THE CHURCH OF ENGLAND
DIOCESE OF DURHAM

2023

GUIDED PLEDGE REVIEW

FROM THE CHAIR

As a curate, my training incumbent taught me that the parish share should be the first call on our parish income. This has motivated me to steer my PCC (who don't need much steering!) to be generous and faithful with all that God has entrusted to us. To quote the evangelist J John, God owns all the doughnuts! (Please look it up on the internet if you don't understand the reference.)

I'm grateful for the opportunity to have lead this working group tasked with reviewing the Guided Pledge System here in Durham Diocese. The group have a range of skills, experiences and perspectives and I'm thankful for all of them. I appreciate the time they gave to this process and the advice that was offered. I'm also grateful to those across the diocese (area deans, treasures, and more) who have contributed their views to this process - thank you. I hope this report does justice to all that has been contributed.

In His name,

Mark

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And now, brothers and sisters, we want you to know about the grace that God has given the Macedonian churches. In the midst of a very severe trial, their overflowing joy and their extreme poverty welled up in rich generosity. For I testify that they gave as much as they were able, and even beyond their ability. Entirely on their own, they urgently pleaded with us for the privilege of sharing in this service to the Lord's people. And they exceeded our expectations: They gave themselves first of all to the Lord, and then by the will of God also to us. So we urged Titus, just as he had earlier made a beginning, to bring also to completion this act of grace on your part. But since you excel in everything—in faith, in speech, in knowledge, in complete earnestness and in the love we have kindled in you—see that you also excel in this grace of giving.

2 Corinthians 8:1-7

INTRODUCTION

The task of sharing the costs of ministry from across the diocese, across 209 parishes, all in different contexts is neither straightforward nor easy. However the Guided Pledge System (GPS) operating here in Durham Diocese appears to be best option many of those in parish ministry have experienced. The figure generated by the GPS, the Guided Pledge (GP), gives each parish a guide figure from which it can then make its own judgement as what is an appropriate parish share pledge to make.

This review has considered the first three years of the GPS and has made a number of recommendations about its future use. Whilst some of these recommendations are related to the formula contained within the GPS calculation, most of the recommendations relate to how the GPS is communicated which includes how those in the parishes can best understand their responsibilities when making pledges. Some of the recommendations may be hard to hear but we do think they are necessary if we are to sustain parish ministry, as we understand it, in the diocese.

Please receive this report and recommendations as they are intended, so that we can continue to bless our communities in Jesus' name for the transformation of us all.

The Guided Pledge Review Group

"There is no perfect system otherwise we'd be using it!"

A diocesan secretary in a diocese somewhere.

GLOSSARY OF TERMS

Throughout this document there are various acronyms and terms used. These are listed below, in alphabetical order, with explanations.

FG / Finance Group

A sub group of Bishop's Council with the delegated responsibility of overseeing financial and Human Resources aspects of the Diocese.

GGT / Generous Giving Team

This team currently comprises 1.6 full time equivalent staff. They provide support and guidance to enable parishes and individuals to embed generosity into their culture, as well as practical support around mechanisms which allow people to give to church in a way that best suits them. They also signpost and provide resources to build capacity within parishes to help them better manage their finances, consolidate parish accounts across the Diocese and assist with the analysis of parish data to address financial issues facing both parishes and the Diocese.

GPS / Guided Pledge System

This is the formula used to calculate the Guided Pledge. It uses data primarily from parish returns but also published national data (population and IMD).

GP / Guided Pledge

This is the figure presented to each parish as the final output from the GPS.

GPRG / Guided Pledge Review Group

The group tasked with completing this review.

IMD / Indices of Multiple Deprivation

A national database of deprivation data which ranks each area. The lower the number the more deprived a parish is. There is a helpful tool provided by the Church Urban Fund which makes use of this data.

LICF / Lowest Incomes Community Funding

This is a block grant from central church funds which is given to a number of dioceses to support mission. More information is available on the CofE website here.

Mutuality

The concept that we are all the diocese and we are all to support each other. An outworking of this with Parish Share is that those who have more, contribute more to support those who have less. The concept of supporting each other is illustrated in 2 Corinthians 8:7-15.

Pledge

This is the figure each parish agrees to contribute to the overall Parish Share.

Parish Share

The monies contributed by each parish towards the costs of providing ministry in the diocese. These costs include parish ministry, oversight, missional support, administrative support, but do not include activities which are grant funded.

Safeguards

Within the GPS there are safeguards designed to protect against GPs being too high or too low. These are explained within this report.

The Ask

The GPS requires an overall figure which it is asked to raise (in 2023 it was £5.5million). Within this report this is referred to as 'the Ask'. This figure is set by Bishop's council as part of the budget setting process.

UGP - Unadjusted Guided Pledge

The output of the GPS before the safeguards are applied.

EXECUTIVE SUMMARY

The GPS is, in principle, a helpful way to divide parish share across the diocese that is generally well received. The GPS gives each parish an indication (a GP) of the amount it should contribute towards the cost of ministry in the diocese. The formula contained within the GPS would benefit from some minor adjustments to better deal with unrestricted reserves and those churches who have higher incomes.

The GPS does not allocate the Low Income Communities Fund (LICF) monies received by the diocese from central church funds. Whilst the GPS creates GPs based on a parish's Index of Multiple Deprivation (IMD) position, there is a disconnect between the LICF and the GPS. This requires further work for the 2025 parish share cycle as there is not enough time to complete this work for the 2024 cycle.

There is a complexity to the GPS formula which can create confusion despite best efforts to communicate the process each year. There are improvements that can be made to central communications including developing better web based resources. This improved communication should also include communicating the support and assistance available to parishes from central diocesan staff most notably the Generous Giving Team.

The parish share principle is predicated on the concept of mutuality, namely that we are all the diocese and therefore we are all responsible for the required funding and the costs incurred in the delivery of ministry across the diocese. This concept is not universally understood nor acted upon across the parishes.

The GPRG believe that parishes that have a good theology of money and a good model of financial discipleship and mutuality make generous pledges and/or have grown their pledges year on year.

