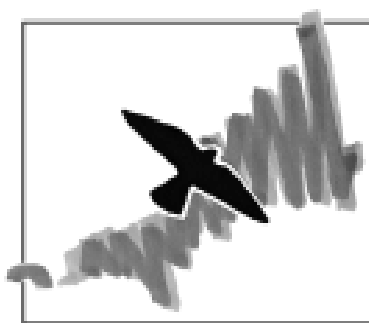


**JUNE 2008**

# **DIOCESE OF TRURO**



## **COMMON FUND 2009 AND BEYOND**

**Diocesan House, Kenwyn, Truro TR1 1JQ**



**THE CHURCH  
OF ENGLAND**

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## 1 “Vision, mission and money”

In *With God We Can, the People of God Journeying on*, published in 2007, Bishop Bill wrote:-

My vision of a Diocese as a community of communities, affirming both the importance of the local and the catholicity of the world-wide Church is not just theoretical. It affects something as basic and fundamental as our money, the way we get it and the way we spend it. It is the philosophy for instance behind the formula for allocating the Common Fund. Our income based formula may sound very functional and precise, but there is a deep theological principle at stake in promoting such a formula. What we have, we have in common, and this is never more true than when we are speaking about the mission of the Church. An income formula is actually a mission fund, in which those with more contribute to the mission of the church amongst those who have less. This is important because it is so easy to get distracted by the observation that the provision of stipendiary clergy is declining and as a result to bemoan the situation that *“we are paying more for less.”* **But the Common Fund is not a contribution to buy a bit of a stipend; it is a pooling of resources to enable the mission of the Church to flourish and to respond to changing circumstances.** It is Biblically-based on Acts 4 verses 32 onwards, where we hear that everything was held in common, with benefactors laying at the feet of the Apostles, the proceeds of their property sales. So the Common Fund is what it says on the tin, where we all attempt to give sacrificially for the good of the Whole and our giving is always in response to God’s overwhelming generosity.” (p37-38)

This remains the Common Fund Committee’s rationale –

**“The Common Fund is not a contribution to buy a bit of a stipend; it is a pooling of resources to enable the mission of the Church to flourish and to respond to changing circumstances.”**

## **2 First Principles**

The essential understanding that “our giving is always in response to God’s overwhelming love” is a constant Biblical theme.

In the last edition of this booklet, *Common Fund, 2005 and Beyond*, the then Common Fund Committee, making this point, quoted from the first letter of St John:-

“Beloved, let us love one another, because love is from God,” writes St John in his First Letter. “God’s love was revealed among us in this way: God sent his only Son into the world so that we might live through him. In this is love, not that we loved God but that he loved us and sent his Son to be the atoning sacrifice for our sins. Beloved, since God loved us so much, we also ought to love one another.” (1 John 4:7 and 9 – 11)

All our giving, whether as individuals, PCCs or as a Diocese, stems from this one fact – that God first loved us.

## **3 First Church**

In the 2005 edition of this booklet, the Common Fund Committee also wrote:-

The best pictures of this overflowing generosity in the early Church are to be found in St Paul’s second letter to the Corinthians, chapters 8 and 9, and in The Acts of the Apostles. There, St Luke writes,

“Now the whole group of those who believed were of one heart and soul, and no one claimed private ownership of any possessions, but everything they owned was held in common. With great power the apostles gave their testimony to the resurrection of the Lord Jesus, and great grace was upon them all. There was not a needy person among them, for as many as owned lands or houses sold them and brought the proceeds of what was sold. They laid it at the apostles’ feet, and it was distributed to each as any had need.” (Acts 4: 32–35)

## **4 Aims and Objectives**

The 2005 booklet concluded therefore:-

‘First Principles’ gives us our aim:

- **“Since God loved us so much, we also ought to love one another.”**

‘First Church’ gives us our objectives:

- **“Everything they owned was held in common . . . . .”**
- **“and it was distributed to each as any had need.”**

None of this has changed between then and today.

## **5 Consultation 2007**

A diocesan-wide consultation was conducted by post in 2007. The Common Fund Committee is grateful to the 50+ parishes and individuals who responded. All responses were carefully considered by the Common Fund Working Party.

