

# The Parish Share

## Guidebook

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## Foreword

When it comes to discussing the subject of Parish share it is fair to say that Diocesan offices win no prizes for popularity. Everyone has strong opinions about how fair the share request is and all are concerned about their parish's cash flow and diminishing reserves.

Here in Lichfield our current system has been in place for many years and our track record has been excellent, regularly hitting our target of 96% collection rates. We are incredibly grateful to our congregations for their faithful giving which has sustained a high level of stipendiary ministry in the Diocese.

However, the system is by no means perfect. People have found the formula complex and complain that its focus on attendance acts as a sort of disincentive to growth. Over the last two years, in common with many other organisations we realise what an on-going struggle everyone is having.

As a result of this feedback we have looked again at the way we do things and now offer a new and less complex model which clearly focuses on two major factors; cost of ministry and the importance of mutual support.

We hope this guidebook is clear and helpful and you will see that we have done everything we can to respond to the needs of all our parishes.

What we care most about is facilitating the mission and ministry of Christ's church. That means being sensitive to each other, continuing to practise generosity in our financial giving and in the warmth of welcome and hospitality to all we meet. We hope that together we can continue to provide a flourishing Christian presence in every community in our Diocese as we face the challenges that are in front of us.

Jonathan Gledhill  
Bishop of Lichfield

Julie Jones  
Chief Executive Officer

## Koinonia

# A Theological Basis for 'Mutual Support' in the Lichfield Diocese

There are 5 points worth drawing out of Paul's teaching in 2 Corinthians 8-9 which might help us in our thinking about reciprocal responsibility and mutual sharing in the Gospel.

1. **Paul stresses freedom rather than compulsion.** 'I am not commanding you' (2 Cor 8 v 8); 'what you have decided in your heart to give (2 Cor 9 v 7). They were to give joyfully and freely. The word 'grace' occurs 10 times in these two chapters and grace is shorthand for the generous, undeserved love of God for us.
2. **Paul talks about enthusiasm rather than reluctance.** Rich generosity has welled up from 'overflowing joy' (2 Cor 8 v 2); they had pleaded for the privilege of sharing (Koinonia); there had been 'eager willingness' and 'eagerness to help' (2 Cor 8 v 11; 2 Cor 9 v 2). Paul sums it up in 2 Cor 9 v 7: 'God loves a cheerful (literally an 'hilarious' giver).
3. **Paul highlights the sacrificial nature of the giving.** It was 'rich generosity' and 'beyond their ability'. A key principle was operating here: 'Whoever sows sparingly will reap sparingly; whoever sows generously will reap generously.' (2 Corinthians 9 v 6).
4. **Paul advocates the principle of equality rather than disparity of resources.** 'Our desire is not that others should be relieved whilst you are hard pressed but that there might be equality. At present your plenty will supply what they need, so that in turn their plenty will supply your need.' (2 Cor 8 v 13-14). There was a principle of mutual enrichment even if one way it was financial and the other way it was prayerful.
5. **Paul describes a form of giving which is *between* churches not confined to a single church.** Koinonia is not something which is limited to exchanges between members of the same congregation but it embraces all churches who have a common life in Christ.

To conclude, in all of this Paul is emphasizing that Koinonia has a translocal, even global dimension. Stuart Murray writes:

*This translocal understanding of Koinonia could have profound implications for churches today. Some churches have huge resources and others have very little. What impact might be made on the mission of the church by some attempt at equalising resources among congregations? We need to escape parochialism and invite the insights and perspectives of the translocal church.*

This chimes in very strongly with the Anglican understanding of what it means to be the church. Every local church congregation is intimately bound up with all other churches in a Diocese through their shared communion (Koinonia) with the Diocesan Bishop. All clergy share the 'cure of souls' in their parish with the Bishop (when the Bishop institutes the priest he says 'Receive the cure of souls which is both mine and yours'). So congregationalism in which local churches function in isolation from any other church and show indifference to the welfare of other churches is alien to our Anglican heritage and ethos.

So it is from the New Testament teaching on the centrality of Koinonia **and** from the consistent affirmation of Koinonia in the Anglican tradition of church life that the Diocese of Lichfield firmly supports the principle of mutual support in its apportionment of the share payments among its churches.

We need to learn 2 Corinthians 13 v 13 -14 off by heart and both pray and practise it constantly in the years ahead.

<sup>13</sup>All the saints salute you.

<sup>14</sup>The grace of the Lord Jesus Christ, and the love of God, and the fellowship of the Holy Spirit, be with you all. Amen.

## The Parish Share

The Parish Share (Share) goes by many names, from the Quota to Family Purse. It is the amount of money requested from parishes to cover the costs of providing Mission and Ministry across the Diocese of Lichfield.

The Share represents the largest source of income to the Diocese in any one year, (around 72% of the income generated). In return Stipends, National Insurance, Pension and Housing related costs represent over 80% of the diocesan expenditure during the same period.

One of the main issues facing every diocese and every parish is how the Share is apportioned across parishes. There is no perfect system that can be taken off the shelf, and as such there are nearly as many different apportionment systems in place around the country as dioceses. One of the difficulties is the diversity of resources to parishes and ensuring that within any system there is an element of Mutual Support, Lichfield is no different.

Lichfield's current system of apportionment has been in place for well over twenty years, and includes taking into consideration the Average Sunday Attendance, Population, Incumbent Levy (the number of vicars in a parish) and a prosperity factor.

