

Peach Paper D

Diocesan Synod – 12th October 2019

Parish Offer Review

1. Issue

In March 2018, Diocesan Synod approved progressing the Parish Offer Review to a pilot phase, working with 6 Mission Communities ('MCs') to discuss the proposed changes, and to start putting the process into action, with a view to them setting their 2019/20/21 Offers as part of this year's process.

The pilot phase proved to take longer than anticipated, and was extended into 2019, with some additional emerging/existing Mission Communities joining the conversations.

Based on the knowledge and experience gained in the pilot phase, the plans to proceed with the updated approach to Parish Offer are now complete and, having received support from the Bishop's Council and DBF Finance Committee, approval is sought from Diocesan Synod to roll it out, starting in 2020.

2. Recommendation

That Diocesan Synod:

- i) accept the proposed new approach to the Parish Offer system, and
- ii) agree that the attached guide be circulated as part of a communications strategy to ensure that PCCs and Mission Communities understand the proposed changes.

In considering this recommendation Synod is asked to take account of the financial implications set out in para 4.

3. The Revised Approach

The proposed approach, as detailed in the attached guide, has the following key features:

- Parish Offer will be set in future in the context of a Mission Community, but with the full cooperation and agreement of the constituent PCCs (and, in time, other denominational churches).
- The principle will be maintained, that we strive for:
Parish Offer + the Diocesan element of Parochial fees + rent from vacant vicarages will fund the cost of local mission and ministry in full.
- Realism and Generosity remain key to the concept of, together, funding local ministry
- Typically, the Parish Offer will be agreed as part of series of 'conversations' between representatives of the Mission Community and Diocesan Board of Finance – with the main conversation being once every three years.
- The mechanics of how Mission Communities structure themselves, and whether these offers continue to be paid from individual PCCs to the Diocese or are paid in regular 'central' payments from the MC, are deliberately being left for local decisions to be made. To a degree, particularly at this stage, the principles (and buy-in to them) are more important than the mechanics.
- The extent to which these conversations, and MC-wide financial plans, are made, will very much be down to how developed a MC is, and the degree of trust and cooperation between the denominations. It is envisaged that this will strengthen over time, so while the early years may

see this only impacting the Anglican churches, it is planned that in due course, finances (and particularly how much each congregation is able to contribute to its local costs) will be agreed across all of the denominational churches. We already have examples of this being worked out in practice and although not always easy, there is merit in trust being built through tackling difficult issues in an open and honest way.

- It is important that we do not lose historic aspirations that have often been maintained, particularly at Deanery level, to fund a certain percentage of their local cost of ministry – whether that more than, equal to, or say 90% - there is a risk that in moving to a MC approach, we lose or downgrade those aspirations. There is no reason why MCs could not set similar aspirations and it is hoped that the spirit of that history will continue and be included in the conversations held.
- The need to promote good Stewardship practices and generous giving will be emphasised, as will the need for parishes and congregations to carry out some degree of budgeting and an assessment of unrestricted reserves.

If adopted by Synod, a communications strategy will be developed with a view to launching the attached guide (updated if need be) with sufficient information such that all of our parishes, churches and congregations understand both the importance, and the practicalities of, the Parish Offer system going forward.

It is believed that this approach is an improvement on the current one, in that it will:

- Increase the understanding by Mission Community leaders, PCCs, and congregations, of how their Offer is spent (all on local ministry), what the costs of local ministry are in their MC, and what the financial position and issues are that impact them collectively.
- Increase the buy-in, again with MC Leaders, PCCs and congregations, that a strong Parish Offer, keeping up with inflation, is required across the county to fund local ministry at current levels.
- Ensure that the Offer made by each Parish, and the MC in total, will be the result of specific, prayerful and deliberate thought and conversation, taking into consideration both the PCC's own financial situation (realism), and the need to collectively provide as much funding as possible to maximise the deployment of clergy and other resources for local mission and ministry (generosity).
- Promote an increased level of activity around stewardship to support local church income.

4. Financial Implications

This comes at a time when the God for All vision and strategy is being prayerfully refreshed. As a result, a detailed budget process will take place over 2019-20 with the aim of presenting a credible funding model to provide the finances to resource the Diocese in 2021-2025.

It needs to be explicitly understood that should the level of Parish Offer being received fall below those levels agreed in the 2021 to 2025 budget, then this would have a significant impact on our ability to fund clergy numbers at their 2020 levels – put bluntly, further cuts in stipendiary clergy would likely be needed in order to balance the budget.

