# Guided Pledge Explanation and Q&A

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## How the model works

The guideline pledge system calculates a guideline value for each parish in the diocese. The sum of all of these guideline pledges is the amount that we anticipate the diocese will need to break even in 2022. This is a sum of £5.3m.

This £5.3m is allocated over four areas:

* Clergy
* People
* Financial resources
* Deprivation

Each of these is used to allocate £1.44m between parishes as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Area** | **Data used** | **Percentage** | **Total value/£m** |
| Clergy | Number of full time clergy | 25% | 1.325 |
| People | Usual Sunday Attendance | 15% | 0.795 |
| Electoral roll | 5% | 0.265 |
| Population | 5% | 0.265 |
| Financial resources | Income | 15% | 0.795 |
| Reserves | 10% | 0.530 |
| Deprivation | Index of multiple deprivation (IMD) | 25% | 1.325 |

**Clergy:**

For example, for a parish with one full time stipendiary minister, the calculation would be approximately:

(1 ÷ 115) x £1.325m = £11,521

Where 115 approximates the total number of parish clergy in the diocese.

NB – this is not related in any way to the actual cost of clergy or to their stipends.

**People:**

This area allocates £1.325m based on Usual Sunday Attendance (USA) (£795k), Electoral roll (£265k) and parish population (£265k) in the same way as the clergy calculation above:

(Parish USA ÷ Total USA) x £795k = Parish contribution.

**Financial resources:**

This area takes into account the latest available financial data about a parish and is based primarily on the parishes’ unrestricted income and reserves. For example, the calculation of guided pledge based on parish income is as follows:

(Parish unrestricted income plus 10% restricted income ÷ Total of all parishes unrestricted income plus 10% restricted income) x £795k = Parish contribution.

**Deprivation:**

This element is based on the parish’s ranking in the index of multiple deprivations (IMD), which is a national statistic, adapted for parish use by the Church of England’s statistics unit. The index ranks parishes in accordance with the level of seven measures of deprivation, from 0 being the most deprived parish to around 13,000 being the least deprived.

(Parish IMD ÷ Total IMD for all parishes in the diocese) x £1.325m = Parish contribution

These contributions are then added together to give a guided pledge, which is limited to 65% of the parish’s unrestricted income. If the amount is below the parish’s 2020 pledge, then the guideline is set at the 2020 pledge plus inflation.

Because of the 65% limit, the calculation is iterative, meaning that any amount which would take a parish over 65% of unrestricted income is allocated out evenly between the remaining parishes to allow the total to reach the target amount.

## How the model works – Q&A

**Q. If your Clergy person is not stipendiary how does this feature in the calculation?**

A. House for Duty clergy are included at 0.2 of a full-time stipended member of Clergy in order to reflect the cost of housing, training and other clergy support from which they benefit.

Self-Supporting Ministers (SSMs) who are also Priest in Charge of a parish, and who’s parish is allocated by the diocese are still under review following consultation responses, but it is anticipated that they will be included at 0.1FTE or at nil FTE.

Associate ministers and SSMs who are not Priest in Charge are not included.

**Q. Will there be opportunity for Parishes whose 2020 pledge was more than 65% of Unrestricted Income to reduce their pledge?**

A. The guideline pledge for parishes in this situation will be set at their prior year pledge plus inflation (2.5% in 2020). This is less than the 5% that has been requested in recent years, and we hope that parishes in this position will continue to give at this level if they are able to do so, in order to support the work of the diocese.

However, the pledge made by a parish remains up to the PCC to decide.

**Q. Where you have a group parish arrangement how is clergy time between those parishes?**

A. The model will normally follow the deanery plan, many of which specify an allocation of clergy time by parish. In Deaneries where this isn’t the case we will consult with the area deans on these allocations in the first instance.

**Q. Does the model take account of parishes with different cost bases?**

A. Unfortunately there is no comparable data available which with to compare costs bases, and it doesn’t seem appropriate to make value judgements of the type of spending a parish incurs. We are aware that Parishes across the Diocese will have a wide range of cost bases, some with more flexibility than others. The best way we can take account of this is by considering reserves, which are ultimately a measure of the residual income after meeting costs. As a broad rule of thumb, parishes with several buildings will have more potential to raise income to offset the higher costs that they incur.