## So Why Change the System?

We believe there are four main reasons:

1. The Share must support and encourage the diocesan strategy of Going for Growth.
2. We need to continue to apply the principle of mutual support. The prosperity factor is calculated by taking the median average of property valuations used by Local Authorities within each ecclesiastical parish. This information is readily available from the Local Authorities or on the internet. This gives 12 bandings between an A1 (lowest) and F2 (highest). It is appreciated that this may not be ideal and alternatives have been looked at, including Social Economic Factors, however this method is the most commonly used across dioceses and does give a genuine indication of prosperity between differing parishes. Whatever system is used it remains almost certain that those parishes categorised in A1 would still be grouped towards the bottom of the prosperity weighting and those parishes in F2 would still come out the highest.
3. We need to be more accountable with the church commissioners' Allowance. This is the second largest source of income to the Diocese (just under £2m) and is given based on a number of factors including historical resources and deprivation statistics. It is designed to support the Cure of Souls amongst those parishes that may not be able to afford their own stipendiary ministry. Under the old system we have evenly divided this allowance between all our parishes. This is no longer viewed as satisfactory by the commissioners and we are being called to account for it in a clearer way.
4. The current Incumbent Levy fails to take into account the true cost of ministry. For example if a parish reduces its staffing levels its Share will only fall by a relatively small amount. At present a full time post carries a levy of £4622. In reality the actual cost of deploying a full time vicar to a parish is £49,390 (2012 figures).

## The Proposed System

### Parish Share Proposal

#### Objectives:-

- To allow Growth
- To reflect the Diocesan Strategy
- To retain Mutual Support
- To simplify future calculations
- To avoid large increases in implementation
- To show how the Church Commissioners' Allocation is distributed
- To allow parishes to forecast their share for 3 years ahead

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#### Any system of apportionment should be:-

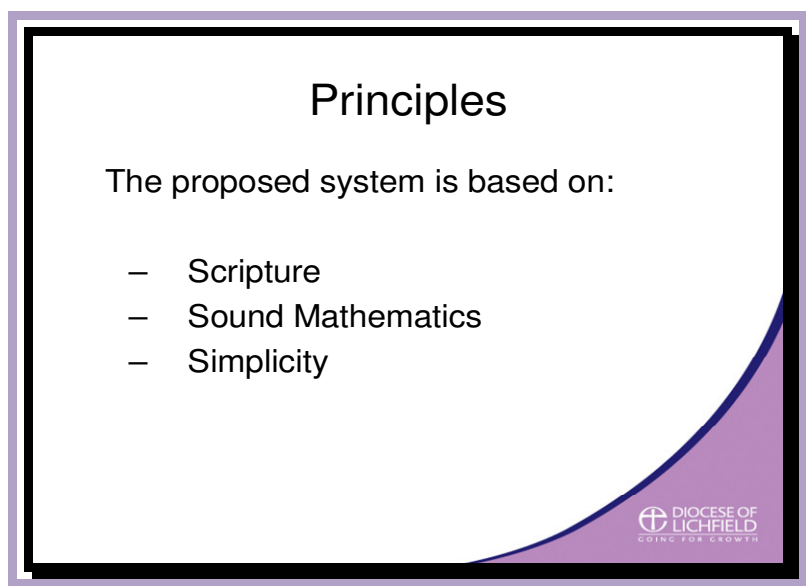
- based on Christian Principles
- fair
- encourage growth
- based on factual evidence
- easy to introduce
- easy to understand
- easy to operate
- open to scrutiny and review
- flexible to offer support in special circumstances (small rural parishes and inner city churches etc)
- implemented with only small initial changes in Share requested from the present system.

We hope that the proposed system of apportionment covers these points and in addition will allow parishes to budget for up to three years in advance. This will help with planned giving campaigns and allow churches to plan beyond the next twelve months.

The proposed system covers the diocesan strategy for encouraging growth and ensuring that the diocese places resources where there is the greatest need and opportunity.



## Proposed System



**Principles**

The proposed system is based on:

- Scripture
- Sound Mathematics
- Simplicity

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The proposed system is based around the above three objectives, Scripture, Sound Mathematics and Simplicity.

The aim of the proposal is to encourage parishes to cover their Cost of Ministry over time.

A Mutual Support Factor is applied to the Cost of Ministry for each parish creating a **Target**. Applying Christian Principles it would be unfair to expect an A1 to pay the same as a F2.

The proportion of Costs covered by a parish through their Share Contribution is defined as **K – the Key Ratio** and this is defined as follows:-

$$\frac{\text{Current Share Requested} + \text{Church Commissioners' Allowance (where applicable)}}{\text{Target Cost of Ministry (Cost of Ministry adjusted for Mutual Support)}}$$

This is simplified as

$$K = \frac{S + CCA}{T}$$

The concept of the proposed change is based around the following key points:

- Cost of Ministry
- Mutual Support
- Transparent and fair distribution of the Church Commissioners' Allowance.

Each of these areas is now described in more detail


## What do we mean by Cost of Ministry?

**Cost of Ministry**

The annual cost of a parish post is:

$$\frac{\text{Diocesan expenditure less income}^\dagger}{\text{Total number of parish posts}^*}$$

† Principally Investment Income and Fees  
\*Including the Area Ministry posts

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Each year in the Diocesan Budget an average cost per Incumbent or Vicar is calculated using the above formula.

As the total diocesan expenditure is taken into consideration in this calculation this means that the average cost of a vicar includes not only their stipend related costs inclusive of pension and housing but also a contribution towards the training of future clergy (Curates and Ordinands) as well as a contribution towards Central Support Services (e.g. Ministerial Development, Local Ministry etc.) and administration.