5. Ecumenical Aspects

This paper has not been shared with ecumenical partners. The approach set out does not require all denominations to participate in a shared financial approach but it expects that over time Mission Communities will increasingly view their ministry resources and financial contributions in the round.

Funding local mission and ministry across Cumbria

A guide to how the Parish Offer system is to operate from 2020, in the context of Mission Communities



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1.1 What is this document and why is it needed?

This aim of this document is to provide information about how, following a review, local ministry is to be funded through the Parish Offer system from 2020 and beyond.

It is technically for Anglican PCCs, (having been approved by Diocesan Synod in October 2019), but the ecumenical nature of our Mission Communities means that discussions about financing ministry should, and increasingly will, flow across denominational boundaries. The principles and options contained in this paper should therefore be considered in that context.

The document explains the reason why the Parish Offer system has been under review, the outcome of that review, and the way in which the setting of your Parish Offer will change as your Mission Community develops and matures.

1.2 What is Parish Offer and why is it important?

Parish Offer is the name given to the system used in the Carlisle Diocese (the Church of England in Cumbria) to fund local mission and ministry – by which we mean the pay, pension, training and housing costs of clergy, along with lay training, and the costs of deanery Network Youth Church leaders and some other costs such as some mission community administrator posts.

The Parish Offer system replaced the Parish Share system in 2009 after a period of review, research and consultation. The 'Share' was a way of allocating a proportion of these local costs against each parish, based on a set formula – effectively a 'tax' approach which was generally deemed to be opaque, potentially 'penalise' success and growth in churches, and resulted in poor collection rates.

The two key principles underpinning the Parish Offer system are:

- **Realism** This means that churches should not make offers that they later find they can't afford to pay. But more importantly, it also means understanding how much it actually costs to provide ministry, and making realistic contributions towards those costs.
- **Generosity** This is at the heart of our Christian life and so is relevant to both our congregations, and our PCCs. Churches should be seeking to give generously towards their own ministry costs and, wherever possible, in supporting ministry in places that otherwise could not afford it.

In deciding how best to finance the work when the Offer system was introduced, Diocesan Synod laid down that the principle that local ministry would be funded from:

- Parish Offer, plus
- The Diocese's share of Parochial fees (from weddings and funerals), plus
- Any rent received from vacant vicarages

The remaining 'central' Diocesan costs would be funded from investment income, national church grants, and other donations.

In practice, despite a phased, (and planned) reduction in the number of paid (stipendiary) clergy between 2015 and 2020, the shortfall of local income compared with local costs, has increased to a projected £275,000 in 2020.

Attached to this document in Appendix (A), is a summary of how the Diocesan budget (based on 2019) is made up, showing both local and central income and costs. Further details are available in the 'Financial Review' document – distributed widely in 2019 and available on request from Church House.

The total amount of Parish Offer received has fallen from £4,994,163 in 2009 to £4,883,143 in 2018. This may seem like a modest decrease. However, when allowing for inflation, the amount received has actually fallen by 40%, or put another way, the fall in real terms is the equivalent of a reduction of being able to fund around 30 stipendiary clergy.

Parish Offer (which represents the generous giving from our congregations) remains the major source of income for the Diocese, and is the main factor in determining the level of stipendiary clergy that we are able to deploy across the County.

1.3 Why (and how) has the Parish Offer system been reviewed?

In 2017, it was recognised that there was a need to review the Parish Offer system. The 3 key reasons for this review were:

1. The year-on-year decline in the real value of the Parish Offers received
2. The perceived reduction in understanding of what the Parish Offer was for, and the need for realism and generosity to maintain a strong funding system for local ministry.
(After almost 10 years since it was launched, people move in and out of the county, PCC memberships change, and people do forget these things).
3. The emergence of ecumenical Mission Communities.
With Anglican churches increasingly working together, with more shared leadership and clergy, and with ecumenical partners joining the Communities, it was felt necessary to start to explore how finances would be viewed across a Mission Community, both within the Anglican churches, and wider across all partner churches.

The information gathered during this review has proved to be of particular importance as we approach 2020 – the final year in the current ‘God for All’ strategy – a period over which a balanced budget was set (and will be met). A balanced Diocesan budget over six years should not be underestimated – few dioceses in the UK have come close to achieving this.

