

# The Common Fund

## Process for Change



November 2021

### Lichfield Diocesan Board of Finance

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### *Acknowledgement*

The Finance Team would like to express their huge gratitude to the Parish Assessors

Roger Marsh (Chair)  
Douglas Brown  
John Brown  
Sam Duru  
Bryan Fletcher  
Peter ford  
Noel Fryer  
Martin Garrington  
Bob Kettlewell  
Phil Needham  
Alistair Nurden  
Julia Podmore  
Peter Snelson  
Alan Toplis  
Rob Yardley

and in particular the Strategic Thinking Group

Roger Marsh (Chair)  
John Brown  
Peter Ford  
Martin Garrington  
Alistair Nurden  
Peter Snelson  
Chris Gill

## Foreword

### Bishop Michael



This booklet sets out the proposals for change in the way that allocate responsibility for funding our ministry across the diocese. It identifies the key principles, maps out the suggested process for change, and responds to some frequently asked questions. These proposals will be discussed at our Diocesan Synod meeting on 13<sup>th</sup> November. I want to put on record my appreciation for all the work that has gone into drawing up these proposals, particularly from members of our Finance Department Team and the many volunteers who work with them.

This Process for Change is built on the twin principles of (1) fairness in asking and (2) generosity in giving. We can and we should devise systems to maximise the former, to be as equitable as we reasonably can in determining what we expect from each other as a minimum contribution to costs; I believe that what is presented here fully meets that requirement. But the latter, generosity in giving, has to spring from the heart that is touched by the Spirit. It can be guaranteed by no system but is always and only a loving response to the God whose love for us is without limit. And our generous love for God finds expression also in the mutual support that we owe to one another as fellow members of the Body of Christ.

**Rt Revd Dr Michael Ipgrave**

## Introduction

Significant work has been undertaken throughout the last 8 months modifying the current Apportionment System to predominantly replace Property Categories with Indices for Multiple Deprivation (IMD). At various Finance meetings some of the fundamentals were agreed such as the minimum request for the most deprived parishes; the loss of the Small Parish Allowances, a reduction in levels of Mutual Support, and increase in Low Income Support for areas of deprivation and also the removing of the K ratio. It was also felt that the name needs to change to reflect the modifications and at present the working title has been given the name “Common Fund”.

The new formula is now ready to be presented and proposed to Diocesan Synod. It was interesting to look at the original proposals during the Annual Parish Share Consultations and the impact on various Deaneries and Parishes – it also highlighted some areas that needed to be slightly adjusted. This was presented to the Parish Assessors, followed by over 30 presentations which covered every Deanery and Diocesan Synod Representatives, where the impact of the changes were seen at a local level, and in addition allowed the opportunity for parishes to see the impact and any potential benefits by working collaboratively.

It is accepted that the proposals contain risks, however doing nothing carries a far greater risk and will certainly see large increases in arrears and ultimately significant write offs and demoralising impact on parishes. Working with the Assessors there is quite often a very thin line between setting a realistic challenging request and getting it slightly wrong and the parish realise it is not attainable and basically give up or move share down the list of priorities as it is simply not achievable.

Whilst it is possible under the current system to calculate Benefice and Deanery shares, the new proposals certainly make it easier and more transparent to enable Benefices, Teams, Clusters and Deaneries to work closer together. In addition, it makes it clearer to parishes on realistic financial sustainability – although the current system has a target figure but within the formula, this has lost its significance . The new proposals provide the level of clarity to enable our parishes to fully understand the financial reality.

“Equally we are facing possibly the largest challenges for a considerable time . What is being proposed is far more radical than possibly we have been in the past in financial strategy. Naturally with this comes risk; but equally ‘doing nothing’ is a risky strategy”.

*Jonathan Hill, Director of Finance  
Synod July 2021*

## Deployment

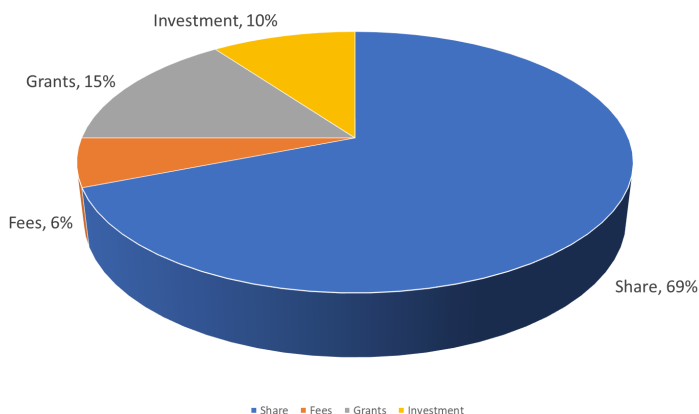
Where does 234.31 come from ?