The GPRG also believe that significant numbers of parishes do not recognise the mutuality of the parish share and see it either as the diocese asking for some of 'their' money or someone else's problem. Neither of these findings are new nor are they related to the mechanics of the GPS.

The dissemination of GPs varies across deaneries. In some deaneries every parish knows every other parish's figure which helps to build a culture of mutuality. In other deaneries the figures are kept confidentially with a parish only knowing its own GP. To aid transparency and to develop a better sense of mutuality the entire GP calculation for the whole diocese should be made publicly available so that everyone, including parishioners, can have an understanding of the parish share finances.

A key challenge to the effective operation of the GPS is the overall reduction in parish income. The GPS functions well when there is increasing parish income, as should happen in growing churches. When overall parish income reduces, increasing numbers of parishes have their GP capped at 65% of their income which then increases the burden on those parishes that are not capped. It is of note that the GPS has not resulted in a net increase in parish share income across its implementation. The only increase was in year one (the 2021 cycle) with reductions in parish share in subsequent years. Anecdotal evidence suggests that the GPS prevented a more significant decrease in parish share income.

The current situation does not appear to be sustainable in the medium to long term. The solution seems to be either a reduction in requested parish share, which could only happen if there is a reduction in costs namely stipendiary ministry (or new funding from other sources was found but this is outside the scope of the GPRG), or there is an increase in parish finances and consequently parish pledges. The former would require a review of deanery plans, the latter can be developed through working with the Generous Giving Team (GGT).

The GGT exists to support parishes in developing a good theology of money and generosity and to better understand mutuality. The GPRG hope that parishes who have not been able to contribute a parish share close to the GP level will engage with the GGT.

In conclusion, whilst the GPS makes a good attempt to fairly distribute the cost of ministry in the diocese across the parishes, unless each parish works towards being net-contributors to the parish share no amount of adjustment to the GPS will result in a sustainable financial model.

THE REVIEW GROUP & PROCESS

The review was commissioned by Bishop's Council on 1st December 2022 and asked to report back by the 30th March 2023 in preparation for the 2024 Guided Pledge process.

The Guided Pledge Review Group (GPRG) was led by Mark Miller, vicar of Stockton Parish Church and member of the Diocesan Finance Group (FG).

The GPRG comprised:

- Tom Brazier - a member of the FG, Vicar of Greenside Parish & Area Dean of Gateshead West
- Susan Brown - Lay chair of Lanchester deanery
- Colin Price - FG member and part of the original group that set up the Guided Pledge
- James Morgan - Diocesan Secretary
- Gary Taylor - Head of Finance
- Paul Child - Parish Giving Advisor
- Nathan Bruce - Parish Giving Champion

The GPRG had 4 meetings between 18th January 2023 and the 29th March 2023. The meetings reviewed existing historical data & feedback and sought new feedback and data from a range of sources including area deans, a selection of vicars and an invitation for feedback from across the wider diocese.

The GPRG were given clear terms of reference which are attached to this report at Appendix I.

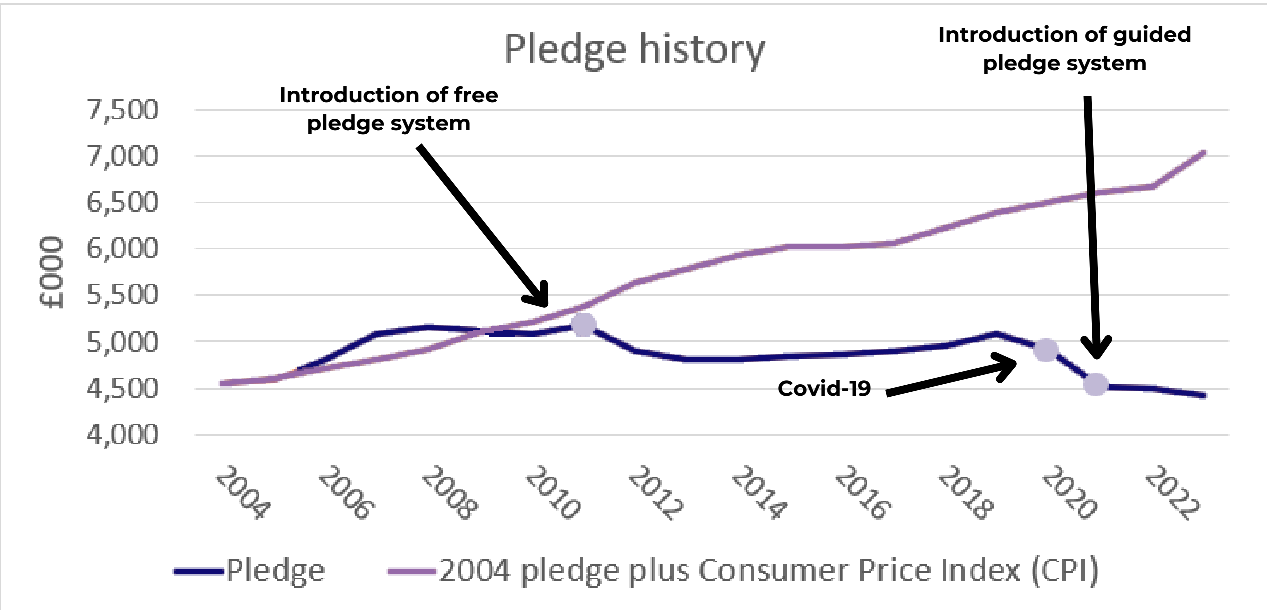
AN EXPLANATION OF THE GUIDED PLEDGE SYSTEM (GPS)

Parish Share is the income given by all parishes in the diocese towards the cost of ministry across the whole diocese. Historically parish share was 'paid' on receipt of an invoice based on a calculation conducted by the diocese.

When the then Bishop Justin became Bishop of Durham in 2011 he introduced a pledge based parish share system whereby no invoices were issued but every parish was asked to make a generous pledge based on what it considered to be an appropriate amount with a commitment to deliver this. The total parish share income reduced.

In subsequent years parishes were asked to increase their parish share pledges generously and by at least 5%. This had a mixed effect.

