Setting the Ministry Share

Ely Ministry Share Working Group

v9: 28 October 2008

In 2003, the Bishop's Council instituted a review of the Parish Share formula, which determined the financial contributions asked of deaneries towards the ministry of the diocese. A cost-based system was developed by a Working Group, and was used for the first time in 2006.

Following feedback from deaneries about the impact of the new scheme in practice, the Working Group reconvened in 2007 to review the scheme. This document describes the new scheme *ab initio*.

1 Principles

The following principles inform the Scheme:

1. **Transparency**. It should be clear what costs are incurred to support ministry in each benefice and deanery. It should be clear what net contribution the diocese is making to the deanery, or the deanery is making to the diocese.

2. **Health and wealth**. We are all in this together: churches that have a large membership, are in a high-income area, or have other financial advantages, may contribute more than their costs. The transparency of costs (Principle 1) should not be mis-read to mean a purely market-based idea of "you get only what you pay for" or "you only pay for what you get".

3. **Initiatives**. Some diocesan resources should be used to support specific mission and development initiatives in the diocese.

4. **Avoid disincentives**. Notwithstanding Principle 2, we want to avoid the situation in which a heroic effort to increase income in a parish rapidly results in a much increased Ministry Share request. Under the previous system, this sometimes led to a near-100% "tax rate", which is demoralising and counter-productive.

5. **Practicality**. No deanery will absorb a large step change from the current situation. Changes in contribution must be predictable and achievable. Setting contributions to achievable levels is based on the assumption that deaneries will then meet them in full.

2 Background

We begin by describing the diocesan budget in broad terms, to set the context for the Ministry Share.

The diocese will spend about £7,124k on Ministry in 2009, as follows:

1. **Clergy:** £5,803k. This pays for clergy stipends, pension contributions, housing, in-service training.
2. **Parish support programmes:** £427k. These programmes include Boards for Church in Society, Education; Council for Mission; Communications; paying the fees of visiting clergy during interregnums; and other programmes.
3. **Diocesan administration:** £611k. General administration; finance & trusts; investment & glebe management; statutory and other obligatory charges, plus £210,000 provision for parish and deanery rebates.
4. **National church:** £283k. This is the diocesan contribution to ordination training, General Synod and Central church administration.

All this is funded from three sources:

◊ Fee income from parishes of £275k

◊ Diocesan income of about £1,945k (from investments and grants plus £150,000, which is to be taken from the property reserves)

◊ so the deaneries have to fund the other £4,950k (of which up to £210k is returned in parish and deanery rebates).

The good news is that the diocese's investment income makes a very substantial contribution towards our overall costs.

3 The main proposal

The proposed Ministry Share system consists of three parts:

- Calculate the **Net Cost** of each benefice, and (by aggregation) for each deanery (Section 3.1). The Net Cost takes into account Principles 1 and 2, and represents what a benefice or deanery would pay, as adjusted for health and wealth, if it were fully meeting its costs.

- Deduct any **Targeted Support** offered to the benefice, taking account of a number of factors that are specific to that benefice (Section 3.2). This step embodies Principle 3.

- Finally, **Capping** addresses Principle 5, by ensuring that any increases are manageable (Sections 3.3 and 3.4).

Principle 4 is addressed by ensuring that increases in parish income and membership have only a modest effect on the outcome.

While most of the Ministry Share calculations are carried out to benefice level, the data are then aggregated to deanery level . Each Deanery is asked to take responsibility for its total Deanery Ministry Share. **It is up to the deanery to decide how to allocate that share between its constituent benefices** (see Section 6).

In describing the scheme, we refer to a "dry run" of the model for 2008. Benefice calculations have been completed for that year and the results summarised by deanery on the attached spreadsheet.

3.1 Calculating the Net Cost

The Net Cost for each benefice is calculated as follows.

Step 1	**CALCULATE the actual costs of the benefice's clergy**. The 2009 figures for each post are these, although they will increase gradually over time: ◊ Full-time clergy: £44,437. This includes stipend, housing (including Council Tax, water charges and insurance), pension, and a contribution to training and relocation costs. ◊ Half-time clergy: £29,049. This is more than half the cost of a full-time post because the cost of housing is the same for both. ◊ Non-stipendiary ministers: £4,207, mainly a contribution for training. ◊ House-for-duty posts: £13,661, housing costs and a contribution for training. ◊ Curates in training: £44,437. This is the same as a full-time post, but is offset by the Targeted Support for curates (Section 3.2). Non-stipendiary and retired clergy, who may be licensed but who are not responsible for a parish, are not counted in this calculation. The number of clergy in post for each deanery will be taken on 28 February and 31 August of each year. The average of these two figures will be the basis for calculating costs in the following year.
Step 2	**ADD a contribution to the diocese's shared costs.** The shared costs are briefly described in Section 2, and add roughly 20% to each deanery's actual ministry costs. The shared costs are apportioned pro rata to church membership (see Appendix A).
Step 3	**MULTIPLY each of the costs calculated in steps 1 and 2 by a "Health & Wealth" factor**, which varies in the range 80-115%. This factor is intended to take account of principle 3. We discuss how it is calculated in Section 5.
Step 4	**SUBTRACT wedding and funeral fees paid by the parishes to the diocese.** These fees are thereby treated as a direct deduction from the benefice's Gross Cost
	The result is the **Net Cost** for the benefice