The Diocese firmly believes that to finance our work into the future, we need to be wise stewards of the resources we have. The Board of Finance has worked hard to increase other sources of income, keep costs as low as possible, and not ‘sell the family silver’ today to the detriment of that future. Our finances are robust, but under increasing pressure, and it is in this context that the review of Parish Offer has taken place, and in which the 2021 to 2025 budget will be set, to deliver the refreshed vision and strategy which is to be determined during 2019 and 2020.

The review process involved the following steps:

1. An initial review in 2017 of the current policy and its effectiveness.
2. A proposal to keep the concept of an offer, but to adapt it to be fit for purpose going forward, particularly in the context of emerging Mission Communities.
3. A pilot scheme in 2018/19, in which a number of Mission Communities (at various locations and stages of development) were engaged to discuss and trial various aspects of the revised approach.
4. Periodic updates were given to both Bishop’s Council and Diocesan Synod, and the revised approach was adopted at Diocesan Synod in October 2019.

Alongside the work carried out specific to the review process, a series of activities were carried out in order to both support PCCs in their efforts to maintain income, and also to help PCCs and members of our congregations to better understand how Parish Offer is all used for local ministry, and how the overall Diocesan budget works.

1.4 What is changing?

It is important to understand that the change in the Parish Offer system is not so much a one-off change, but is more about a journey which goes hand-in-hand with the development of each Mission Community. It recognises that these are taking many different forms and structures, led in different ways, and progressing at different rates.

The goal is to complete the change by 2025, whereby each Mission Community is setting an MC-wide financial plan, including its 'Offer', which over time is likely to extend to cover churches of all denominations, with each congregation contributing, generously and realistically, what it can (often through the existing denominational mechanisms) in support of local Christian mission across Cumbria.

In the same way as it currently does at Parish or Deanery level, we will find some Mission Communities are able to contribute more than their own costs of ministry, in order to support those parts of the county unable to fund their own costs in full.

The key components of the way in which Parish Offer is to operate at Mission Community level is as follows:

- Mission Community leadership teams will ensure that they have an understanding of the financial situation (headline income, cost and reserves) for each of their churches/parishes.
- Every three years, representatives of the Mission Community, and the Diocese, will meet (once or several times) to share insight into the MC plans, finances, issues, challenges and ministry resources.

These 'conversations' will have the ultimate aim of agreeing a MC-wide Offer—initially to the Diocese to fund Anglican ministry, but over time likely to extend to include those elements of funding being raised from, and paid to, other partner denominations to fund their elements of the MC ministry resources (ministers, housing, youth work, admin, training etc).

Typically at such a meeting, one important element will be looking at the specific costs of local ministry across the Mission Community. This will include the costs for the provision and training of clergy/ministers, the costs of Network Youth Church workers, Pioneers, any MC-wide youth/children or family workers, and MC administrators. In the context of these actual costs, the offer can be discussed, and the aspiration explored as whether to meet, exceed, or fall short of these costs as appropriate in that local context.

Most importantly, these meetings are very much aimed to be a key opportunity to explore the scale and make-up of local resources/staffing (both paid and non-stipendiary), with a considered discussion to be had comparing the costs incurred and the income offered to support them. In some cases, it might lead to:

- an expansion of resourcing, for example the deployment of a children's worker
- in others it might lead towards a changing of the make-up (for example some MCs have taken the opportunity to have an administrator and a little 'less vicar', to more cost-effectively fulfil the various tasks necessary in running a busy Mission Community; others, such as in Kirkby Lonsdale, are sharing ordained posts and the associated costs between denominations).

- in others it may be the reluctant acceptance that staffing needs to be reduced as the gap between costs and funding is too high to expect others to finance.

It is envisaged that as well as setting the Offer for the forthcoming year, there would also be an aspirational target offer for the following two years. Only if this changes materially will there be the need to then meet formally until the three-year period is completed.

- The setting of the MC offer needs to be carried out very much with the inclusion and agreement of the constituent churches – specifically to make sure that offers made are realistic, and that churches feel a part of the process. As Mission Communities develop and grow in their sense of partnership and trust, it is hoped that the churches, and their congregations, will feel a growing sense of belonging to both their Mission Community, and all that is encompassed by the God for All vision and strategy. By playing their vital part in the joint funding of this work, and armed with a clear and transparent view of how their hard-earned money is being used, it is hoped that members of our congregations will feel more inspired to support their local churches and hence ministry across the county.
- All churches/parishes will be encouraged to liaise with the Diocesan Stewardship Enabler, to see how they might effectively review their stewardship programmes, and promote generous giving within their congregations and communities as well as an effective legacy policy.
- Churches will also be strongly encouraged to produce some form of financial plan or budget. It does not need to be too detailed, but a rough estimate of what income might be in the year ahead (based on previous years and current trends), along with an estimate of costs. Budgeting is a vital part of charity governance, and will help to flag up potential cash-flow issues before they hit.