This is the number of identified parish posts that would be filled if we did not have any vacancies.

In the past it was often referred to as the Establishment figure.

The figure is also used to work out the Share apportionment.

## Income



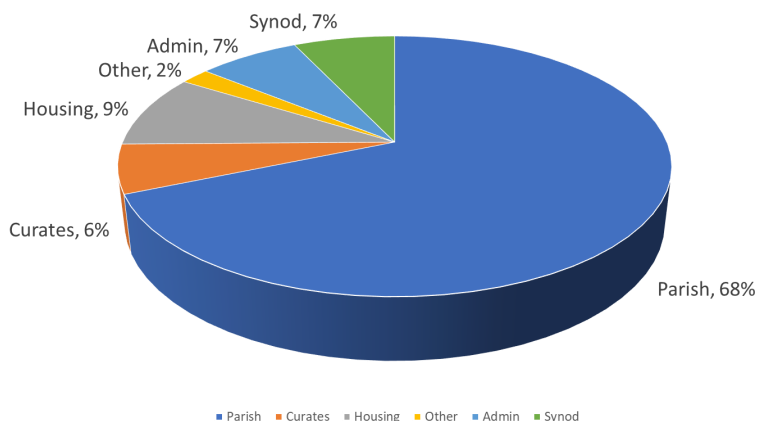
## Cost of Ministry 2022

Direct Deployment Costs	£44,798
Direct Support Costs	£ 7,539
Future Clergy	£ 9,107
Central Costs	£ 6,777
General Synod	£ 2,229
<b>Total Gross Costs</b>	<b>£70,450</b>
Less Qualifying Income	(£ 8,263)
<b>Net Real Cost</b>	<b>£62,187</b>
Support via Reserves	(£5,697)
<b>Net Cost of Ministry</b>	<b>£56,490</b>

## Subsidised Cost of Ministry

Budget Expenditure	£16.507M
Less Qualifying Income	(£ 1.936M)
Less Use of reserves	(£ 1.335M)
<b>Total Net Cost</b>	<b>£13.236M</b>
<u>£13.236M</u> = £56,490	
234.31	

## Expenditure



## Key Points

One of the most difficult and controversial conversations across all Diocese is, how do you fairly apportion required income across parishes, and how do we apportion the Allocation from the National Church? We all believe in Mutual Support but what is the correct level of Mutual Support across the diocese?

It is proposed to modify rather than rewrite a formula for apportionment. A new name Common Fund, but why now? There are a combination of factors – taking into consideration the challenges faced by both the Parishes and the Board of Finance during these times, particularly, affordability and sustainability within SFM – Shaping for Mission; the decreasing level of collection rate and therefore an unsustainable increase in arrears, launch of a Generosity campaign from Bishops staff. It is accepted that under the Common Fund the aim is to reduce the total amount of share requested – that alone carries a risk.

### **A new name Common Fund**

Low Income Communities Allocation, we currently use Property Categories

The National Church want to use IMD

Level of Mutual Support but is the current differential correct

Create a minimum Share

Create Simplicity

### **Deanery Benefice Shares**

The Common Fund offers greater flexibility to allow Deanery Shares and also designed to allow Benefice/Team or Cluster shares across parishes.

It is expected in any benefice or where parishes share a clergy post, if one is due to fall and one rise, that they will be matched so both parishes can pay the minimum share.

### **Common Fund Formula**

**Cost of Ministry**

**Low Income Community Funding**

**Mutual Support**

**Minimum Request**

*Agreed Additional Support*

*Special Agreement*

*Mutual Adjustment*

**Final Request**

### **Categories**

The Diocese is diverse

In order to try and be fair in any allocation most if not all Diocese including Lichfield use a category system

No category system is perfect, and always subject to debate

The category system allocates the National Funding and Mutual Support.

It is hoped by reducing the amount requested it is forecast that the collection rate will increase in the first year. This is based on minimum amounts requested. If some parishes are able to help other parishes or make additional payments this will further increase the collection rate. Once the collection rate increases then consideration can be given to decreasing the unsubsidised (real) cost of ministry figure, easing the pressure on reserves and avoiding further reductions in expenditure – this is also explained in the Budget.

### **Decreases in Requests**

Consideration has been given as to whether reductions are phased in over say three or five years. On balance as a lot of the contributing parishes are making significant losses and, in some cases, needing to decide over employment versus share (that is the additional element), it seemed unfair to enforce the extra payments. If we have decided to remove the K ratio then that is the decision and so there will be no transitional stage

### **Increases in Requests**

There are at present some parishes facing increases (excluding those on current Special Assessment) in requests. The main reason is due to their current low K ratio, although as reported above some are caught by the change in assessment category. However, a few of these parishes are less than 1000 in population.