**Q. If a Parish pays its Share in 2020, will they still be reviewed under the new guidelines?**

A. Yes, all parishes will be provided with a guideline calculated as above.

**Q. If you do not reach your Guided Pledge total is it added on to subsequent years?**

A. No – however we appreciate parishes that are not able to fulfil their pledge making up the difference subsequently where this is possible.

**Q. Will there be a revised guided pledge every year for each parish or will it revert to the cost of inflation being added on to the original guided pledge year on year?**

A. Yes. We will re-run the model each year based on up-to-date data because figures such as income, reserves, usual Sunday attendance and IMD (deprivation level) will fluctuate over time.

**Q. Is trading potential or income taken into account in the model?**

A. The model takes account of trading income within unrestricted income, and through the population measure, which is used to approximate the potential for both trading and for congregational growth.

**Q. Why is restricted income included (even at 10% of value) if the money has been raised for a particular purpose and can only be spent on that? (e.g. a new roof)**

A. Having this additional financial resource may ease the pressure on other aspects of the budget, which will therefore allow more funds to be freed up for Parish Share and it is therefore included.

To quantify this, for every £1000 of restricted income a parish receives this will increase their Guided Pledge figure by approximately £14, so unless there is a very large amount of restricted income or reserves, the effect isn’t expected to be significant (if this is the case, see section 3).

**Q. Can you explain how you arrived at the percentages used in the model?**

A. Bishop’s Council appointed a Task and Finish Group to scrutinise the model to ensure it is both robust and fair, and this group is made up of both lay members and clergy. This group has examined various weightings and factors, and has taken into account the views of the consultation process over the course of the last year in order to arrive at the balance currently proposed. However, the weighting and factors are flexible and can be adapted if evidence arises to suggest that they should be adjusted. This will continue to be monitored as the system comes into operation.

**Q. What would happen if a parish had already spent a significant proportion of their unrestricted funds in this financial year, since their latest accounts were drawn up?**

A. The model will be based on the 2019 data to the extent that data is available to us through submitted accounts and/or returns of parish finances. Unfortunately, it isn’t possible to systematically take into account changes since the year end, however these will be reflected in next year’s guided pledge in due course.

**Q. How do the factors which influence the calculations sit alongside Diocesan priorities and how parishes are financially investing in those? (e.g. children and young people)**

A. Two of the Diocesan priorities are built into the calculation. 25% of the calculation is linked to deprivation which is an indicator of relative poverty in a parish which allows those parishes in the most deprived areas to keep more of their own funds to spend in the parish. The growth priority underlies the principles of the model around the other three elements of clergy, people and financial resources, all of which are the resources available to a church to allow it to grow, and which in turn would allow the level of pledge and parish share to grow accordingly.

Unfortunately, we haven’t been able to identify a systematic method of factoring in the priority of children and young people based on parish level data available to us.

**Q. Parish boundaries do not necessarily correlate with IMD areas attributed to a Parish.**

Parish IMD scores are based on an overlay of parish boundaries on the smallest areas used by the IMD model to measure deprivation. Parish boundaries do not match these areas exactly, so the Church of England’s statistical unit makes approximations about how to split these units where they cross parish boundaries. The units typically contain a population of 1,500 people, so for a large parish, this should even out, however it can lead to anomalies for very small parishes. Unfortunately, this is a limitation we have to accept in lieu of a better approach.

**Q. In one of the examples it appeared that the guided pledge is more than 65% of unrestricted income. Can you clarify why this is?**

A. This is because the unrestricted income shown is a 2018 figure, and therefore this marginal difference is due to inflation.

**Q. How do we make sure that the clergy allocation fractions continue to be seen as a part of a calculation and not a statement about how much ministry a parish has?**

A. We are aware that this can be a sensitive subject and we do not want it to be divisive, also we are not trying to make any sort of statement about how much ministry any parish should have as this is determined through the deanery planning process. Where the Deanery Plan doesn’t specify the split between parishes we will contact Area Deans and Lay Chairs for further clarification.