The income figure deducted in the equation includes investment income received from historical investment and fees received from parishes.


In 2012 the average cost per vicar was £49,390; a table of the Cost of Ministry is attached at the back under Annex 1.

## What do we mean by Mutual Support?

**Mutual Support (M)**

- National – Church Commissioners
- Local

Within the current formula we use Categories to distinguish levels of parish prosperity.  
The proposal retains this concept.

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There are two forms of Mutual Support.

First of all the diocese receives significant support from the National Church through the Church Commissioners' Allowance. We receive the fifth largest allowance of all the dioceses due to the lack of historical resources that other diocese have at their disposal.

Since the Church Commissioners' became a registered charity we are now required to demonstrate how this Allowance is distributed amongst the churches in the diocese.

Secondly we apply Local Mutual Support. This makes allowances for differences in levels of material resources and incomes across the diocese. Some can afford to give more than others but we are all called to give sacrificially. This is very much in response to the teaching of S Paul in 2 Corinthians 8 and 9.

Our current system of mutual support has a differential of 2.32. In simple terms it means that for every £1 an A1 parish gives an F2 parish will contribute £2.32. This new proposal will reduce this differential of Mutual Support (M) to 2.0.

## What do we mean by Target Cost?

Parish Target (T)

$$T = C \times M \times N$$

Where N is the number of parish posts

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The Target Cost for each parish is taking the average Cost of Ministry and applying Local Mutual Support – so the lowest prosperity parish (A1) is not expected to pay the same as the highest (F2).

The Target Cost is therefore worked out by taking the Cost of Ministry figure and applying a mutual support factor to give a cost per vicar in any given parish. So if a parish only has a half time post the target cost would be multiplied by 0.5. Equally if they were two vicars in the parish then the cost is multiplied by two.

The cost per vicar by category is shown in the following table.

## Parish Target (T)

Category	C	M	T per post
A1	49,390	0.7696	38,011
A2	49,390	0.8396	41,466
B1	49,390	0.9095	44,922
B2	49,390	0.9795	48,377
C1	49,390	1.0495	51,833
C2	49,390	1.1194	55,288
D1	49,390	1.1894	58,744
D2	49,390	1.2593	62,199
E1	49,390	1.3293	65,655
E2	49,390	1.3993	69,110
F1	49,390	1.4692	72,566
F2	49,390	1.5392	76,021

\*\*M is defined to four decimal places

The categories are based using the current method for defining prosperity factor – the median average of property valuations in each ecclesiastical parish. Whilst accepting it is not perfect, there are no perfect models, it is believed to remain the best indicator of prosperity across an incredibly diverse diocese.


The table shows that for a full time vicar in an A2 parish the target cost would be £41,466. Similarly for an E2 parish the target would be £69,110.

**It is important to note that the Target cost is not the Share being requested, it is the Target that parishes should aim, over time, to meet its cost of ministry and contribute towards mutual support.**

## How do we work out the level of Mutual Support?

### Clergy Deployment

Category	Number of parishes	Number of Clergy
A1	26	26.530
A2	48	51.600
B1	38	40.000
B2	49	44.540
C1	39	28.275
C2	51	22.770
D1	52	17.385
D2	61	17.840
E1	38	9.120
E2	23	6.390
F1	8	1.690
F2	1	1.000



When the diocese sets the budget each year it works out how much Share needs to be requested for a specific year. To collect this amount and whilst it may be ideal to evenly spread the apportionment across the diocese one has to take into consideration the number of parishes in each category and the number of clergy deployed in each category.

The new proposal as mentioned shows a ratio of 2:00 to 1 between the highest and lowest categories, the current formula shows a ratio of 2.32.

For more detail see Annex 2.


## How will we apportion the Church Commissioners' Allowance?

**Church Commissioners' Allocation**

Under the proposal the CCA is to be distributed to:

Small Parishes (with populations of less than 700)

Urban Parishes Categories A1 to B2



For the small parishes, defined by those with a population of less than 700, it is some assistance towards the maintenance of the church building where there is low population and where there is not always a service every Sunday.

For Urban Priority Parishes, the Allowance (UPA) is awarded based on Target Costs, so:

- A1 Parish – receives an Allowance of 24% of its Target Cost
- A2 Parish – 18%
- B1 Parish = 12%
- B2 Parish – 6%

In respect of small parishes it will be calculated on a pro rata basis where there will be an allowance (SPA) of 32% of Target cost for those parishes with a population of less than 350 reducing to 0% for those with a population over 700. See Annex 4 for an explanatory chart.

Over two thirds of all churches would receive some CCA – 158 Urban 141 Rural


So what is this Key Ratio?

**The Key Ratio (K)**

$$K = \frac{S + CCA}{T}$$

Where S = Share requested in the current year  
and T = Parish Target

**It is K that determines the level of increase required to enable a parish to move in the right direction to reach its Parish Target**

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The Key Ratio establishes on how much a parish currently pays towards its Target Cost. It is this ratio that determines the increase in Share that the parish will receive the following year.

The aim is to move parishes in the right direction to covering their costs and contributing towards Mutual Support over time. The higher the ratio the less the future increase in Share.

The ratio is calculated by taking the current Share request, adding where appropriate any Church Commissioners' Allowance (UPA or SPA) and dividing by the Parish Target Cost.