The graph below shows the parish share income alongside the consumer price index through to 2023 (year labels are only every other year hence no '2023' label). The reduction both in actual amount and in real terms (when compared to the CPI) is evident.



In 2021 the Guided Pledge System was introduced.

The GPS is pledge based. Each parish is free to decide what it chooses to contribute with reference to a calculated guide figure using the data associated with each parish. The data is:

- The parish IMD
- The stipendiary ministry received by the parish
- The people in the parish (population, electoral role, usual Sunday attendance)
- The financial resources of the parish (annual unrestricted income, 10% of restricted income, unrestricted reserves, 10% of restricted reserves.)

A total figure (referred to in this review as ‘the ask’) is loaded into the formula and the calculation is run. For every parish an Unadjusted Guided Pledge (UGP) is created. However there exist two safeguards applied to produce the Guided Pledge:

- If the UGP figure is higher than 65% of the parish’s annual income the GP is capped at 65% of the parish’s income. See example below:

	UGP	65% Cap	2023 GP
Church A	£44,177	£36,370	£36,370

- If the UGP is less than the parish’s contribution in the previous year, the GP is adjusted to last year’s contribution plus an inflationary amount (in 2023 it was 5%) with the aim being that the pledge remains the same in real terms . See example below:

	UGP	2022 Pledge	2023 GP
Church B	£60,317	£63,272	£66,436

Number of parishes with safeguards applied:

	2021	2022	2023
GP above 65%	6	84	68
GP capped at 65%	92	94	118
GP with no safeguards	111	31	23

THE REVIEW FINDINGS

The following findings and associated recommendations are presented within the terms of reference given to the GPRG.

1. To assess if the guided pledge system has addressed the four identified reasons for change (as in Synod paper September 2020 attached Appendix 4), if it has not to identify actions that would address the reasons for change:

- **1.1** Decline in value of parish share
- **1.2** Disparity between parishes
- **1.3** Inequity in relative effect of requests for increases
- **1.4** Allocation of lowest income communities funding

The guided pledge system has been broadly welcomed as a measure of appropriate parish share level for each parish based on four consistent metrics (IMD, stipend, people, finances).

The further findings for this area are separated into the four subsections:

1.1 Decline in value of parish share

The GPS resulted in an increase in overall parish share income when compared to the free pledge system in the first year of operation (2021 - see chart below). However the overall income from the GPS has not continued to increase primarily as a result of parish income decreasing.

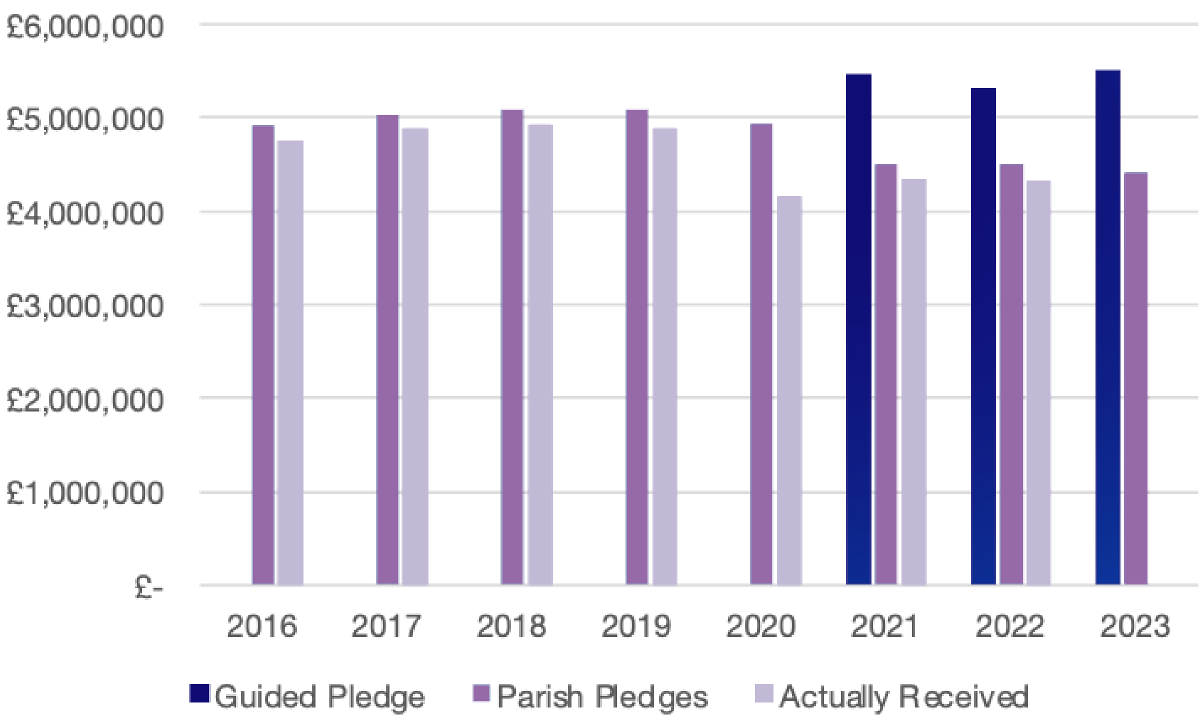
This declining parish income results in the 'ask' having to be reduced year on year so that instead of asking what is required to balance the diocesan budget, it requests what the formula can calculate without exceeding the safeguards.

There are several consequences of a reducing parish share including a deficit budget and a reduction in available parish clergy (with knock on effects on others).

The GPS is limited by parish income. The only apparent solutions are to ask for less (with the consequences to overall staffing levels) or for parishes to grow their income.

Anecdotal evidence suggests that the GPS is encouraging parishes to increase their parish share contribution. The chart and graph below give actual figures for the last 8 years.

	Guided Pledge	Parish Pledges	Actually Received
2016	No GP	£4,905,980	£4,745,382
2017	No GP	£5,021,493	£4,867,030
2018	No GP	£5,085,172	£4,919,086
2019	No GP	£5,088,172	£4,876,286
2020	No GP	£4,938,158	£4,138,158
2021	£5,461,756	£4,507,755	£4,331,462
2022	£5,300,000	£4,495,878	£4,320,519
2023	£5,496,497	£4,409,253	



1.2 Disparity between parishes

The formula calculates a GP that is equitable across all parishes with a very small number of anomalies for example where the parish population is tiny.