1.5 The Mission Community Journey – Finance, Structures, Mechanisms and Timing

The principle of a group of churches considering their combined income, and working out how much of their local costs of ministry they are able to finance, and making decisions on their resourcing in that context, may in itself not be too complicated.

However, with a long tradition of Parishes operating more on their own, with mixed levels of 'connection' with the Deanery and/or Diocese, the progression into operating as a Mission Community with joint views on (sometimes tricky) issues like buildings and finance is not always an easy one. It is accepted that the journey to viewing finances as a combined group of Anglican, and then ecumenical churches, will take time, and will be a new way of thinking and working together for many. Much grace, love and trust will be needed, but the goal is a more effective Church in Cumbria, using the limited resources we have to their maximum effect, sharing the love and compassion of our loving God.

Possible Structures

Indeed, the legal structures within the various denominations, mean that the issue of a combined approach to finances needs to be carefully considered.

Anglican PCCs are distinct charities – some with large incomes have their own charity registration (and charity number), but most (with annual turnovers of less than £100,000) are 'excepted charities' – whereby they have all of the rights and duties of a fully registered charity (including gift-aid), but without the formal registration that other charities have.

Mission Communities do not have, by default, any legal status (in the same way that Deaneries do not). This does not stop them from operating effectively, but does stop them from having their own bank accounts, insurance, and being able to employ staff.

As we look at the issue of a combined approach to financing ministry, it is important that Mission Communities also consider structure.

Most Mission Communities have thus far been content to avoid any legal structure, and by using Deanery or Church bank accounts for any joint finance, have been able to function. This may continue to remain a valid way forward, but consideration should be given as to whether a more formal structure should be put in place.

The most obvious structure to be adopted is the 'Charitable Incorporated Organisation' as it is a way in which to gain legal, charitable identity, without the high degree of bureaucracy associated with being a full-blown charity. At time of issuing this guidance, one Mission Community is looking to take this route and updated advice will be issued based on their experience.

Another route taken by one is to create effectively one, single Parish for the Anglican churches. While individual churches have maintained some degree of local autonomy, the finances are legally treated as being for one charity and as such, the holding of a bank account etc is made easier.

Possible Mechanisms

The way in which a Mission Community chooses to operate its finances can be decided locally. In relation to Parish Offer, the most likely options (once a combined Offer has been agreed and each church/parish knows their element of this) are as follows:

1. Constituent churches/PCCs will continue to make their own, regular, contributions to the Diocese (or circuit etc) much as they do now. Reports of these contributions against their offers will be reported back monthly to all those churches and the MC leadership – who will monitor and liaise with PCC/churches to ensure Parish Offer is paid in full (or issues addressed if this is uncertain).
2. Mission Communities receive regular contributions from their constituent churches/PCCs, and then send a single, combined regular payment to the Diocese (and Circuit/District etc).
3. Some MCs are looking to also receive an element of local 'levy' to fund local expenses, Network Youth Church costs etc, and there is certainly merit in exploring this.
4. At least one MC is also looking at the concept of using a MC administrator to handle all parochial fees (for weddings and funerals) and submit forms and money to the Diocese on behalf of all of its Anglican churches.

Timing

With nine Mission Communities having engaged in some way in the pilot process, it is envisaged that over the course of 2020, 2021 and 2022, all remaining Mission Communities will move towards this new way of setting their Parish Offer, ie at MC level.

Going forward, Mission Communities will engage with the Diocese in a detailed way every three years, meaning that around 12 series of meetings/'conversations' will take place each year.

A timetable will be compiled in the months to come, whereby each Mission Community is allocated a year in which they will move over to this process. However, this timetable will be sufficiently flexible, as there comes a natural point in the development of a Mission Community where these conversations around income and costs arise anyway, and we would seek to dovetail in with those conversations as they naturally arise.

1.6 Potential impact of changing Parish Offers

The single-most important issue surrounding Parish Offer going forward, is that the real value of Parish Offer (allowing for inflation) is maintained, so that the current levels of stipendiary clergy may be deployed across the county to support our Christian ministry and witness in our communities.

It is our prayer that financial resources will be provided to allow such deployment, and the engagement of all congregations as a part of this process is vital.