Every parish should aim to move up the following table towards and above the arrow positioned at a ratio between 1.0 – covering your target costs and 1.1 – covering your target costs and contributing 10% towards Mutual Support.



# The Key Ratio (K)

K values	Multiple of budget % increase	Example % increase for a budget increase of 1.5%
$K > 1.5$	<b>0</b>	0
$1.3 < K \leq 1.5$	<b>0.5</b>	0.75
$1.1 < K \leq 1.3$	<b>0.75</b>	1.125
<b><math>1.0 &lt; K \leq 1.1</math></b>	<b>1</b>	<b>1.5</b>
$0.9 < K \leq 1.0$	<b>1.5</b>	2.25
$0.7 < K \leq 0.9$	<b>2</b>	3.0
$0.5 < K \leq 0.7$	<b>2.5</b>	3.75
$K \leq 0.5$	<b>3</b>	4.5




The above table assumes a Diocesan Budget Parish Share increase of 1.5% as was the case in 2011 and will be again in 2012. If the parish K ratio is between 1 and 1.1 then the Share requested for the parish will go up by  $1 \times 1.5\% = 1.5\%$ . If the K ratio is greater than 1.5 then there will be no increase in Share and conversely if the K ratio is less than 0.5 then the parish will receive an increase of  $3 \times 1.5\% = 4.5\%$ .

It should not be assumed that all the lower prosperity parishes (A1 to B2) dominate the lower K values; this is not the case only 24 of the 74 parishes with a K value lower than 0.7 are from categories A1 to B2.

## So how is our Share Calculated?

### Example

For an A1 parish with a share invoice of £23,000 and a full time priest:

$$K = \frac{S + CCA}{T}$$


In the worked example the Share would be calculated as follows:-

The Key ratio determines the increase in Share each year.

S = Current Share request	£23,000
T = Target cost for a parish in Category A1 is £38,011 per post	£38,011
CCA – for an A1 parish the UPA is 24% of the target cost (24% x £38,011)	£9,123

Therefore the Key ratio is  $\frac{23000 + 9123}{38,011} = 0.85$

According to our table below an increase for a parish with a key ratio of 0.85 is 2.0 times the diocesan budget increase, currently 1.5%.

## The Key Ratio (K)

K values	Multiple of budget % increase	Example % increase for a budget increase of 1.5%
$K > 1.5$	<b>0</b>	0
$1.3 < K \leq 1.5$	<b>0.5</b>	0.75
$1.1 < K \leq 1.3$	<b>0.75</b>	1.125
$1.0 < K \leq 1.1$	<b>1</b>	1.5
$0.9 < K \leq 1.0$	<b>1.5</b>	2.25
$0.7 < K \leq 0.9$	<b>2</b>	3.0
$0.5 < K \leq 0.7$	<b>2.5</b>	3.75
$K \leq 0.5$	<b>3</b>	4.5



Therefore the increase in Share for the following year is  $2.0 \times 1.5\% = 3.00\%$

Therefore the Share for the following year for the parish will be  $\pounds 23,000 + 3.00\%$  - i.e.  $\pounds 23,690$

For subsequent years the same methodology is applied to recalculate the K ratio. Should the ratio remain between 0.7 and 0.9 and should the Share increase in the diocesan budget remain at 1.5% then the parish would experience another increase of 3.00% for the following year and so on.

## How can we change our K ratio?

There are two ways in which the ratio can be increased or decreased.

The first method is to change the deployment within the parish. The calculation of the Target includes the deployment number: should the number or time a vicar spends in the parish reduce then the Target would reduce.

If the Share stayed at the same level then the K ratio would fall accordingly. Parishes who receive Church Commissioners' Allowance need to be careful as the amount of allowance would fall as it is directly linked to the Target.

Equally if the deployment level rose then the Target would rise – this would reduce the K ratio.

Any changes in deployment levels within parishes need to be agreed with the relevant Bishop and Archdeacon as there are certain constraints on staffing budgets.

The second method is to voluntarily increase the amount of Share being paid. Whilst this may seem unrealistic in many parishes, some may decide to increase their Share in one year to increase their K factor and reduce future increases in Share requests.

## What if we reduce or increase our staffing numbers ?

### **Increase Staffing**

If a parish increases their staffing then the target cost will increase accordingly – so the effect will be the K ratio will fall. Any changes in staffing levels have to be agreed by Area Staff (Bishops and Archdeacons) and approved by the Area Mission and Pastoral Committee (AMPC)

See worked examples in Annex 6

### **Reduce Staffing**

The new proposal gives a greater “reward” or “incentive” for those parishes that are financially struggling and have the option to reduce their level of Ministry. Under the current system the Share would only reduce by a proportion of the Incumbent Levy of £4,622 – so reducing half a post would only see the Share fall by £2,311.

Under the new proposal the parish will see a larger reduction in share requested. The principles within this proposal are that the savings from a reduced post will be shared equally between a parish and the diocese. So for an example:

If a parish has a staffing level of 2.0 and a share of £40,000 – if they were to reduce the staffing to 1.5 the percentage fall in staffing level is 25% - (0.5 reduction divided by 2.0 posts). The proposed system would share this 25% reduction equally so the parish would see a fall of 12.5% in share or £5000. The target costs will also decrease so there will be an overall effect on the K Ratio.

See worked examples on Annex 6

## What about fees?

At present fees earned locally and assigned to the diocese form part of the overall diocesan income and are shared equally across the whole diocese through any apportionment system. See Cost of Ministry.