There is some feedback from the parishes that individual cost bases are not taken into consideration. This suggests a belief that the cost of ministry as covered by the Parish Share is not part of the cost base, when it is and should be factored into parish finances in these parishes. This is a communication and training issue.

1.3 Inequity in relative effect of requests for increases

With previous parish share systems a simple requested increase was made across all parishes e.g. 5%. However this created a disparity in effect when comparing a parish with a low pledge and a parish with a high pledge. For example 5% of £10k is £500, whereas 5% of £100k is £5,000

The GPS results in equitable request for increases across all parishes. However there remains a greater impact of increase requests on those churches with the largest income who are given GPs that are significantly higher than the cost of ministry. This is because of the number of parishes limited to 65% of income. The GPS formula then targets those churches not capped at 65%. This problem is because the GPS is stretched to its limits.

Any disparity in Parish Share pledges does not seem to be linked to the GPS but rather each parish's approach to Parish Share and this is a significant problem. The largest inequity is in what parishes actually pledge rather than the output of the GPS.

1.4 Allocation of lowest income communities funding (LICF)

The GPS makes no allocation of the LICF. The LICF is accounted for in a different calculation and return.

The GPS does though make an allowance for the IMD of a parish as one of the 4 factors in the calculation. This is imperfect e.g. some parishes have pockets of significant deprivation which are not reflected in their overall IMD rating however the GPS is reliant on national statistics for this factor.

Recommendation 1: As the LICF allocation falls outside the GPS, further work is required in preparation for the 2025 parish share cycle to consider the allocation of LICF being used more intentionally alongside deployment of ministry.

2. To consider if the "safeguard" limits built into the system are operating well or need to be adapted and whether any other limitations or inequities have emerged and how these can best be managed

Increasing numbers of parishes are being capped at 65% of their income. In 2022, 94 parishes (of 209) were capped at 65% with a further 84 being asked to contribute above 65% (total 178). In 2023, 118 parishes were capped at 65% with a further 68 being asked to contribute above 65% of income (total 186).

The ask of the GPS is limited to 65% of total parish income.

The 65% cap in so many parishes results in a lack of understanding of how parishes perceive the UGP. Increased communication on actual costs of ministry and actual UGP may result in better understanding in the parishes.

The GPRG considered recommending removal of the 65% cap. However to model and consider the consequences of this is a larger task and beyond the time available to the group.

There are a number of parishes that contribute above 65% of their income and for these parishes the safeguards in the GPS result in a GP of last year's pledge plus an inflationary amount (in 2023 it was 5%). These parishes are demonstrating generous mutuality and the GPRG recognises their valuable contribution to the overall parish share. As the parish share is a pledge based system if this became unaffordable a parish can pledge less than their GP and the following year their GP would be based on the same formula as the majority of parishes.

Recommendation 2: Present the UGP to parishes as part of the GP process

Recommendation 3: The actual costs of ministry to be published so that parishes have an understanding of ministry costs. See Appendix II.

Recommendation 4: Further work is carried out to consider removing the 65% cap for the 2025 cycle

3. To consider if reserves are being adequately considered in the model

There are over £8million in unrestricted reserves held across the parishes in the diocese. A similar figure is held in restricted reserves.

A number of parishes are carrying significant (more than 6 months running costs/annual income) in unrestricted reserves. This suggests a lack of understanding of charity law and reserves policies which could create difficulties for PCCs. Reserves policies would typically suggest holding unrestricted reserves of no more than 3 to 6 months operating costs.

Some parishes with large unrestricted reserves (more than 6 months annual income) have their GP capped at 65% which results in other parishes receiving a higher GP. The effect of this is that parishes with capped GPs are maintaining their unrestricted reserves at the expense of parishes that are not capped. This is not acting in mutuality.

Recommendation 5: No parish's GP should be capped at 65% if there is more than 12 months annual income in unrestricted reserves. (This would ideally be 6 months operating costs but that cannot be calculated effectively within the GPS). This will result in an increase in GP to approximately 54 parishes.

Recommendation 6: An audit of parish reserves policies is carried out. The GPRG suggest this happens during Archdeacon's Inspections.

4. To consider how the engagement and communication to key stakeholders could be strengthened and improved, within the resources available.

Diocesan communication could be improved including:

- publishing costs of ministry,
- explaining the concept of mutuality,
- signposting to help that is available to parishes,
- encouraging an improved theology of giving.

There is inconsistency in how GP figures are disseminated across the diocese. In some cases deanery leadership are very actively involved but this is not the case in all deaneries. In some deaneries the GPs are kept confidential with each parish only knowing their GP, in other deaneries all deanery GPs are known by all parishes. If all of the figures and calculations were made available to everyone in the diocese, this may provide a better understanding to those who contribute i.e. parishioners.

Not every parish understands the concept of mutuality and the shared responsibility to each other. If every parish worked towards covering their own ministry costs and then to became net contributors the GPS would function as intended. Our communication should include this expectation.

Parishes currently receive a certificate for contributing their whole parish share pledge even if their pledge is significantly below the GP or their pledge has been capped at 65%. Better communication in this area could raise the understanding of parishes.

There are a number of opportunities that could be taken to include the GPS and parish share expectations including the Bishop's study day, the Ministerial Development Review process, and clergy induction as they begin serving in the diocese.

Recommendation 7: GP to be communicated directly to Incumbents and Treasurers (rather than through deanery leadership) in addition to deanery leadership who will continue to assist in the collation of parish pledges.

Recommendation 8: The whole GP calculation to be made available to the whole diocese to encourage transparency. Making use of website and social media with the above information and the help that is available from the diocese including ACAT training and signposting to helpful resources.

Recommendation 9: Annual email from the Generous Giving Team to all incumbents, treasurers and deanery leadership advising of help and support that is available.

Recommendation 10: Ministerial Development Review process to include an exploration of approach to giving and parish share.

Recommendation 11: Bishop's Study Day to include parish share information and/or teaching about giving.