*However, some of these increases and decreases are in Teams or benefices where other parishes are receiving larger decreases so it is expected that there will be a deal where the one reducing will support the one moving upwards.*

### **2022 Requests**

It is proposed that those who will need to increase their contributions will not receive an increase in 2022, it will be year zero and allow the Assessors time to agree a time period for the parish to increase their contribution. It is proposed that this will have a maximum period of five years. For those parishes seeing a reduction that will come into force in 2022.

### **Minimum Amount Requested**

The new proposals are designed at a minimum contribution from parishes, depending on their IMD category. It is hoped that those parishes can afford it will make an “Agreed Additional Support”. In discussing this area with parishes and again through consultations it is more likely for a parish to offer additional support if the Diocese ask for it rather than leaving it locally. How this is done is being worked on, but hopefully these will be done by making local agreements with through the Deanery meetings or by arranging individual agreements with parishes on a one-to-one basis.

## Frequently Asked Questions

### How can we find out what the IMD is for our parish?

Grant making bodies and the even the Church Commissioners all use IMD as a fair and realistic way of gauging the relative deprivation of each parish. This means that the parish is being assessed equally with other organisations who use this method. You may look this up for yourself by using this link

<https://www.churchofengland.org/about/research-and-statistics>

### What happens if our Parish is on Special Assessment?

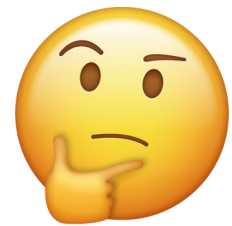
Parishes who have not seen a decrease in their Share request and remain on Special Assessment will be reviewed on an individual basis to see whether the level of Share is reasonably affordable. Affordability of Share compares with amount of deployment allocated to the parish which may have to be decreased in line with a sustainable Common Fund level

### There are lots of new houses being built in our area, what happens if our IMD changes?

Using IMD figures means that any changes locally are recorded and the figures are updated every 6 months Nationally. However, we have agreed to review the changes at 3 yearly intervals to reflect any movement of Share between years and to minimise the uncertainty of constantly changing Share figures.

### What do we do if we feel we can no longer afford our Share?

Some parishes may feel that their current level of Share is no longer sustainable. There needs to be a discussion, together with the Archdeacon, the Parish Assessors, the Deanery and the Area and Mission Pastoral Committee, to decide whether or not a parish should reduce their deployment in order to reach their Minimum Share



### Church Commissioners Allocation

If you are wondering why you cannot see CCA on your Share request, this is because it is now called Support for Low Income Communities. (LInc) This means that support will be directed towards those parishes who are in areas of high deprivation according to the Indices of Multiple Deprivation (IMD). This Support is sent to us by the Church Commissioners each year to a level of around £2.1M each year but this figure is decreasing rather than increasing.

### How can we help a struggling parish to pay their contribution?

Nearly 300 parishes will see a decrease in the amount of Share requested. This will be called their minimum Share. Any difference in the amount of Share you already contribute may be directed towards helping another parish reach their target or has seen an increase in Share.

Please email [finance@lichfield.anglican.org](mailto:finance@lichfield.anglican.org) to indicate your preference to pay towards another parish's share.



## K Ratio

- The formula calculated a Target Share – what the formula said a parish should pay based on Property Category & Deployment
- If a parish paid more than the target they had a K ratio greater than 1.0
- If a parish paid less than the target they have a K ratio of less than 1.0

Synod approve an increase in Base Share.

- If the K ratio was above 1.0 the parish received a small discount so they came down closer to their target or formula share
- If the K ratio was lower than 1.0 they received a premium on top of the share increase to move them upwards towards their target.
- It was slow, very slow

With the Common Fund Calculations, everyone will see the same percentage increase in minimum request. This is no longer reliant on the K ratio which becomes obsolete.

## If the Common Fund pays for Stipends and the Cost of Ministry we receive, do we still have to pay into the Common Fund when we go into interregnum?

The Diocesan Budget each year assumes a certain number of posts being filled. There is a Vacancy Factor built into the Budget and it was agreed by Synod some years ago not to change the Share request during periods of interregnum as it was felt that most parishes at some time or other experience an interregnum.

Parish are also supported during interregna through what used to be known as Sequestration. This is now called the Vacancy Support Fund and covers parishes who experience longer periods without ministry or whose Minister may be on long-term sick. Some parishes also may benefit from Interim Ministry and the Fund pays for the cost of Retired Ministers if they have to be used by the parish and other expenses concerning the Vicarage.

