body, and this means contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2020: £629,020, 2019: £721,972), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £1,000,020 for 2020 (2019: £2,138,972).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at as 31 December 2018. The 2018 valuation revealed a deficit of £50m, based on assets of £1,818m and a funding target of £1,868m, assessed using the following assumption.

- An average discount rate of 3.2% p.a.
- RPI inflation of 3.4% p.a. (and pension increases consistent with this).
- Increase in pensionable stipends of 3.4% p.a.

## Appendix 7 – Peninsula House Costs Details

<b>Building costs</b>		
UTI001 Council Tax	Inflation increase on 2019 actual	3,297
BUI003 Building safety	Inflation increase on 2019 actual	854
OFF003 Office building maintenance & sundries	Inflation increase on 2019 actual	1,904
CLE010 Cleaning	Inflation increase on 2019 actual	5,975
BUI002 Building insurance	Inflation increase on forecast	9,542
SER001 Rent & Service charge - 1st floor	Based on monthly bill from Vivid	52,608
SER002 Service charge - Ground floor	Based on monthly bill from Vivid	24,192
<b>Total apportioned building costs</b>		<b>98,372</b>
<b>Building income</b>		
GRO001 Ground Floor office rent	CafCass new rent recharge	(47,250)
GRO002 Ground Floor office service charge recov	CAFCASS paying monthly bill from Vivid	(24,192)
<b>Total apportioned building income</b>		<b>(71,442)</b>
<b>Net expenditure</b>		<b>26,930</b>