Recommendation 12: GPS and Parish Share to be included in the parochial clergy induction process.

Recommendation 13: Instead of a simple certificate, each parish to be thanked for their parish share with a 'statement' itemising:

- Guided Pledge
- Actual Pledge
- Parish Contribution

Recommendation 14: That the GPRG, or some other suitable discrete sub group, oversee the improved communication and roll out of the 2024 Guided Pledge process. Should this recommendation be accepted this work should start immediately.

5. To consider parish feedback received during the three years of operation and to make recommendations to address this where necessary.

Feedback from parishes has been broadly supportive of the GPS as a fairer way to define parish share.

There are also some constructive criticisms which are repeatedly raised (detailed below). Some of this feedback should be incorporated onto the GPS with the remainder addressed with improved communication, perhaps by way of a FAQ on the Diocesan website.

Out of date figures are used to calculate the GP. The data lag is unavoidable as this is the most recent data available. However this point could be better communicated.

Fluctuating parish income year on year. There is concern that a parish may have an usual increase in income in a particular year e.g. a large grant or legacy. There are attempts to remove this from the GPS before the calculation runs but this may not always be accurate. An averaging of income over 2 or 3 years would smooth out any fluctuations.

Use of restricted reserves in the calculation. The impact of reserves in the calculation is quite small. In 2023 for every £10 of restricted reserves used in the calculation the GP increased by 8.5p. This could be better communicated.

Cost base not included. Churches that have staff, or high costs request that these are included in the calculation. This suggests a belief that the parish's ministry costs, which the GPS seeks to estimate, are secondary which they are not. With better communication and training this could be addressed.

Building costs. This is similar to the point above. Old buildings are a major financial problem but they should not take precedence over the cost of ministry.

Parishes unable to contribute the GP, or an amount close to or in keeping with, the GP.

This suggests these parishes are not currently financially sustainable and that additional support, similar to the vacancy audit process, could be offered.

Higher income parishes. There are a small number of parishes with higher income who contribute significantly above their ministry costs. Whilst there is a general, but not universal, commitment to mutuality and a willingness to be generous contributors, the very high parish share contributions may limit the missional effectiveness of these parishes.

Recommendation 15: FAQ produced and included in a Guided Pledge web page.

Recommendation 16: Reduce manual adjustments to parish income (to remove grants/legacies) and instead unrestricted parish income to be averaged over a multi year period:
- 2024 GPS: average income for 2021 & 2022
- 2025 GPS: average income for 2021, 22, 23 continuing with averaging the last 3 years.

Recommendation 17: Where parishes are consistently under-contributing parish share, additional support to be offered from the GGT overseen by the Archdeacon. This could include a Giving Review using the CofE materials, encouragement to use the Parish Giving Scheme, support with improved financial management and controls.

Recommendation 18: Guided Pledges to be capped at 200% of ministry costs (for current ministry costs see Appendix III). This would affect less than 10 parishes in the 2023 cycle.

6. To consider the data collected and generated from the guided pledge process identifying where this has been used well and opportunities for further development

The opportunities have included:
- The data sets were used recently to distribute some additional funding to assist with energy costs.
- The Generous Giving Team have been able to use the data to target support to parishes.
- As noted elsewhere, the data raises questions of parish sustainability and viability. This information can assist with the forthcoming Strategic Transformation Fund work.
- The data seems to highlight that GP engagement and giving levels do not necessarily correlate to deprivation levels. See graph at Appendix III.

7. To consider whether there is a simple mechanism to introduce a link between a parish's approach to good stewardship practices and the guided pledge amount applying to a parish or to strengthen the pledge process in a way that encourages parishes to engage in good stewardship practices.

We could not identify a simple mechanism based on the data available however the following is noted:

Parishes that have a good theology of money and a good model of financial discipleship and mutuality make generous pledges and/or have grown their pledges year on year. There is support available from the GGT to help parishes develop in these areas however many parishes that could benefit from this support do not appear to engage.

An audit of all parishes and their approach to giving could be a useful exercise but the GGT is not large enough to oversee this work.

The Church of England has produced a 3 page, easy to follow, Giving Review. If every parish that is not contributing their GP conducted this review it may generate greater engagement with the support that is available. (See recommendation 17)

The GPRG believe the findings and recommendations of this review should be widely disseminated to encourage greater engagement with the parish share process.

Recommendation 19: This report to be published by Bishop's Council.

8. To reflect on the impact of how the model "stood up" to a major external shock eg CV19 and whether there is learning for this for the future.

As noted elsewhere, overall parishes have reducing income. It appears that CV19 accelerated a trend that has been identified in other diocesan research. This has been exacerbated by the recent increase in energy costs and high inflation.

The GPS will work well when there is increasing parish income however given the trend is reducing parish income, the GPS is at the limit of its ability to raise sufficient funds and the 'ask' of the formula has reduced in recognition of this.

SUMMARY OF RECOMMENDATIONS

These are the recommendations of the GPRG:

1. As the LICF allocation falls outside the GPS, further work is required in preparation for the 2025 parish share cycle to consider the allocation of LICF being used more intentionally alongside deployment of ministry.

2. Present the UGP to parishes as part of the GP process

3. The actual costs of ministry to be published so that parishes have an understanding of ministry costs. See Appendix 2.

4. Further work is carried out to consider removing the 65% cap for the 2025 cycle

5. No parish's GP should be capped at 65% if there is more than 12 months annual income in unrestricted reserves. (This would ideally be 6 months operating costs but that cannot be calculated effectively). This will result in an increase in GP to approximately 54 parishes.

6. An audit of parish reserves policies is carried out. The GPRG suggest this happens during Archdeacon's Inspections.

7. GP to be communicated directly to Incumbents and Treasurers (rather than through deanery leadership) in addition to deanery leadership who will continue to assist in the collation of parish pledges.

8. The whole GP calculation to be made available to the whole diocese to encourage transparency. Making use of website and social media with the above information and the help that is available from the diocese including ACAT training and signposting to helpful resources.

9. Annual email from the Generous Giving Team to all incumbents, treasurers and deanery leadership advising of help and support that is available.