However it is appreciated that there are differing views on fee income generated. In light of recent changes in fees under the Ecclesiastical measure 2011, where fees are now classed as due to the Diocesan Board of Finance, and with a new share proposal, that part of this exercise, Bishop's Council and Diocesan Synod be asked to express a view on whether to include fees as payment towards the share requested.

There are a few points of principle that need to be considered before any such decision is made.

As the fee income is around £1m and currently included as Diocesan income within the Cost of Ministry calculation, if the fees were to be removed and treated as income towards share then the base Cost of Ministry figure would rise from £49,390 in 2012 to £53,090.

If fee income is included parishes must be aware that if the fee income falls in any one year then the parish may have a double hit on income as local fees are likely to fall at the same time.

What happens to fees when the parish are in interregnum - if the services are covered by retired clergy or visiting clergy then the parish will have contributed nil income towards the share during this period of time.

Whilst it is appreciated that some parishes do have large fee income, many parishes would like to have the ability to higher fees – but simply due to location this is not possible. Whilst such services are deemed to be good Mission opportunities and generate local income as well as diocesan income – there is also the issue of Crematorium Services where no parish income is generated.

It is due to all these and many other various issues that it has been decided to seek the views of Bishop's council and diocesan Synod as to whether such fees should represent payments towards Share. At present only a few dioceses operate this system, the majority treat fee income as Diocesan income and share it equally across parishes.

## Special Assessments

There are occasions when a parish faces short term financial problems for a variety of reasons. In these circumstances Lay Assessors may recommend a Special Assessment as part of an agreement to help the parish.

The purpose of a Special Assessment is to set a realistic Share for the parish to achieve in the forthcoming year. However a staged period of high increases, normally 10%, is then put in place as part of the agreement to get the parish back up to their “formula” share as soon as possible. The difference between the Special Assessment and expected full Share is written off each year as part of the Shortfall in Income within the diocesan Budget.

Within the proposed new Share Apportionment, the calculation of the K ratio uses S to define the share requested in the previous year. For those under Special Assessment S will represent the total amount that would have been requested had the parish not been in Special Assessment. This figure will be split between the Special Assessment Amount (SA) and Additional Commissioners Allocation (AA) – i.e.  $S = SA + AA$ .

For example, a parish with an A2 category, a full time post and a full share request of £22,185. The target for an A2 parish is £41,466 and an A2 category parish receives an Urban Parish Allocation of £7464 (18% of the target cost)

The K ratio is worked out as normal – so  $K = \frac{S + CCA}{T}$

Therefore  $K = \frac{22,185 + 7464}{41,466} = 0.72$

With this ratio the parish will receive an increase of twice the Budget increase, assume 1.5%, so a 3% increase for the following year – i.e. £22,851

The parish are however on a Special Assessment and in the current year are being requested to pay £19,228 and the agreement in place is for 10% increases per annum.

In the current year the full share of £22,185 is redefined as (£19,228 + £2957).

In the following year under the agreement the parish are asked to increase their contribution by 10% - so their new Special Assessment figure is £21,151 (£19,228 x 10%).

S for the following year in this example is £22,851 and is therefore redefined as £21,151 + £1,700 (AA).

Under the new proposal, for any parish with a K ratio greater than 1.1, the Special Assessment for 2012 will be the base figure for future calculation. i.e. the Special Assessment Agreement ceases.

Should a parish on Special Assessment reduce their deployment then any adjustment to share will first of all utilise all the Additional Allowance the parish is currently receiving.

## **Local Ecumenical Partnerships, Chaplaincies and Third Party Trust Funds**

Across the diocese there are currently various different agreements where there are in place Local Ecumenical Partnerships, local Chaplaincies and in one case large support from an external Trust Fund.

Within the present formula all of these are treated slightly differently dependent on local agreements.

It is envisaged that all of these are treated the same within the proposed formula with an agreed adjustment to the deployment number – this will bring it in line with the Stipends Budget and Area Cash Deployment Budgets.

In order to do this each current agreement will be reviewed and agreed with the parish and Area concerned.



## Annex 1 – Cost of Ministry

### Lichfield Diocese – Cost of Ministry 2012

	Cost 2012	Pence Per/£	Cost 2011	Increase %
	£	2012	£	
<b><i>DIRECT COST OF STIPENDS</i></b>				
Stipend	23,373	39	23,024	1.51%
National Insurance	1,938	3	1,743	11.17%
Employers Pension	7,892	13	7,785	1.37%
Council Tax	2,095	3	2,054	2.00%
Water Rates	446	1	437	2.06%
Housing Repairs and Maintenance	5,345	9	5,138	4.03%
<b>TOTAL DIRECT COST PER POST</b>	<b>41,089</b>	<b>68</b>	<b>40,181</b>	2.26%
Cost of training curates	5,617	9	5,046	11.33%
Training of Ordinands	1,883	3	1,902	(1.01%)
<b>TOTAL COST OF TRAINING FUTURE VICARS</b>	<b>7,500</b>	<b>12</b>	<b>6,948</b>	7.95%
<b>TOTAL COST OF MINISTRY IN PARISHES</b>	<b>48,589</b>	<b>80</b>	<b>47,129</b>	3.10%
<b>Other costs to be covered:-</b>				
Expenses of Office	957	2	1,105	(13.42%)
Specialist Ministry	5,066	8	4,660	8.71%
Statutory & Admin Costs	3,855	7	4,070	(5.27%)
Contribution to the National Church	1,823	3	1,799	1.33%
<b>Total Other Costs</b>	<b>11,701</b>	<b>20</b>	<b>11,634</b>	0.57%
<b>Average Cost per post</b>	<b>60,290</b>	<b>100</b>	<b>58,764</b>	2.60%
<b><i>Less Income from Other Sources</i></b>				
Diocesan Generated Income and Reserves	10,900		10,044	8.52%
<b>Total Net Cost per post</b>	<b>49,390</b>		<b>48,720</b>	1.37%

\*\* Church Commissioners' Allowance has been removed from the overall Cost of Ministry to be apportioned through a weighted formula to support Ministry in specific areas. If the Allowance had been included then the Net Cost of Ministry for 2012 would be £42,508 compared to £42,165 in 2011. The above table shows that 80% of costs are directed to support Ministry in the parishes compared to Share creating 72.0% of the income generated in the year.