## 3. Timing and availability of guideline pledge and supporting calculation

**Q. Would it be possible to see how the Guided Pledge figure is actually calculated?**

A. Because the model is a spreadsheet in which all of the pledge figures are calculated together, it’s difficult to separate out one parish from the whole model. However, the principles are set out at the start of this document, and we would be happy to take you through the calculation for your parish once this is completed, to show you which element contributes how much of the guided pledge.

**Q. When you have the Guided Pledges for each parish, will these be shared openly with all parishes, so there is openness in the process?**

A. The Guided Pledge figures will be given to all Area Deans and Lay Chairs for them to disseminate amongst parishes dependent upon their local context. The approach to each parish is applied equally, as set out at the start of this document, and much of the data is on public record, however the model includes details of each parish’s 2020 pledge. At the time of requesting this, it was not indicated that it would be published, so we wish to respect the confidentiality associated with this for the current year.

We would encourage deaneries to work in the spirit of openness to help to meet the total guided pledge for each deanery.

**Q. What are the timings for parishes receiving their Guided Pledge?**

A. Subject to the guided pledge system being adopted by Diocesan Synod on 7 September we are aiming to give final figures to Area Deans and Lay Chairs by mid-September so that these can be distributed to parishes. Parishes will be asked to submit pledges by late October (date TBC), so it would be sensible to plan a PCC meeting in late September or early October to discuss this.

**Q. Will parishes know how much their Guided Pledge is before Synod makes its decision?**

A. We are happy to discuss the likely outcome of the guided pledge calculation based on the latest available draft data, on the basis that it may change subsequently as parish data is currently being updated for 2019 financial results, and until the model is finalised we cannot commit to a precise figure. However, if you would like to know an indicative number for budgeting purposes, please feel free to contact us and we can discuss this at any stage.

## 4. Special circumstances

**Q. How does this approach take the effects of Covid-19 on church finances into account?**

A. We are deliberately not asking Parishes to commit anything due to the ongoing public health situation, until later in the year. Whilst there will still be some uncertainty over how church services, trading activity and income are looking, that is the latest that we can leave budgeting for 2021.

The Guided Pledge figures for 2021 will be based on 2019 data and therefore doesn’t take account of the effect of COVID-19. Any drop in income or USA due to the coronavirus in 2020 will be reflected in Guided Pledges for 2022. We appreciate that different parishes will be affected in different ways however there is not yet any data on any of the measures used in the model that accurately reflects this at parish level. That means that at this stage, we have to work on the basis that all parishes are affected equally, which to the extent that all services have been suspended is true, but we appreciate that there are other ways in which the effects will vary significantly.

Ultimately, each PCC will have to factor the likely effect of Covid-19 into their decision on how much to pledge for 2021, and this will be linked to their overall 2021 budgeting process.

**Q. What do we do if the input data implies that our parish has higher resources than the reality? For example:**

**- a large building project, which means we have several hundred thousand pounds of restricted income or reserves this year; or**

**- large one off legacy donation meaning that income is several hundred thousand pounds higher than normal; or**

**- a USA which is significantly distorted by people who aren’t able to contribute financially to the church ie. asylum seekers.**

A. Please discuss with us if you have factors such as this which may lead to the inputs to the pledge model being significantly distorted due to unusual circumstances. The model can’t take these into account systematically but we can make manual adjustments where the effect is significant.

**Q. Will parishes in interregnum have their Parish share reduced?**

A. No, parishes in interregnum will still be asked to contribute a guided pledge figure that reflects their clergy allocation as per the deanery plan, regardless of whether they currently have a priest in charge in post. Most parishes in a 10-12 year timespan will have a period of time when they are in interregnum so we anticipate that this will be balanced out over time. Also, the diocese will continue to work towards filling vacancies, training new clergy, paying pensions for retired clergy. The idea of parish share is not to simply pay the stipend and associated costs of the current priest in charge.

**Q. Will we pay towards the cost of the vicarage if it is empty?**

A. No. The cost of housing isn’t factored into the guided pledge calculation. In the model only the full time equivalent percentage of stipendiary clergy is factored in, based on the deanery plan. In most circumstances, the diocese owns the vicarage and will pay for maintenance costs regardless of whether it is occupied.