Although a few contrary views were expressed, the consultation revealed widespread acceptance of an income-based formula and little appetite for wholesale change. The 2005 formula was generally seen as fulfilling the intention it set itself to be

- Equitable
- Stable
- Simple

## **6 The 2005 Formula**

- a. **Net Parish Recurring Income Sole Criterion.** All calculations were to be based solely on Total Parish Recurring Income after deducting Costs of Trading. This was called ‘Net Parish Recurring Income’. Restricted recurring income was included in this figure.

PCC Treasurers already included these figures on their Return of Parish Finance form each year. There was, therefore, both clarity about the figures being used and a significant cut in the amount of work needed to make the calculations – a saving both on PCC Treasurers' time and to Diocesan costs. It satisfied the *Simplicity Intention*.

- b. **Net Parish Recurring Income to be averaged to form a base line.** Average Net Parish Recurring Income for the financial years 2001, 2002 & 2003 formed the base figure for calculations of Common Fund for 2005. Increases in the years 2006, 2007 & 2008 were simple percentage uplifts for all parishes in line with the overall Diocesan Common Fund increase (but incorporating transitional relief, where necessary).

This averaging of Net Parish Recurring Income has several advantages:-

It ironed out annual fluctuations, thus facilitating easier budgeting, both parochial and diocesan.

It meant that the disincentive to giving was ameliorated.

It meant that increases in income did not translate immediately or even automatically into increases of Common Fund.

It satisfied the *Stability Intention*.

- c. **Graduated Contribution Rate.** Once an average Net Parish Recurring Income had been established for all parishes, Common Fund shares were calculated according to a progressive scale of contribution rates and bands. The top band for 2005-2008 was set at 69%; the approximate percentage of parish income needed to meet those costs borne on parishes' behalf by the Diocese and the national Church. A graduated contribution rate sought to meet the *Equitable Intention*.

- d. **Parish Based Calculations.** Because all calculations were based on figures parishes submit, all assessments were on a parish basis.
- e. **Additional Gifts of Common Fund.** It remained possible for parishes within a benefice/cluster to redistribute their allocation should they so wish. Similarly, parishes continued to be encouraged to give more than 100% of the sum requested, to aid struggling parishes (as they still are in the 2009 arrangements).

## **7 Common Fund Formula from January 2009 – Proposed Changes**

- a. **Cost of fund raising.** Although the 2005 formula is widely accepted, the fact that cost of fund raising was not allowed against Net Parish Recurring Income was felt by many to be a disincentive to income generation. From 2009, cost of fund raising (as well as cost of trading) will be taken into account in calculating a parish's Net Parish Recurring Income.
- b. **Churches buildings allowance.** Representation has been made by parishes with more than one church building that through an accident of history they have higher fixed costs than parishes with only one church. This is recognised in the new formula. All parishes will receive a £1,500 allowance; in parishes with two church buildings this is increased to £2,500; those with three or more church buildings will receive an allowance of £3,000. This allowance is not assessable for Common Fund.
- c. **Adjusted Net Parish Recurring Income.** Net Parish Recurring Income (of the 2005 formula), will no longer be used as the basis of calculating a parish's Common Fund. Instead, this will be adjusted by the taking into account PCC's cost of fundraising and the church buildings allowance (see above) and this Adjusted Net Parish Recurring Income figure will be used. This continues to include restricted recurring income.

- d. **Updated income figures.** The 2005 formula was based on Net Parish Recurring Income figures for 2001, 2002 and 2003. The formula for 2009 – 2011 will be based on averaged Adjusted Net Parish Recurring Income figures for 2004, 2005, 2006 and 2007. Cost of fundraising activities 2004 – 2007 are being recorded so they can be deducted in arriving at the Adjusted Net Parish Recurring Income.
- e. **Graduated bands abolished.** The graduated bands, with a top band of 69%, were also regarded as a disincentive to increase income. They are therefore abolished.
- f. **Proportional Giving to Common Fund.** Each parish will pay in the ratio that its Adjusted Net Parish Recurring Income bears to the total of all parishes' Adjusted Net Parish Recurring Income. This will be expressed as a percentage. A parish's Common Fund each year will then be this percentage of the Diocesan Common Fund call (as shown in the Diocesan Budget).
- g. Thus for example:-

Two parishes, each with the same income, but one with one church and the other with two.