## Annex 2 - Mutual Support (M)

In the present Parish Share formula each category of parish is assigned a nominal weekly contribution per member of a congregation ranging from £5.00 for an A1 parish and increasing in increments of £0.60 between categories to £11.60 for a F2 parish.

Similarly this proposal assigns a nominal 'Cost of Ministry' of £33,000 to a category A1 parish increasing in increments of £3,000 between categories to £66,000 for an F2 parish. Note that the 2010 average Cost of Ministry of £48,000 is thereby assigned to category C2 parishes.

	Nominal Cost (£)	Number of posts	Nominal Cost of these posts (£)	Mutual Aid (M)	2012 Parish Target (T) per Post (£)
	(1)	(2)	= (1) x (2)	= (1) ÷ <b>42,879</b>	
A1	33,000	26.530	875,490	0.7696	38,011
A2	36,000	51.600	1,857,600	0.8396	41,466
B1	39,000	40.000	1,560,000	0.9095	44,922
B2	42,000	44.540	1,870,680	0.9795	48,377
C1	45,000	28.275	1,272,375	1.0495	51,833
C2	<b>48,000</b>	22.770	1,092,960	1.1194	55,288
D1	51,000	17.385	886,635	1.1894	58,744
D2	54,000	17.840	963,360	1.2593	62,199
E1	57,000	9.120	519,840	1.3293	65,655
E2	60,000	6.390	383,400	1.3993	69,110
F1	63,000	1.690	106,470	1.4692	72,566
F2	66,000	1.000	66,000	1.5392	76,021
Total		267.140	11,454,810	1.0000	

The weighted average nominal cost per post is £11,454,810 ÷ 267.14 = **£42,879**

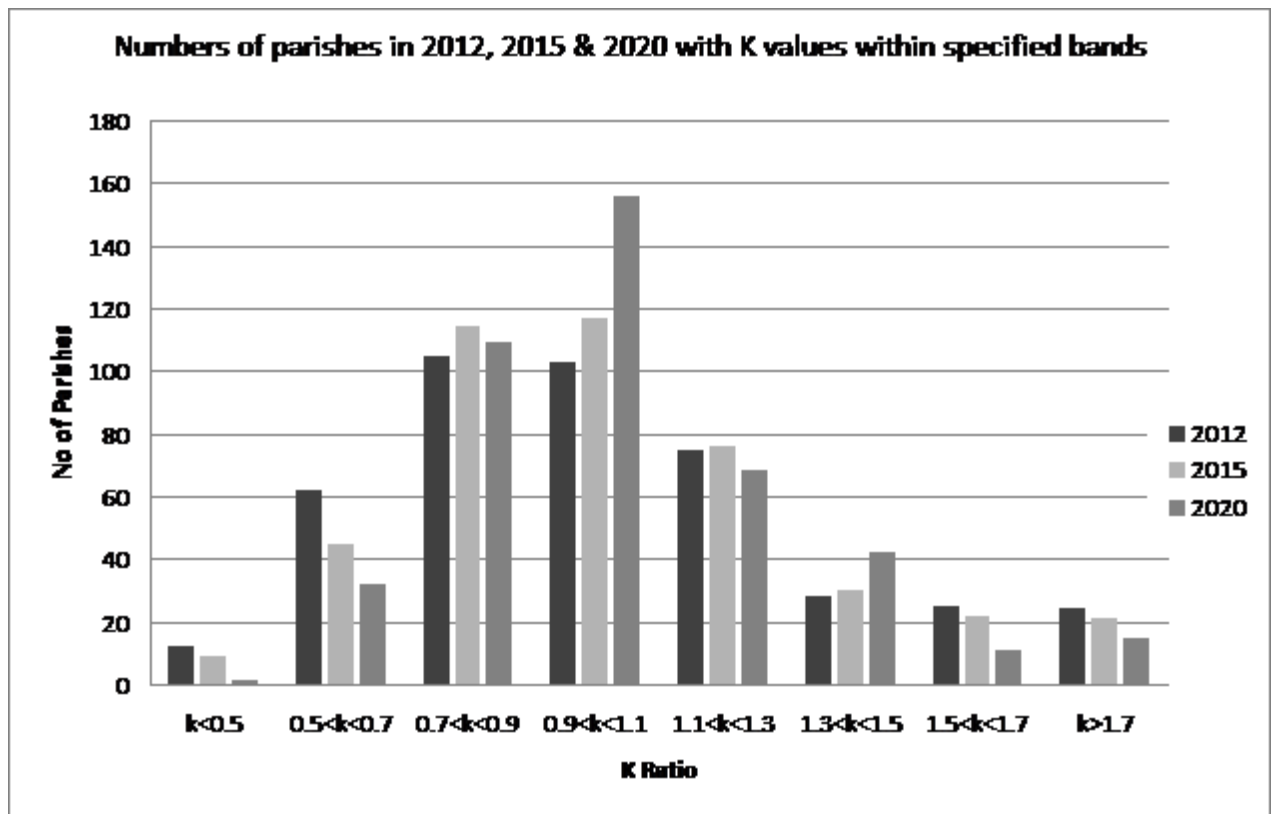
Please note that whilst these calculations are based on nominal costs relating to 2010 the values of M are relevant to any subsequent year, subject to some possible minor changes that might result from changes in the distribution of stipendiary posts.