10. Ministerial Development Review process to include an exploration of approach to giving and parish share.

11. Bishop's Study Day to include parish share information and/or teaching about giving.

12. GPS and Parish Share to be included in parochial clergy induction process.

13. Instead of a simple certificate, each parish to be thanked for their parish share with a 'statement' itemising:

- Guided Pledge
- Actual Pledge
- Parish contribution

14. That the GPRG, or some other suitable discrete sub group, oversee the improved communication and roll out of the 2024 Guided Pledge process. Should this recommendation be accepted this work should start immediately.

15. FAQ produced and included in a Guided Pledge web page.

16. Reduce manual adjustments to parish income (to remove grants/legacies) and instead unrestricted parish income to be averaged over a multi year period:

- 2024 GPS: average income for 2021 & 2022
- 2025 GPS: average income for 2021, 22, 23 continuing with averaging the last 3 years.

17. Where parishes are consistently under-contributing parish share, additional support to be offered from the GGT overseen by the Archdeacon. This could include a Giving Review using the CofE materials, encouragement to use the Parish Giving Scheme, improved financial management and controls.

18. Guided Pledges to be capped at 200% of ministry costs (for current ministry costs see Appendix II). This would affect less than 10 parishes in the 2023 cycle.

19. This report to be published by Bishop's Council.

APPENDIX I

Terms of Reference – Agreed Bishops Council 1/12/22
Task and Finish Group- Guided pledge review 2022
Background

This review has been commissioned by the Finance Group of the DBF to inform future financial planning and processes.

At Diocesan Synod September 2020 (paper attached) it was approved to move to a guided parish share pledge (from a totally unguided system), meaning that PCC's would be supplied with an indicative amount that was deemed to be appropriate to their setting based on four factors (IMD, Stipend deployment, people, financial resources). The total amount having been derived from an overall desire to reach a financial target that would deliver a balanced budget and support deployment levels within Deanery plans.

The cycle has run almost three times: to deliver 2021 guided pledge, 2022 guided pledge, and most recently 2023 guided pledge.

The impact of the pandemic during these years has impacted the roll out of the process, most notably in the impact on attendance datasets as regular worship moved on-line for some of 2020 and 2021. The fall in overall parish giving has also led to implications for the total which can be raised within the constraints of the current model.

Scope

1. To assess if the guided pledge system has addressed the four identified reasons for change (as in Synod paper September 2020), if it has not to identify actions that would address the reasons for change:

- Decline in value of parish share
- Disparity between parishes
- Inequity in relative effect of requests for increases
- Allocation of lowest income communities funding

2. To consider if the "safeguard" limits built into the system are operating well or need to be adapted and whether any other limitations or inequities have emerged and how these can best be managed;

3. To consider if reservesare being adequately considered in the model;

4. To consider how the engagement and communication to key stakeholders could be strengthened and improved, within the resources available.

5. To consider parish feedback received during the three years of operation and to make recommendations to address this where necessary.

6. To consider the data collected and generated from the guided pledge process identifying where this has been used well and opportunities for further development

7. To consider whether there is a simplemechanism to introduce a link between a parish's approach to good stewardship practices and the guided pledge amount applying to a parish or to strengthen the pledge process in a way that encourages to engage in good stewardship practices.

8. To reflect on the impact of how the model "stood up" to a major external shock e.g. CV19 and whether there is learning for this for the future.

Make up of core group

- Chair – member of Finance Group
- Finance Group (up to two more members)
- Area Dean
- Deanery Lay Chair
- Finance Director
- Diocesan Secretary
- Group secretariat: generous giving team (S Amsden, N Bruce, P Child)

Timeline - suggested

- December 2022 – Group formed
- 2nd Feb 2023 Interim reportFinance Group
- 6th March 2023 interim report /update to BC
- Late March – finalise recommendations
- 5th April 2023 Finance Group to review draft recommendations
- 27th April 2023 – Bishops Council – table any recommendation that need BC approval to be adopted
- May 13th 2023 – Diocesan Synod – table any recommendations that need synod endorsement

MV– Chair of Finance Group
JM – Diocesan Secretary

APPENDIX II

Summary of cost of ministry

Diocesan budget per clergy post Applied across 110 Stipendiary posts		Budget 2023 £	5% increase 2024 £
Cost of Clergy	Stipend	£29,063	£30,516
	National Insurance	£2,664	£2,798
	Pension	£7,340	£7,707
		£39,067	£41,020
	Curates, Archdeacons and clergy grants	£9,169	£9,628
		£48,236	£50,648
Property costs	Major works and maintenance	£8,280	£8,694
	Council tax, services and utilities	£4,726	£4,962
	Property team	£1,201	£1,261
Cost of Clergy and Housing		£62,443	£65,565
Other Costs	Discernment, Ordinands and Clergy development, Mission, Discipleship and Ministry, Chaplaincy	£5,172	£5,430
	Safeguarding	£1,382	£1,451
	Legal, Insurance, Governance and Closed Churches	£4,367	£4,586
	Finance and HR	£2,890	£3,035
	Communication and IT	£1,615	£1,695
	Management and administration	£2,496	£2,620
		£80,363	£84,382
National Church - clergy training, support services and governance		£4,229	£4,546
Total costs of ministry		**£84,592**	**£88,928**