## Paying into the Common Fund — keeping it simple

We would like all parishes to pay into the Common Fund by Direct Debit

- Because it is Flexible
- It is a safe and secure way of transferring money from one account to another
- It helps the Diocese predict future income and allows us to plan support to parishes through these uncertain times.
- It doesn't involve the Bank
- You may send an email at any time during the month to change your direct debit amount.
- Payments can be variable and they don't have to be monthly
- What if something goes wrong? - we are obliged under the DD mandate to reimburse any payments collect in error immediately.

### IMD (Indices of Multiple Deprivation)

The one issue is of course these figures do not measure affluence but do act as a good indicator of areas of deprivation.

There are a lot of factors taken into consideration, from health, crime, education, benefits and other social categories.

Plus the National church want us to use it and demonstrate how we use the £2M allocation

### Generosity

At this stage the request is being defined as a Minimum Request.

Whilst overall the amount requested will fall, some parishes will see decreases and others may see an increase.

It is hoped that parishes see the minimum request and are able to offer to pay an **agreed additional support** to support fellow parishes who may be struggling financially.

### Mutual Support

The current formula sets Mutual Support at receiving 25% to the most deprived and expects the most affluent to contribute up to 50% of their costs

The new proposal reduces this to the largest receiver only getting 10% and the most affluent contributing 20%.

Is this harsh on the most deprived areas ?

To continue to support the most deprived or least affluent, the amount of Allocation from the National Church has been increased.

Most deprived or least affluent will receive 40% of their costs from the LInC – increased from 24% at present.

Therefore the lowest request for a Full Time post will be 50% of the Cost of Ministry.

The Formula— the table below is based on a Full-Time equivalent Post

Category	IMD Rank	LInC	Mutual Support	Cost
1	1– 625	22,596	5,649	28,245
2	626-1250	19,772	4,236	32,482
3	1251 – 1700	16,847	2,825	36,719
4	1701 – 2500	14,122	1,412	40,955
5	2501 – 3750	11,298	N/A	45,192
6	3751 - 5000	5,649	N/A	50,841
7	5001 – 6250	N/A	N/A	56,490
8	6251 – 7500	N/A	(2,825)	59,315
9	7501 – 8750	N/A	(5,649)	62,139
10	8751 – 10000	N/A	(8,474)	64,694
11	10001 – 11250	N/A	(9,886)	66,376
12	11251 - 12500	N/A	(11,298)	67,788

For example: If you have a half-time Post, divide the cost by 2 or a benefice of 3 churches which share it's deployment, divide by 3.

# What we have been doing to help our Parishes

## Generating Local Income

JustGiving



We encouraged parishes to create their own JustGiving page to generate local income and we helped them by absorbing the cost of transactions and other costs associated with creating a page on this site.

## Working with our Partners

We have been working with Data Developments in creating a Diocesan Scheme for our Parishes to benefit from a new on line package to do their accounts *MyFundAccounting.Online* MFOL. Designed by Church Treasurers for Church and Charity Treasurers, the system also creates the Return of Parish Finance and puts the Accounts in to the correct SORP format and has the benefit of a multi-user platform.

Data Developments has also developed a button for our website which can be used on parish websites. We are hoping to launch this in 2022. If you are interested Email [finance@lichfield.anglican.org](mailto:finance@lichfield.anglican.org)

Donate Now



## Parish Share Support Package

This was a major help to our parishes in 2020. with £1.8m was used to support every parish in the diocese. In 2021 we are offering the equivalent of 1 month's Share against the Parish Share (£ 0.96m) from our Reserves.

## Loans and Grants

To preserve our Cash flow, we suspended loans and Grants for parishes in 2020 and some of 2021, although we also suspended interest and loan repayments too.

## Gift Aid

We continued to process claims during 2020 generating income for our parishes in the region of £1.5m

## Giving Direct

We processed over 200 new Giving Direct donors from the period January 2020 to June 2021. Giving Direct was very popular during 2020, a scheme developed by Lichfield Finance Department and since it's inception has generated over £1.25M for our parishes.

## Contactless

Please follow the link on the Parish Buying website for the National Church advice on Contactless Giving.  
<https://www.parishbuying.org.uk>

## Any Queries?

If you do have any specific queries regarding your Share request for 2021 would be grateful if you could send your query to [finance@lichfield.anglican.org](mailto:finance@lichfield.anglican.org) and we will try and get back to you as soon as we are able, although this a particularly busy time of year for the Finance Department.

Donate Now