For any given year these values of M are applied to the average Cost of Ministry for that year to give the Parish Targets (T) per stipendiary post for each parish category.

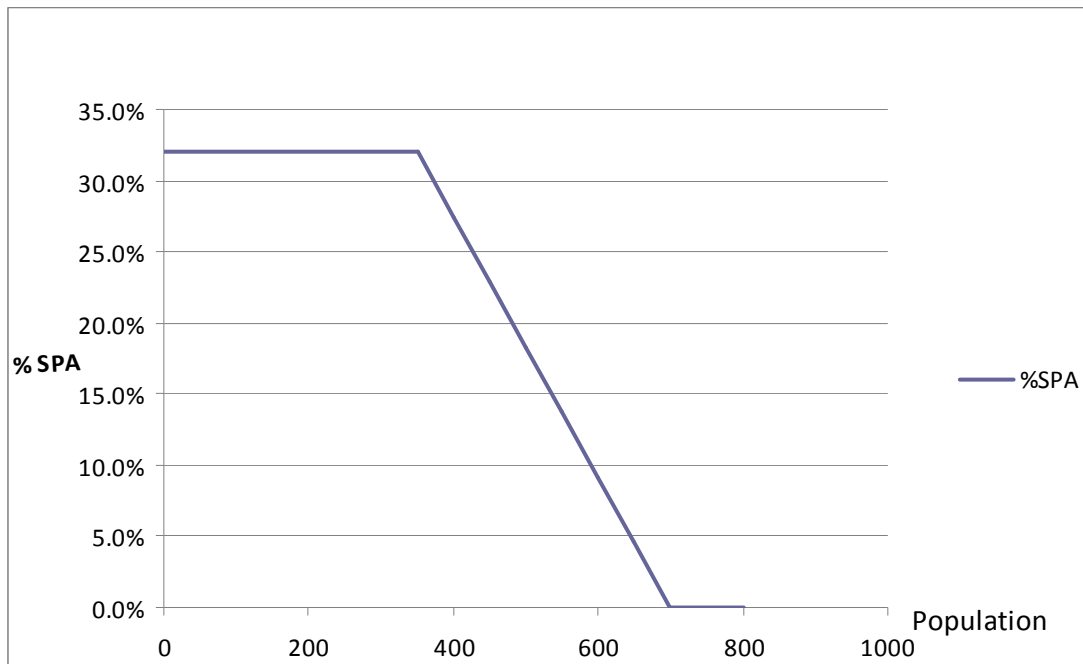
## Annex 3 – The Distribution of K Values

The proposal will cause the distribution of k values for the 434 parish share units to change as follows:-

k VALUES	NUMBER OF PARISHES		
	2012	2015	2020
$k < 0.5$	12	9	1
$0.5 < k < 0.7$	62	45	32
$0.7 < k < 0.9$	105	114	109
$0.9 < k < 1.1$	103	117	156
$1.1 < k < 1.3$	75	76	68
$1.3 < k < 1.5$	28	30	42
$1.5 < k < 1.7$	25	22	11
$k > 1.7$	24	21	15



## Annex 4 – Small Parish Allowances (SPA)



Examples:

Population	%SPA
0	32.0%
350	32.0%
400	27.4%
450	22.9%
500	18.3%
550	13.7%
600	9.1%
650	4.6%
700	0.0%
800	0.0%

## Annex 5 – Other Worked Examples

### Example 1

**For a C1 parish with a current share invoice of £45,000 and a full time priest**

The Key ratio determines the increase in Share each year.

S = Current Share request	£45,000
T = Target cost for a parish in Category C1 is £51,833 per post	£51,833
CCA – for a C parish the UPA is 0% of the target cost (0% x £51,833)	£0

Therefore the Key ratio is  $\frac{45000 + 0}{51,833} = 0.87$

According to Key Ratio table an increase for a parish with a key ratio of 0.87 is 2.0 times the diocesan budget increase, currently 1.5%.

Therefore the increase in Share for the following year is  $2.0 \times 1.5\% = 3.00\%$

Therefore the Share for the following year for the parish will be £45,000 + 3.00% - i.e. £46,350

### Example 2

**For a C2 parish with a current share invoice of £100,000 and a full time priest**

The Key ratio determines the increase in Share each year.

S = Current Share request	£100,000
T = Target cost for a parish in Category C2 is £55,288 per post	£55,288
CCA – for a C parish the UPA is 0% of the target cost (0% x £55,288)	£0

Therefore the Key ratio is  $\frac{100000 + 0}{55,288} = 1.81$

According to Key Ratio table an increase for a parish with a key ratio of 1.81 is 0.0 times the diocesan budget increase, currently 1.5%.

Therefore the increase in Share for the following year is  $0.0 \times 1.5\% = 0.00\%$

Therefore the Share for the following year for the parish will be £100,000 + 0.00% - i.e. £100,000

### Example 3

**For a D2 parish with a current share invoice of £8,994, a shared priest – proportion to the parish 0.15 and with a population of 310**

The Key ratio determines the increase in Share each year.

