Diocese of Portsmouth

THE CHURCH OF ENGLAND

Parish Share Review group

Final Report and Recommendations

"Our desire is not that others might be relieved while you are hard pressed, but that there might be equality. At the present time your plenty will supply what they need, so that in turn their plenty will supply what you need."

(2 Corinthians 8:13-14, NIV)

A. Introduction

"Parish Share is fundamental to the delivery of the church's ministry. The ability of a diocese to deliver the support needed for parish ministry is hugely influenced by the amount of Parish Share they receive. The financial impact of Covid-19, and the time taken to recover from it, have only increased the impact and importance of Parish Share."

(Hannah Silcock and Dave Stout, *Parish Share: Supporting Parish Ministry – What Makes a Difference?* Church of England, 2024, p.3).

B. Approach to the Review

It has been a key aim of the Parish Share Review Group to consult widely with all interested parties across the Diocese with a view to building confidence and trust in Christ's sufficiency and each other; paying close attention to all views and concerns expressed; and encouraging the growth at parish, deanery, and diocesan level of a shared sense of 'ownership' over the Parish Share system. Our work has been informed throughout by the findings of the National Giving Team's 2023-2024 research project into the effectiveness of diocesan Parish Share approaches and systems.

In accordance with our Terms of Reference we have consulted widely across all 126 parishes in our diocese which currently are asked to pay Parish Share:

- **The first round of consultation in March - April 2024 invited PCCs and any interested individuals to share their views** about the current system for calculating Parish Share and to offer. other ways of doing this. Responses were received from 51 PCCs and 104 individuals. 86 parishes (68%) were represented in the responses to the first Questionnaire. A summary of the responses may be found online at https://cofeportsmouth.contentfiles.net/media/assets/file/Parish_share_review_group-_questionnaire_1.docx

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- **The second round of consultation in July – September 2024 invited each PCC to submit an agreed collective response** to questions which delved more deeply into issues raised in the first consultation, such as on what basis the Parish Share should be calculated from January 2025 onwards, how parishes' ability to pay can be taken into account, and how we should treat unpaid Parish Share from previous years. Responses were received from 70 PCCs (56%). A summary of responses to the second Questionnaire will soon be made available online.

  We will consider any further responses from PCCs which missed the online deadline of 27th September, provided that they are received by the Parish Share Review Group Chair before Bishop's Council meets to consider this paper and its recommendations. We note that, in many cases, PCCs report having reached a majority (but not a unanimous) view. Views clearly differ within, as well as between, PCCs, and differing views are held on a few issues within the Parish Share Review Group. The group acknowledges that it is not possible to satisfy all the people all the time. We have sought to make recommendations which satisfy the four fundamental principles, and which also command broad support across the diocese. In Annex A ***("Challenge and Response")*** we outline, and respond to, what we consider to be the six main challenges to our recommendations. We aim to be transparent in explaining how we arrived at our recommendations.

C. Headline Outcomes of the Consultation Process

The approach we adopted was well-received by the great majority of PCCs and respondents. It is clear from responses to both Questionnaires that there is still much work to be done in making communication channels more effective, and in restoring trust and confidence between parishes and diocesan structures. We hope that the openness with which the Questionnaires were constructed (to allow free expression of views on every question), and with which the outcomes of the Questionnaires have been reported, will contribute to this effort.

The words/phrase most frequently used in the Questionnaires to help in recalibrating our approach to Parish Share were:

COMMUNICATION
LISTENING
LOCAL MINISTRY
PROPORTIONALITY
TRUST
TRANSPARENCY

There is strong support across the diocese for a Parish Share system which is based on the principles of generosity (gracious giving and mutual support), proportionality (reflecting ability to pay), transparency (fair and seen to be fair), and simplicity (straightforward to calculate and easy to communicate). In its deliberations the Parish Share Review Group assessed all possible methods of calculating Parish Share against these fundamental principles.