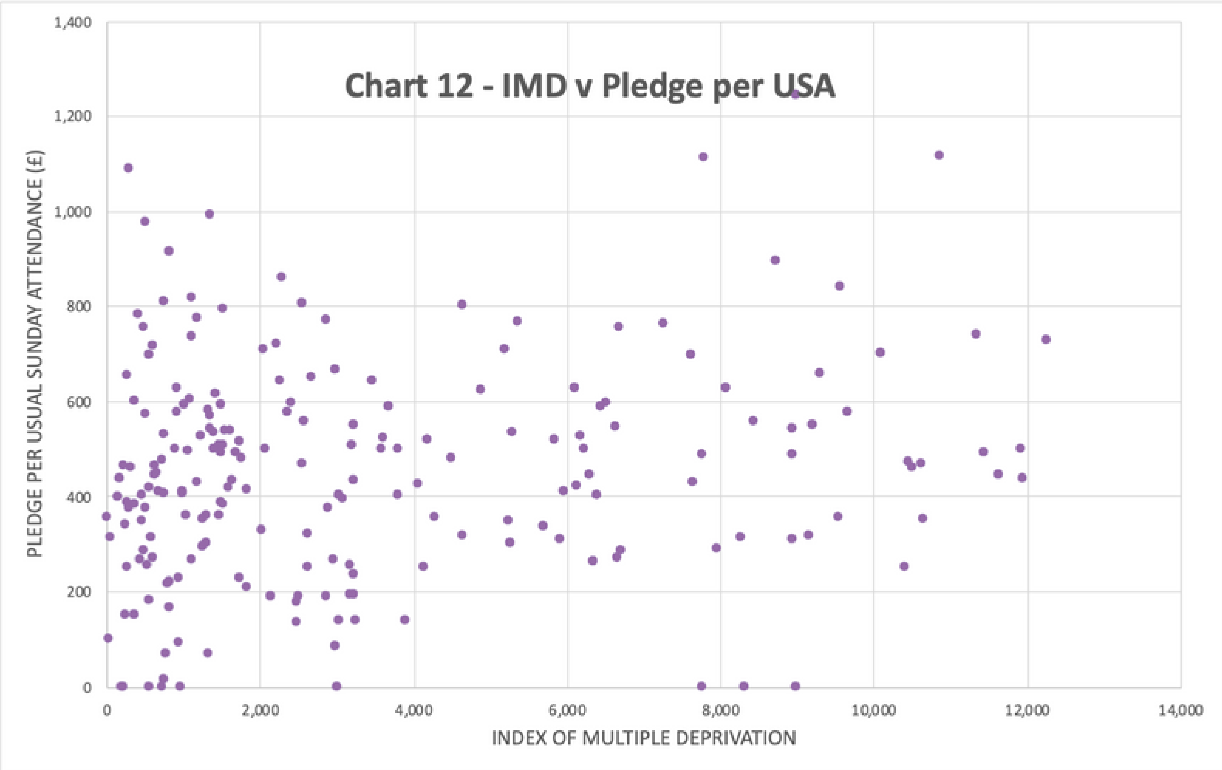
- The stipend figures is for the calendar year so for 2023 includes 3 months at one rate (2022-2023) and 9 months at the other rate (2023-2024)
- Other stipendiary ministry includes the cost of those paid through stipends but not the standard stipends used for the 110 clergy e.g. Curates, Chaplains and Archdeacons
- The property maintenance cost is an average and allows for the less frequent but larger maintenance costs that occur periodically to any one property but are relevant each year to the Diocese as a whole such as roof repair / replacement, repairs and renewal of electrical and plumbing systems etc. Diocesan housing staff are included in 'Other property related costs'.
- We give to National Church as they support us - in much the same way as we ask Parishes to Parish Share as we support them. Plus they require us to pay it to them and unlike GP we do not have the option to pay a lower amount.

- We pay for closed churches because once closed the Parish is no longer responsible for the building etc and it becomes a cost to the Diocese and unlike the widely held belief when we close a church and subsequently dispose of it we usually lose money over all, their sale is not the 'cash cow' people assume it is.
- Depreciation is an accounting cost we are required to include and allocates the cost of an asset over it's useful life to reflect use, wear and tear, obsolescence etc. This includes furniture, computers etc.

APPENDIX III

Correlation between deprivation and pledge levels.

This chart shows that there is no correlation between these two factors. That is, churches that are in the most deprived parishes are making some of the largest pledges per person and churches in less deprived areas do not necessarily make higher pledges per person.



APPENDIX IV

Diocesan Synod 7 September 2020
Agenda Item: 5
Title: Guided Pledge
Sponsor: Margaret Vaughan
Author: James Morgan (Finance Director), Nathan Bruce (Parish Giving Champion)
Presenter: James Morgan, Nathan Bruce

1. Executive summary

A guided pledge system has been developed by Nathan Bruce, with assistance from the members of the Task and Finish Group, in order to address issues identified with the free pledge system currently used to manage parish share. This paper sets out the issues to be addressed, the methodology supporting the proposed guided pledge system, details of the stages of consultation undertaken, and the timeline to implementation.

2. Reasons for change

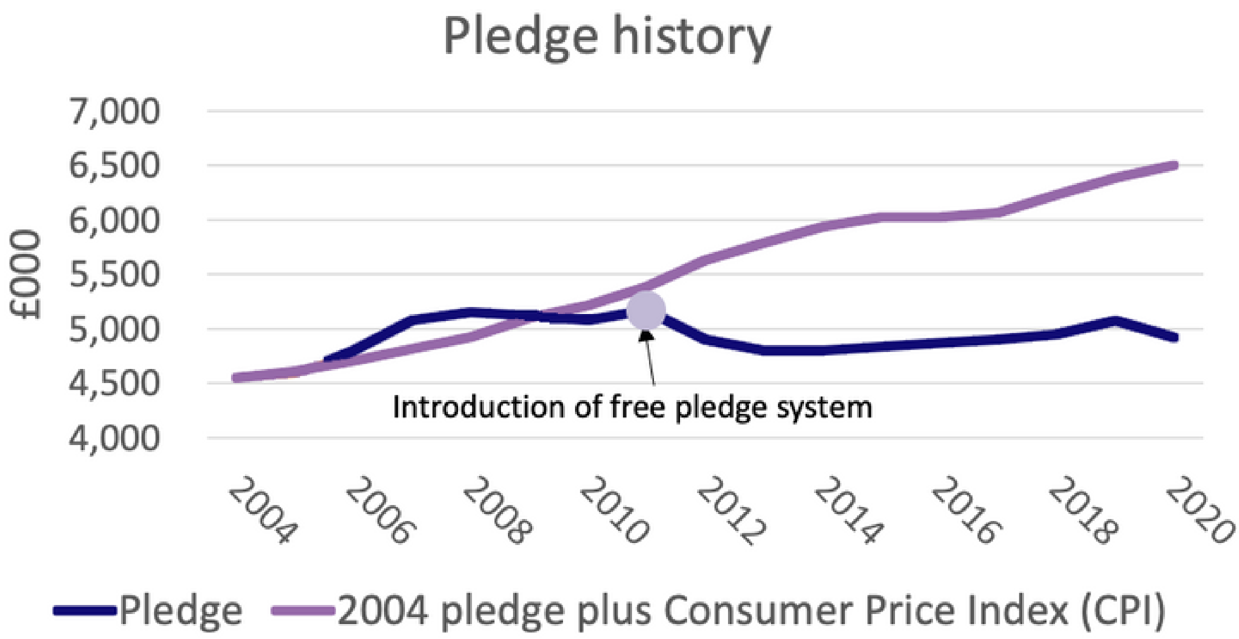
The following issues were identified which indicate a need to change the current system:

- Decline in value of parish share;
- Disparity between parishes;
- Inequity in relative effect of requests for increases; and
- Allocation of Lowest Income Communities Funding

Each of these is explained further in turn:

Decline in value of parish share

Since the introduction of the free pledge system, parish share has fallen in both real and absolute terms. The value of pledges received in 2020 has fallen by 26% in real terms since 2011. This is a significant factor in the 2020 budgeted deficit of £750k; had share kept pace with inflation over this period, and all else being equal, the 2020 budget would show a £600k surplus.



Disparity between parishes

PCCs do not have a benchmark upon which to base their level of parish share. Whilst it is recognised that there is no perfect method of comparing the level of parish share between parishes, applying the guided pledge calculation to the total of the 2019 share received and comparing to the actual share received from each parish shows a significant range of parishes contributing above and below this level.

A guideline gives a starting point for a conversation with those parishes whose pledge is significantly below the guideline, allowing greater dialogue and understanding within deaneries and the diocese.

Inequity in relative effect of requests for increases

Under the free pledge system, the only way in which parishes can be asked to increase their pledge is by reference to their current pledge level, i.e. asking parishes to increase their pledge by 5%. This exacerbates the inequality above (parishes which currently give least are asked to increase by least) and takes no account of the resources (both financial and human) of the parish.

Allocation of Lowest Income Communities Funding

There is an increasing need to demonstrate how Lowest Income Community Funding is used to support the parishes with the lowest incomes, and the free pledge system does not take this into account as pledges made are not related to the level of deprivation of a parish.

3. Consultation process

Consultation has taken place over the past 14 months, with the following groups:

- Bishop's Council;
- Bishop's Leadership Team
- Area Deans and Lay Chairs
- Users of the Finance Forum; and
- Incumbents and PCC members

This process has been subject to oversight from the Task & Finish Group set up by Bishop's Council. This process was suspended in March 2020 due to Covid-19, during the period in which consultation with Area Deans and Lay Chairs was underway. As it was not possible to meet with all Area Deans and Lay Chairs in person, this was rolled into the last stage of consultation, a series of guided pledge online roadshows for incumbents and PCC members.

4. Guided Pledge

The guided pledge system keeps some elements of the free pledge system, whilst changing others. Under this system, the diocese calculates a guideline figure for each parish and, having considered that figure, the PCC makes a pledge of the amount of parish share that they intend to give in the forthcoming year. It remains at the discretion of the PCC as to whether to make their pledge equal to the guideline or whether to pledge a higher or lower amount.

A target for the total parish share income is set by the diocese, and the guideline figures for each parish are allocated based on the following factors, each of which is used to generate 25% of the total target figure:

- Clergy;
- People;
- Financial resources; and
- Deprivation

Clergy

25% of the target is apportioned based on the amount of stipendiary clergy time allocated to each parish based on the Deanery Plans as a proportion of the total stipendiary clergy time. House for Duty clergy and Self-supporting ministers where they undertake the role of priest in charge are also included as an appropriate fraction of a stipendiary clergyperson.

People
15% of the target is apportioned based on the number of usual Sunday attendees, 5% based on the number of people of the electoral roll and 5% based on the population, each as a proportion of the total in all parishes.

Financial resources
15% of the target is allocated based on the sum of 100% of a parish's unrestricted income and 10% of its restricted income, in proportion to the total for all parishes. 10% of the target is allocated based on the sum of 100% of a parish's unrestricted reserves and 10% of its restricted reserves, in proportion to the total for all parishes.

Deprivation
Each parish is allocated a score based on its position in the Index of Multiplie Deprivations (IMD), a national statistical series which ranks parishes between 1 and 12,425, 1 being the most deprived, 12,425 being the least deprived. It is recognised that a ranking system does not form an ideal basis for a proportional allocation, and that parish boundaries do not map exactly to the area based units used by the government. However, the use of this data set in this manner is in line with the guidance notes that accompany it.

25% of the target is apportioned based on each parish's IMB, in proportion to the sum of all parishes' IMD.

Safeguard limits
The guideline calculated by summing the elements above is compared to the actual pledge made for the current year plus inflation, and the higher of the two is taken to be the parish's guideline pledge.

Where the calculated pledge is higher than the previous year's plus inflation, the guideline pledge is capped at 65% of a parish's prior year unrestricted income plus inflation. Where PCC accounts are significantly distorted by one off events (i.e. bequests, large building projects etc) an average of recent years' income or reserves, or prior year figures will be used.

Allocation of Lowest Income Communities Funding
A number of options were explored as to how this could be specifically allocated to parishes, all of which were related to IMD. The current system does not mathematically allocate the amount of LICF received by the diocese to individual parishes, however, it is in line with the principle of supporting communities with the lowest income, based on the quarter of the pledge which is determined by parish IMD.

Target pledge

The level at which the target pledge is set has been revised in light of Covid-19. Prior to this, discussions were focussed on raising parish share to £6.5m-£7.5m over a period of some years, however Covid-19 has led to this appearing over-ambitious and in response to the financial situation faced by many parishes as a result of Covid-19, the target of the guided pledge project has been revised downwards to the minimum that would allow the diocese to break even in 2021. As the 2021 budget has not yet been considered in detail, the 2020 budget has been used to give an indication of the breakeven figure, which gives a target of £5.7m.

5. Proposals

It is proposed that the diocesan synod adopts the guided pledge system as described in this paper, with the parameters and detailed methodology being subject to annual review by Bishop's Council.