3.2 Targeted support

Targeted Support takes account of Principle 3, by directly subsidising the Net Cost of a benefice from diocesan resources. There are three main headings:

◊ **100% of the costs of curates in their first post.** A curate makes a substantial contribution to the benefice in which he or she works, but Synod nevertheless decided to subsidise 100% of the cost of curates.

◊ **Mission and development posts**, funded from shared resources, reflecting pastoral priorities and opportunities.

◊ **Posts in parishes with a low Benefice Weighting** are ones that would not be entirely justified by the parish population. The allocation reflects the fact that the deanery would be unreasonably penalised if asked to pay the full costs of such posts.

The support for the latter two items is, by design, a matter of judgement, and we propose that it be determined by the *Targeted Support Group* (Section 4).

Step 5	**Subtract Targeted Support** for the benefice from its Net Cost.

3.3 Benefice Capping

Even after targeted support, the Net Cost of many benefices is far from the Ministry Share that they have actually paid – their Actual Contribution. One consequence of Principle 5 is that

> *regardless of Net Cost, we cannot assume a benefice will pay steep increases over their Actual Contribution to Ministry Share in recent years*

When calculating the Ministry Share for (say) 2008, which is done during 2007, the Actual Contributions for 2007 are unknown. So benefice capping must be based on Actual Contributions in 2006 and earlier.

Suppose that we are calculating the Ministry Share for year Y. Then Benefice Capping works as follows:

◊ Calculate the average of the benefice's Actual Contribution in years (Y-2) and (Y-3).

◊ Cap the benefice's costs to no more than (say) 5.5% (annualised) above this average. This figure may of course vary from year to year.

◊ This capping has to be paid for, however, and we propose to do so (in part) by capping the *decrease* for benefices that pay more than their Net Costs, to (say) -0.25%. Because of inflation this figure represents a significant decrease in real terms. Again, the figure may vary from year to year.

Step 6	**Calculate the lower and upper caps for each benefice** **Adjust the benefice's Net Costs to lie in this range**. If an adjustment is needed, this will be a subsidy from (or contribution to) diocesan funds.

3.4 Deanery Capping

Regardless of how the outcome is calculated, the Working Group also believes that,

> *it is counterproductive for the diocese to request, from any deanery, a Deanery Ministry Share contribution that increases sharply from the request in the previous year*

Notice the difference from Benefice Capping: the comparator here is the previous year's *request* (by the diocese), rather than previous *actual contributions* (by the deanery).

By the time Benefice Capping has been applied, few deaneries face an unmanageable "headline increase". The final step of Deanery Capping deals with those few cases. It works as follows:

- ◊ Add up the Net Costs for all the benefices in each deanery, after Targeted Support and Benefice Capping has been applied.
- ◊ Limit the increase in this total to no more than (say) 5% above the Deanery Ministry Share requested by the diocese from the deanery in the previous year.
- ◊ Again, this capping must be paid for. This is done by limiting the headline *decrease* seen by any deanery to (say) -0.33%.

As before, the threshold percentages may vary from year to year. However, for Deanery Capping the percentages are chosen so that the contributions from the lower cap exactly pays for the upper cap. That is, Deanery Capping is solely a transfer between deaneries, with some deaneries supporting others (Principle 2).

Step 7	**Calculate the lower and upper caps for each deanery.** **Adjust the deanery's Deanery Ministry Share to lie in this range**. If an adjustment is needed, this will be a subsidy from (or contribution to) other deaneries in the Diocese.	
	The result, after Deanery Capping, is the **final Ministry Share** requested by the diocese from the deanery.	

3.5 Where did the diocese's income go?

The diocese commits most of its investment, grant and fee income to supporting the cost of Ministry in the Parishes. In 2008, about £2 million will be used in this way:

	£000s
Curates	£786
Mission and development	£210
Light load posts	£59
Benefice capping	£1,010
Total Diocesan support	**£2,065**

4 Targeted support

The proposed scheme contains, by design, the opportunity for pastorally-guided targeted support to be given to particular localities. We propose that these judgements are made annually by a diocesan group, which makes recommendations to the Bishop's Council. The group will consist of:

- ◊ The two Archdeacons.
- ◊ One Rural Dean and one Lay Chair from each of the two Archdeaconries

This group is asked to make pastoral judgements, not primarily financial ones, although it must operate within the overall constraints of the diocesan budget. It will pass its recommendations to the Bishops' Council for agreement before they are implemented.