There is overwhelming support in the diocese for a Parish Share system which takes into account both the need for provision of ministry for all and the ability to pay. Portsmouth has never had a system whereby parishes receive the level of ministry they can afford to pay for themselves, and there is strong support across the diocese for a system which continues to assess Parish Share according to the relative size of churches, and the relative affluence of parishes.

D. Main Recommendations:

i. That the Parish Share is calculated from January 2025 onwards with reference to a formula comprising:

- Average Weekly Attendance (derived from Mission Statistics collected each October as checked by relevant Area Deans and/or Archdeacons). **THIS REPRESENTS NO CHANGE FROM THE PRE-COVID PERIOD CALCULATIONS.**

- Diocesan finance staff should issue clear and unambiguous guidance on how to complete the October AWA statistics; what services to include and what to exclude should be made explicit. (NB Such guidance will not be available in advance of the October 2024 statistics which are currently being collected, and these returns will need to be checked particularly carefully as above.)

- In order to exclude the effects of Covid-19, the AWA should be calculated using a 3-year rolling average of attendance figures from 2022 to 2024 inclusive, a 4-year rolling average of AWA figures for 2022 to 2025 inclusive, and a 5-year rolling average of AWA figures for 2022 – 2026 and thereafter. **THIS REPRESENTS A REDUCTION FROM THE 9 YEAR ROLLING AVERAGE USED IN THE PRE-COVID PERIOD CALCULATIONS.**

- Relative affluence as measured by each parish's average household ***Net Disposable Income*** (after tax, national insurance, housing and food costs) as reported by Experian. (NB This data is not updated annually: we anticipate it will be updated once every five years.) **THIS REPRESENTS A CHANGE FROM THE GROSS INCOME MEASURE (WHICH INCLUDED INCOME BEFORE DEDUCTIONS FOR TAX, NATIONAL INSURANCE AND LIVING COSTS) IN THE PRE-COVID ERA CALCULATIONS.**

That Diocesan Synod be asked to decide whether the 'Parish Factor' weighting within the formula should remain at 1:3 (meaning that the most affluent parishes should be asked for no more than three times more than the least affluent parishes) or be increased to a ratio of 1:5. **FOR INFORMATION: THE PARISH FACTOR RATIO WAS REDUCED FROM 1:5 TO 1:3 AT THE LAST PARISH SHARE REVIEW IN 2015.**

ii. **That the affordability of each parish's Parish Share request be reviewed by diocesan finance staff with reference to that parish's most recent financial accounts, having particular regard to income and the level of unrestricted reserves.**

iii. **That if any parish considers the Parish Share requested under the new formula to be unaffordable, the PCC be encouraged to initiate a timely, open, and constructive dialogue "amongst equals" with the diocesan secretary to discuss its individual circumstances, the financial pressures it faces, and also the opportunities that exist to invest in local mission opportunities. Such dialogue will have regard to PCC accounts, including income and the level of unrestricted reserves, as well as relevant deanery and parish action plans.**

iv. **That those parishes whose requested Parish Share for 2025 is lower than they are currently paying be asked to consider prayerfully whether they could help to ease diocesan cashflow during a three-year transition period by continuing to pay the higher sum (the difference between the two amounts to be designated as the "Bishop's Challenge").**

v. **That those parishes whose requested Parish Share under the new system represents a material increase (either as a % or in absolute terms) over the 2024 share requested be offered relief via a three-year transition period, from 2025 to 2027 inclusive, in which their Parish Share requested will rise by three equal proportions, with the effect that the full share assessed according to the formula is payable in 2027 (allowing for fluctuations in subsequent years as the AWA data is updated).**

vi. **That those parishes subject to SDF or SMMI funding which currently have individual Parish Share agreements with the diocese for fixed periods of time should continue to operate within those parameters for the duration of their agreements; thereafter the formula will apply.**

vii. **That Diocesan Synod be asked to decide whether parishes which are in vacancy for more than 12 months should be offered a reduction (and if so, how much) in their assessed Parish Share over the length of the vacancy which continues after the first 12 months.** FOR INFORMATION: IT WOULD BE NECESSARY TO INCREASE THE PARISH SHARE PAID EACH YEAR BY ALL PARISHES BY AN AGREED PROPORTION IN ORDER TO COVER ANY REDUCTIONS SO OFFERED.