In the event of Parish Offer not keeping up with inflation, it is regrettable that the likely impact will be the need to reduce further the number of stipendiary clergy deployed across the county. Such a decision would not be taken lightly, and would be discussed at Bishop's Council and Diocesan Synod, but unless alternative funding streams could be found, this would most likely be the only option available.

1.7 Summary

As Anglican, Methodist, URC and Salvation Army churches increasingly work together in mission and ministry across Cumbria, the desire, and need, to work in collaboration in all areas becomes more necessary and beneficial.

Having reviewed the Anglican Parish Offer process, the Diocese has decided that the Parish Offer system remains the most appropriate way to finance ministry going forward.

However, increasingly the Parish Offer needs to be set in the context of Mission Communities, and the need remains to provide the financial resources across the county, to fund the ministry desired. The principles of realism and generosity need to underpin this process, and ultimately the level of funding provided will dictate the level of activity we can support.

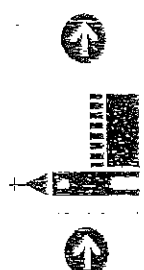

Shared conversation, information, planning, along with an increasing level of working and worshipping together will naturally lead to more trust and co-operation between congregations, and this in turn will (and has been shown to) lead to a higher degree of comfort in working together in the trickier areas such as finance.

It is believed that by having a relatively flexible approach to how a Mission Community chooses locally its structure and mechanisms for agreeing and paying its Parish Offer, this will encourage both leaders and constituent churches to engage positively with the process going forward, and that across the county, we will be able to make a sensible match between income, and the level of stipendiary ministry and other resource which can be deployed.

Financing Ministry in Cumbria

BASED ON 2019 DBF BUDGET - APPROVED BY DIOCESAN SYNOD

Local Mission and Ministry

<p>Income</p> <ul style="list-style-type: none"> Local giving Legacies Investment and other income Parochial fees (weddings, funerals) 		<p>Your local costs e.g.</p> <ul style="list-style-type: none"> Building Events Insurance Expenses 	<p>Your Church</p>
<p>Total: £5,466,609</p>			
<p>Parish Offer £4,835,709</p>			
<p>+ Portion of Parochial Fees</p> <p>£430,900</p>		<p>+ Parsonage Rent Income</p> <p>£200,000</p>	
<p>Total: £5,741,089</p>			

<p>Clergy, Curates and Chaplains</p> <p>£3,627,021</p> <p>Stipends, pensions and some Mission Community posts (this assumes that at any point, on average, one post in 14 is in vacancy)</p>	<p>Costs in Support of Vacancies</p> <p>£40,000</p>	<p>Network Youth Church</p> <p>£218,000</p> <p>Training</p> <p>£724,000</p> <p>Housing</p> <p>£1,132,068</p> <p>Clergy and 'House for Duty'</p>
<p>Total: £5,741,089</p>		

Shortfall met by the Diocese: £274,480

Central Diocesan Support and Activities

<p>Income</p> <p>Total: £2,267,956</p>	<p>Investment Income</p> <p>£260,400</p> <p>Rydal Hydro, interest, dividends and rent income</p>	<p>Church Commissioners</p> <p>£911,400</p> <p>'LINC' grant, Strategic Development and Capacity grants</p>
<p>Grants and Donations</p> <p>£232,900</p> <p>Including All Churches Trust, Methodist Church, Norwegian Missionary Society</p>	<p>Contributions from Endowment Funds</p> <p>£863,256</p> <p>Barchester (for schools), Glébe, Growth Fund, Pastoral Account</p>	
<p>Total: £2,267,956</p>		

<p>Costs</p> <p>Total: £2,266,519</p>	<p>Support</p> <p>£966,539</p> <p>Including National Church, Archdeacons, stewardship, communications, safeguarding, legal, governance, opshops</p>	<p>Care for Church Buildings</p> <p>£108,100</p> <p>Including costs of DAC, redundant churches, grants</p>
<p>Outreach</p> <p>£303,500</p> <p>The Reach Team and activities</p>	<p>Finance and Admin</p> <p>£411,900</p> <p>Including Diocesan Secretary, Finance, HR, IT, Church House</p>	<p>Education</p> <p>£202,000</p> <p>Support of 107 church schools</p>
<p>Total: £2,266,519</p>		

Contributions towards the cost of legal ministry: £274,480

*Note that neither Parishes nor the Diocese fund the Cathedral or the two Bishops.