Deaneries will be encouraged to make direct representations to this group, to make the case for particular mission opportunities or other special factors.

5 The Health & Wealth factor

We believe that thriving churches with sound finances stand willing not only to cover their own costs, but also to pay something towards the costs of the ministry in the whole diocese. On the other hand, many churches have small but committed congregations, and are in low-income areas; they need support. The "Health & Wealth" factor is intended to recognise these differences, as Principle 3 suggests.

We have based the calculation on the following three factors:

- ◊ **Household income**, based on data from the Inland Revenue. This gives a very approximate measure of income levels in the deanery.
- ◊ **PCC gross income per member**. This factor gives an approximate measure of the generosity of the church members
- ◊ **Membership per church building**. This factor recognises that rural areas often support many buildings with small congregations.

(Appendix A gives definitions of "membership" and "gross income".)

We recognise that such numbers are only extremely rough indicators of the true "health" or "wealth" of a church. Furthermore we seek to avoid disincentives, such as penalising generosity (principle 4). Nevertheless, as discussed above, we believe it is important to take some account of ability to pay in the calculation of Deanery Ministry Shares. We have sought to resolve this tension first by taking the average of several factors, and second by constraining the overall Health & Wealth result to a significant, but not dramatic, range of 80-115%. This range is currently biased slightly below 100%, with a small contribution from diocesan funds to support it.

In detail, our method first scales each of the above three factors into the range 70-120%, so that a high score would tug the Deanery Target upward by 20%, and a low score would tug it down by 30%. Then the three factors are averaged, which usually results in a Health & Wealth factor in the range 80-115%.

The Health & Wealth factor will be rechecked periodically. We expect the numbers to vary rather slowly, giving predictability. The spreadsheet giving the detailed calculation is a public document, available on request.

6 The role of the deaneries

The scheme described apportions the Ministry Share amongst the *deaneries*, not among *parishes*. Each deanery must, as at present, decide for itself how to sub-divide its allocation among its parishes.

All the calculations described above have been carried out at benefice level, until the final Deanery Capping is introduced (Section 3.4). They have not be carried down to parish level, because the Working Group has no way of knowing how the costs are apportioned in a multi-parish benefice (see Appendix A). Copies of the detailed benefice calculations will be issued to Deanery Treasurers. Each Deanery will then have to decide for itself whether this benefice data should be used to inform their decisions about apportioning the Deanery Ministry Share among its parishes.

7 Rebates

Under the current scheme,

- ◊ PCCs receive a rebate of 2.5% of the amount they pay by monthly direct debit in the year to 31 December. This recognises the savings in interest charges that result from early and regular payments.
- ◊ Deaneries receive a rebate of 2.5% of the total Deanery Ministry Share if the Share is paid in full.

Both of these rebates will continue

8 Conclusion

The Working Party has considered very carefully the comments and criticisms of the system, as introduced in 2006. In this modest revision we have endeavoured to take full account of this feedback, while remaining true to the principles described in Section 1.

In the end, of course, what matters is the willing commitment of every benefice to make its proper contribution to ministry costs. A first goal should be to pay the Net Cost of the ministry that our own benefice receives. But then we ought to be looking to help others who currently cannot meet those costs in full. If we are collectively unwilling to pay for our clergy, we will sooner or later lose them. We hope that the Ministry Share scheme may contribute in a small way, by helping to engage that willing commitment.

Appendix A: Definitions

This section collects a few terms whose precise definition may not be entirely clear from the main text.

- ◊ A **benefice** is a group of one or more parishes served by one or more clergy. This is the smallest unit to which the diocesan office can attribute costs. (Technically, a benefice is something slightly different but this definition serves our purpose here.)

◊ The **membership of a benefice** is calculated from the annual returns, by averaging the Usual Sunday Attendance and the Electoral Roll numbers, weighted in the ratio two-thirds to one-third.

◊ **Gross income** is intended to be all recurring income (“above the line” in the PCC’s annual financial returns). This includes donations from individuals, recurring grants, dividends, fund-raising, and parochial fees. Excluded are the proceeds of one-off appeals (e.g. to build a Hall), and the sale of fixed assets.

The PCC’s gross income is used as one of three factors in computing the Health & Wealth factor, which itself has only a modest influence on the ultimate outcome. In effect, a high turnover (i.e. high income balanced by high expenditure) will exert a modest upward tug on the Health & Wealth factor, which seems reasonable.

In exceptional cases, such as where the parish accounts cover a community hall project with its own staff and expenses, it may be appropriate to include only the project’s net surplus as PCC income.

◊ **Benefice Weighting** is a measure of the size of the benefice. The calculation is based upon the population of the parish, the membership and the number of churches