viii. **That unpaid Parish Share amounts which arose before January 2022 be written off with effect from January 2025, save for circumstances in which there is clear evidence that such arrears did not arise because of a lack of affordability.**

ix. **That parishes be encouraged to initiate open dialogue with the diocesan secretary to request that unpaid Parish Share amounts which have arisen since January 2022 be written off. This dialogue should include a review of all the resources which are available to the parish to contribute, including its income and level of unrestricted reserves.**

x. **That any agreement to write off unpaid Parish Share amounts which have arisen since January 2022 be further conditional on the parish concerned meeting its requested Parish Share contribution (as agreed with the diocese) in full, from 2025 onwards.**

xi. **That senior diocesan staff invest time in face-to-face meetings with small groups of parish treasurers (for example, a meeting in each deanery) to explain the new approach and answer questions. Successful implementation of a new Parish Share scheme will require collaborative, undefended leadership and effective two-way communication not just at its inception but on an ongoing basis.**

xii. **That the current direction of travel modelled by diocesan leadership, towards greater openness and transparency about diocesan finances be acknowledged and encouraged to continue.**

E. Impact of Changes

A key aspect of the work of the Parish Share Review Group, alongside our extensive discussions around principles and methodology, has been to model the impact of the changes we have been considering.

It has been clear since very early in our review that, even if we were to follow exactly the same methodology that was used in the pre-Covid calculations, there would be significant changes in the level of share requested from many parishes. This is mainly because the level of parish share has not been calculated 'bottom up' (that is, according to the current average attendance and relative affluence formula) for several years, and there have been significant changes in relative church attendance levels over that period.

Our financial modelling indicates that, broadly speaking, implementing all the recommendations listed in Paragraph I of Section D above would lead to increases in Parish Share requested of 20% or more for around one quarter of parishes, and reductions of 20% or more for a quarter of parishes, compared to the level requested in 2024 (this excludes any individual parish share agreements negotiated separately with the diocese). Only 1 in 10 parishes would see a Parish Share request that remains within 5% of the 2024 level. As such, the transition to these new arrangements will require careful navigation. Open and informed dialogue between PCCs and diocesan finance staff about the affordability of the new Parish Share requests will also be critical to any new scheme.

PARISH SHARE REVIEW GROUP **OCTOBER 2024**

Sue Jones – Chair

Philip Poulter – Diocesan Secretary

Elaine Coe – Financial Controller

Stephen Daughtery – Archdeacon, Isle of Wight

Steve Lazell – Treasurer, Crofton

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Annex A - Challenge and Response

The recommendations made by the PSRG team aim to deliver a system of allocating the Parish Share that is fair, transparent, simple, proportionate, and encourages generosity. There was widespread agreement expressed in Questionnaire 1 these principles should underpin the system. The responses received from both Questionnaires 1 and 2 (distributed online in March 2024 and June 2024 respectively) demonstrate that our parishes face many different sets of circumstances and some hold diametrically opposed views regarding what a 'good' Parish Share system should look like.

The six areas below are potential counter arguments /criticisms which might be laid against the approach that our team have proposed. For each area, the challenge is described, and a response provided which demonstrates that these views are well-understood and have been carefully considered by the team; the response provides the rationale for the recommendations that have been put forward.

1) There are drawbacks to a model that is based solely on the principle of mutual support

Challenge: "*A key downside to a system based on this principle alone is that it offers little or no financial incentive for smaller parishes to grow or become economically sustainable. At the same time, it restricts the ability of larger and growing parishes to develop their own local ministries. The mutual support model helps small parishes 'survive' at the expense of allowing growing parishes to 'thrive'. Using Parish Share to 'prop up' unsustainable practices simply does not represent an efficient use of scarce resources".*

Response: The New Testament describes a Church which is inter-dependent, mutually supportive and generous. The concept of Parish Share is rooted in this understanding of the Church. We pool the resources God gives us for the sake of the Kingdom, to resource the sharing of the Gospel of Jesus Christ everywhere, and not just where it can be afforded. There are many parishes in poorer communities in our Diocese which rely on the generosity of other larger, more affluent parishes to fund not only their local mission but also key central services (such as safeguarding) which are critically important and require skills and expertise that a small parish could never develop on their own.