**Q. Our parish boundaries are currently in the process of pastoral reorganisation. How is this taken into account?**

Until the reorganisation is completed, most of the data that goes into the model isn’t available, so we will not be able to calculate the new parish guided pledge until we know the expected income, reserves, clergy allocation, population, USA, electoral roll and IMD of the new parishes. This may mean that an estimate has to be made in the first year of a new parish forming, until this data is available. If this is the case, please discuss with us to help ensure that any estimates are informed by the circumstances as best as possible.

**Q. Can the system take account what parishes are funding — for example paying for a youth worker for ministry in the parish?**

A. Unfortunately this is very difficult to do as every parish has a different cost structure, and we don’t really want make a judgement as to whether the things that a parish is funding are worth more or less than things other parishes are funding. The way the model is set up is to try to take account of the resources a parish has and can tap into in order to contribute Parish Share.

**Q. Will the new congregations coming out of Resourcing Churches be encouraged to enter into this process in the years ahead?**

A. Built into the bids for each Resourcing Church and Community of Hope is that they would all work towards being self-sufficient at the end of the funding period. This means these churches will become a contributing part of the Guided Pledge system at the point at which it is appropriate for them to do so. The timescale for this is very much dependent on individual circumstances.

**Q. Would it be possible to invite James or Nathan to speak to our PCCs if necessary following receipt of our guided pledge?**

A. Yes. Of course depending on the public health situation it is likely that we will only be able to attend via Zoom. Please contact us if you would like us to attend.

##

## 5. What if our parish can’t meet the guideline pledge?

**Q. What happens if we pledge below the guideline level?**

A. There are several consequences:

The diocese will make a deficit in 2021, and/or will have to take measures to reduce its costs accordingly. Although we have some reserves, we can’t maintain a deficit at the current level for many years, as the vast majority of our reserves are used in clergy housing, or have restrictions attached to them meaning they can’t be used to cover day to day spending. The diocese’s main costs are clergy stipends and staff salaries, so if parish share in total doesn’t meet the costs of these, this will lead to vacant posts not being filled or revisions to deanery plans, and in the worst case, redundancies and cutting back on the services that the diocese can provide.

Where parishes pledge significantly below the guideline, we would ask them to explain the reasons for this, and to explain whether they believe they will be able to work towards the guideline in future. We understand that Covid-19 is likely to have an effect on parish income in 2021, as in 2020, and would ask that parishes continue to use reserves during this difficult period where these are available.

We would also ask that you review your stewardship and ask your congregations to support you in meeting your guided pledge. We appreciate that, in a time when many people have lost their jobs, not everyone will be in a position to increase their giving, and this needs to be taken into account sensitively and with respect, but all parishes need to address this question to secure the future funding of our churches.

**Q. Do you have suggestions on how we can fund an increase to our pledge to the guideline level?**

A. Yes. As mentioned above, please look at stewardship if you haven’t done so recently.

Many parishes have now joined the Parish Giving Scheme which provides a way for congregation members to give to their parish via Direct Debit, and which deals with gift aid automatically, and givers can now set this up by phone without any internet requirement. As this is an electronic form of giving Covid-19 has had a very limited effect across participating churches. Nathan can help you to set this up – please contact him to discuss this.

It is also worth reviewing costs. In most parishes the most significant costs to look at are energy costs and insurance costs. We had a recent example of a church saving £600 by switching insurance provider.

**Q. When we get the figure, do we have to accept it or can we disagree?**

A. If you disagree with the figure, please talk to us. Ultimately this is a pledge system and the PCC is still free to submit an alternative amount to the guided pledge figure, whether higher or lower.

**Q. In one of your examples, the increase would lead to that parish’s unrestricted reserves being used within the year and on another, this will exhaust them after two years – is that sustainable?**

A. This is based on the assumption that a parish will have to incur a deficit to make up a shortfall against guided pledge. In some cases that is correct, but some are running at a surplus, or could make savings elsewhere.

The intention and design of the model is for parishes to contribute from their income, and where we are asking parishes to increase it is where we think they have the capacity to do so based on the level of resource they have compared to other parishes in similar circumstances.

It is, of course, unsustainable for any parish to continually pay their parish share using and depleting reserves in the longer term (just as it is unsustainable for the diocese to run at a deficit indefinitely) and we would hope that parishes are able to balance their budgets whilst contributing parish share in line with their guided pledge. If that appears not to be the case, please contact us to discuss further.