S = Current Share request	£8,994
T = Target cost for a parish in Category D2 is £62,199 per post	£62,199
T = adjusted for part time ministry (£62,199 x 0.15)	£9,330
CCA – for a parish with a population less than 350 the SPA is 32% of the target cost (32% x £9,330)	£2,986

Therefore the Key ratio is  $\frac{8,994 + 2,986}{9,330} = 1.28$

According to Key Ratio table an increase for a parish with a key ratio of 1.28 is 0.75 times the diocesan budget increase, currently 1.5%.

Therefore the increase in Share for the following year is  $0.75 \times 1.5\% = 1.125\%$

Therefore the Share for the following year for the parish will be £8,994 + 1.125% - i.e. £9,095

### Example 4

**For a C1 parish with a current share invoice of £115,000, and two full time priests**

The Key ratio determines the increase in Share each year.

S = Current Share request	£115,000
T = Target cost for a parish in Category C1 is £51,833 per post	£51,833
T = adjusted for two posts (£51,833 x 2.00)	£103,666
CCA – for a C1 parish there is no UPA allowance	£0

Therefore the Key ratio is  $\frac{115,000 + 0}{103,666} = 1.11$

According to Key Ratio table an increase for a parish with a key ratio of 1.11 is 0.75 times the diocesan budget increase, currently 1.5%.

Therefore the increase in Share for the following year is  $0.75 \times 1.5\% = 1.125\%$

Therefore the Share for the following year for the parish will be £115,000 + 1.125% - i.e. £116,293

## Annex 6 – Change in Staffing Level Examples

### Example 1

**For a C2 parish with a current share request of £110,000 with one full time priest.  
Agreed to increase their staffing to 1.5 with an additional half time post.**

S = Current Share request	£110,000
T = Target cost for a parish in Category C2 is £55,288 per post	£55,288
CCA – for a C1 parish there is no UPA allowance	£0

Therefore the current Key ratio is  $\frac{110,000 + 0}{55,288} = 1.99$

No share increase

### Increase staffing to 1.5

T increases to £55,288 x 1.5	£82,932
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The revised Key ratio is  $\frac{110,000 + 0}{82,932} = 1.33$

According to Key Ratio table an increase for a parish with a key ratio of 1.33 is 0.50 times the diocesan budget increase, currently 1.5%.

Therefore the increase in Share for the following year is  $0.50 \times 1.5\% = 0.75\%$

Therefore the Share for the following year for the parish will be £110,000 + 0.75% - i.e. £110,825

### Example 2

**For a B2 parish with a current share request of £40,000 with two full time priests  
Agreed to reduce their staffing to 1.5**

S = Current Share request	£40,000
T = Target cost for a parish in Category B2 is £48,377 per post	£48,377
T = Adjust Target for two posts (£48,377 x 2)	£96,754
CCA – for a B2 parish there is UPA allowance of 6% (£96,754 x 6%)	£5,805

Therefore the current Key ratio is  $\frac{40,000 + 5,805}{96,754} = 0.47$

Share increase of 3 times the diocesan average according to the Key ratio table so a 4.5% increase based on a diocesan budget increase of 1.5%

**Reduce staffing to 1.5 – a reduction of 0.5 posts**

Level of reduction in staff (0.5/2.0)	25%
Reduction in Share to the parish 50% x 25%	12.50%
S = reduction of £40,000 x 12.5%	£5,000
Revised S - £40,000 - £5,000	£35,000
T decreases to £48,377 x 1.5 posts	£72,565
CCA – £72,565 x 6%	£4,354

The revised Key ratio is  $\frac{35,000 + 4,354}{72,565} = 0.54$

According to Key Ratio table an increase for a parish with a key ratio of 0.54 is 2.50 times the diocesan budget increase, currently 1.5%.

Therefore the increase in Share for the following year is  $2.50 \times 1.5\% = 3.75\%$

Therefore the Share for the following year for the parish will be £35,000 + 3.75% - i.e. £36,313



## Acknowledgement

The Board of Finance and in particular the Finance and Central Services Committee (FACS) would like to express enormous gratitude to the Strategic Thinking Group who have worked tirelessly over the last 18 months in putting together this proposal. We are particularly grateful to our wonderful volunteers, in particular John Brown, Mike Lock and Peter Ford for their expertise and long hours in labouring over highly detailed statistical models and options for the rest of the group and various committees, and to Jo Rose who has chaired the group and collated the differing views from around the diocese. A special mention must also go to Jonathan Hill, our Finance Director, for his tireless and expert staff support.

Importantly, our Critical Friends who attended meetings and received piles of information thoroughly tested the principles behind the proposal. We hope the diocese will find the resulting recommendations exciting, innovative and supportive of the diocesan strategies that are currently being developed, and which are designed to facilitate the ministry and mission of the Church in a rapidly changing and challenging world.

The teamwork and commitment behind this huge project has been inspirational. Thank you all.

Peter Sharpe  
Chairman DBF

### **Critical Friends**

Gordon Baynham  
The Revd Charmian Beech  
The Revd Paul Brown  
Chris Gill  
The Revd Oliver Harrison  
The Revd Andrew Hetherington  
Tim Hinchley  
Harvey James  
Huw Jermine  
Kevin Lawrence  
Pam Leake  
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Cyril Randles  
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John Wilson