At the same time, we recognise that the viability of some smaller parishes is an issue that many respondent PCCs feel strongly about. On balance, the PSRG team feel that the Parish Share model of allocating costs should not be used to influence decisions about individual church viability or investment decisions. We believe these issues should be considered in the light of diocesan strategy and addressed directly by diocesan leadership.

2) There should be a cap on the maximum level of Parish Share

Challenge: *"Larger parishes are particularly well-placed to deliver the vision of the diocese but often face disproportionate increases in costs e.g. staffing as they grow. If Parish Share increases in a linear fashion with attendance, this stifles growth. If the gap between the cost of ministry in a parish and the amount a parish pays in share becomes too large (a factor of 3 or 4), and the link between local giving and local mission becomes very weak, this could discourage local giving and may encourage large parishes to withhold some portion of their share or even withdraw from the Parish Share model entirely. A cap on the maximum level of Parish Share would help deal with these issues."*

Response: A key element of the proposals that the PSRG are making is that all parishes, large and small, should engage in open dialogue with the diocesan finance team to discuss their individual circumstances, the financial pressures they face, and the opportunities that exist to invest in local mission opportunities. This dialogue is recommended not only for parishes which believe they are unable to pay their requested share, but also for larger parishes which may want to negotiate to divert a proportion of resources away from their Parish Share contributions in a given year, to delivering local objectives which support the diocesan vision. Such a negotiated agreement would achieve the same result as applying a cap. Any reduction in the level of Parish Share that is agreed through this dialogue should not be viewed as a 'discount' but rather as a mutually agreed plan to invest parish resources in a way that best delivers the strategic objectives of the diocese.

3) Direct costs of ministry should be taken into account in some form

Challenge: *"Many respondent PCCs to Questionnaire 2 (70%+) support a model which includes the direct cost of ministry in their own parish in the calculation in some form. A 'hybrid' model which combines the principle of mutual support with cost of ministry gained considerable support in questionnaire 1 and would increase the confidence of congregations that their giving was more closely associated with the cost of activities in their own parish, thus helping motivate donors to support their local church. It would* *also help identify parishes that were a long way from being sustainable and encourage action towards becoming so".*

Response: For the reasons laid out in the Response to Challenge 1 above, the PSRG team consider that decisions about how to deploy clergy across the diocese should be based on strategic vision and missional need, rather than cost and the ability of individual parishes to pay for it.

On a practical level, a Parish Share allocation model which incorporates not only church size and relative parish affluence but also cost of ministry in some manner would also be more complex /harder to understand. Furthermore, as clergy positions change from month to month, it would be much more complicated and expensive to administer accurately. Nonetheless the group recognise that an increasing gap between the direct costs of ministry and the amount paid in Parish Share may act as a disincentive on the level of giving in a parish. Better communication about how Parish Share is being used across the diocese is recommended, as well as sharing stories about how parishes across the diocese are working hard to achieve growth and sustainability.

4) No material changes have been made to a system that some parishes feel is not working any more

Challenge: *"The proposed system for 2025 onwards is very similar to that which applied before the Covid-19 pandemic, despite significant consultation with, and input from PCCs and interested individuals, and despite many issues being identified. The weaknesses of the previous system largely remain in the new proposals, which do not adequately take into account changes that were proposed by respondents to the questionnaires".*

Response: The proposals do make some material changes.

Firstly, they use much more recent regular church attendance data to create a more credible dataset on which to base Parish Share requests. The rolling Average Weekly Attendance (AWA) will, under the new proposals, be calculated over a maximum of 5 years, having been 9 years under the previous system. This means that changes in regular church attendance will be reflected much more quickly in the level of Parish Share requested.

The continued use of Average Weekly Attendance (AWA) in the month of October as a measure of church service attendance is with good reason - because this was found to have an extremely strong (0.9) correlation to actual giving levels by each parish.

Secondly, the indicator used to assess the relative affluence of each parish has been adjusted from average household Gross Income to Net Disposable Income, which correlates much more closely with ability to give, as NDI takes the costs of housing and food into account. The Diocese already has access to NDI data, which is obtained from the same independent commercial source (Experian) that supplies us with parish-specific demographic information. The use of the Index of Multiple Deprivation was rejected as, although it discriminates well and the least affluent end of the scale, it does not differentiate well at the wealthier end of the scale.

Thirdly, and probably most importantly, the PSRG recommend the introduction of a clear process for a 'dialogue of equals' between individual PCCs and the diocesan finance team. PCCs are encouraged to be proactive in arranging open and informed discussions with diocesan finance staff regarding how much Parish Share can and should be paid by each parish, taking into account local finances, cost pressures, and mission opportunities.

These three measures represent major changes from the previous approach to the calculation of Parish Share.

5) The write-off of unpaid share is unfair to parishes which have made sacrifices to pay their assessed share

Challenge: *"Some parishes have gone to extreme lengths and made significant sacrifices to pay their share each year, foregoing local projects and working hard to raise funds required to meet Parish Share contribution levels. It seems unfair that parishes which did not pay in full, but may have been able to, are now financially better off than those who chose to meet the Parish Share payments that were asked of them".*

Response: The PSRG recognise that in most cases where the Parish Share has not been paid in full, the relevant parishes were (and in some cases still are) simply unable to pay the level of Parish Share requested, and that there is no credible means by which these payments can now be made. Those parishes which are in this position report that knowing they are still expected to pay substantial levels of unpaid Parish Share from previous years represents a heavy burden on the morale and spiritual well-being of PCC members, and they believe that unpaid Parish Share from prior years can also adversely affect their ability to attract applicants for clergy vacancies as they arise. The PSRG acknowledge the disheartening impact of this lived experience on some of our parishes and individual PCC members. The group considers that, for many parishes which have unpaid Parish Share which pre-dates 2022, there is no benefit in continuing to ask them to pay it now.

At the same time, we also recognise that in some cases, parishes did have the ability to pay their share in full but chose not to do so (for a variety of reasons). Moving forward, the group recommends that those parishes which have not contributed Parish Share at the level requested from 2022 onwards will discuss this with the diocesan team. The aim is that this discussion should include an honest and open review of all the resources that are available to that parish to contribute, including the level of income and unrestricted reserves. Any agreement to write off amounts of unpaid Parish Share from 2022 onwards would be subject to the parish concerned meeting its requested Parish Share contribution (as agreed with the diocese) in full, from 2025 onwards.

6) The proposed model does not address the issue of there being a significant financial strain on many parishes

Challenge: *"Numerous parishes feel that the level of Parish Share requested from them is simply unaffordable, and this review seems to have ignored that question entirely, with many parishes left in the same, or worse, position that they were before the review".*

Response: There are some key aspects to this issue which lie outside of the scope or control of the Parish Share Review, namely the size of the diocesan budget, how much of the budgeted costs should be met through Parish Share, what other income streams are available to the diocese, how diocesan reserves should be used, and the pace at which the changes (increases or reductions) from the PSRG review are implemented.

However, the PSRG recognises that 'ability to pay' is a key factor which influences how much share each parish can contribute and therefore which allocation system best meets our aim for a system which is generous, proportional, transparent and simple to calculate and communicate. As a result, moving forward, actual financial information e.g. levels of parish income and unrestricted reserves will be reviewed by the diocesan finance team and used as a 'sense check' before requesting Parish Share, in order to avoid situations where the amount being asked of a parish is clearly unreasonable.

The use of more up to date (post Covid-19 pandemic) attendance information, and of net disposable income data will also make a much stronger link between the amount that is requested of parishes and how much they are realistically able to pay, meaning that those who can afford to contribute most to the common good are asked to do so, and vice versa.

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