St Saviour-by-Sea, which has only one church building, has net recurring income after allowing cost of trading and cost of fundraising of £20,000. After deduction of its church buildings allowance of £1,500, it has an Adjusted Net Parish Recurring Income of £18,500.

St Michael-on-the-Moor, has two church buildings. Its net recurring income after allowing cost of trading and cost of fundraising is also £20,000. After deduction of its church buildings allowance of £2,500, it has an Adjusted Net Parish Recurring Income of £17,500.

If the total of all parishes' Adjusted Net Parish Recurring Incomes were £4,800,000 then:-

St Saviour-by-Sea would pay  $\frac{18,500}{4,800,000} \times 100$

that is 0.39% of the Diocesan Common Fund Call.

St Michael-on-the-Moor would pay  $\frac{17,500}{4,800,000} \times 100$

that is 0.36% of the Diocesan Common Fund Call.

If these figures had applied in 2008, when the budgeted Common Fund Call is £3,505,600 then:-

St Saviour-by-Sea would have paid 0.39% of £3,505,600;  
that is £13,672

St Michael-on-the-Moor would have paid 0.36% of  
£3,505,600;  
that is £12,620

- h. It is expected that the largest parish's Common Fund will be in the region of 2.5% of the total Common Fund Call, while the vast majority will be under 1%. This percentage will be fixed for the years 2009 – 2011. (Thus in our example if the Common Fund call changed in 2010 or 2011, St Saviour-by-Sea would pay 0.39% of the new Common Fund figure, and St Michael-on-the-Moor 0.36%.)

The Common Fund Committee believes this is a much more positive way of expressing what each parish is asked to give to the **“pooling of resources to enable the mission of the Church to flourish”**.

## **8 Transitional Relief**

In 2005, transitional relief was provided because the change from a part cost-based formula to an income-based one threw up significant increases and falls which were products of the change. However, 2009 changes are substantially the product of either increased or decreased income. There is, therefore, no case for formal transitional relief. However, some parishes' call will rise significantly, while others will fall.

- a. No parish that is in arrears with its Common Fund as at 31 December 2007 will have a reduction in its call below what it has been asked to pay in 2008. The difference between the two will be counted against arrears. Similar adjusted arrangements will continue until the arrears have been paid off. The Common Fund Committee believes this will make dealing with arrears more manageable for parishes, enabling them to see themselves making headway, rather than just feeling burdened with debt.
- b. Parishes with significantly above average increases may apply to the Pastoral Resource Fund for relief, and the Fund's Grant Making Committee will give priority to such parishes.

## **9 Supporting Struggling Parishes – Mutual Responsibility**

No formula can produce the perfect solution and there will always be parishes that have to struggle more than others to pay their bills. Some parishes, maybe especially those who have a reduction in their Common Fund, may want to assist other parishes by helping them with their Common Fund commitments. The Common Fund Committee wants to encourage this mutual responsibility. It is obviously important that such generosity does not adversely affect the recipient's income figures. If your parish would like to make such gifts, please make the arrangements through the Revd Julie Millar, the Parish Resources Officer, at Diocesan House.

## **10 Review**

A further review will take place in 2010 and 2011 in preparation for any change in 2012.

## **11 Summary of Formula**

- a. "Common Fund is not a contribution to buy a bit of a stipend; it is a pooling of resources to enable the mission of the Church to flourish and to respond to changing circumstances."
- b. The formula for 2009-2011 will be based on Adjusted Net Parish Recurring Income, which continues to take into account recurring restricted income and allow for the cost of trading, but which now also allows for cost of fundraising. This is calculated after inclusion also of the church buildings allowance.
- c. Each parish is asked to pay in Common Fund the percentage its Adjusted Net Parish Recurring Income is to the total Adjusted Net Parish Recurring Income of all parishes
- d. This percentage will be fixed for 2009 – 2011.
- e. Parishes in arrears as at 31 December 2007 will not have the benefit of any reduction below the 2008 call until the arrears are paid. Similar adjustment arrangements will be put in place for 2011 and beyond.
- f. Parishes whose Common Fund call rises substantially in 2009 may wish to apply to the Pastoral Resource Fund.

## **12 Further Questions?**

Please contact either Julie Millar, Parish Resources Officer, or John Caff, Common Fund Officer, at Diocesan House, tel: 01872 274351, extension 214 or by email on [julie.millar@truro.anglican.org](mailto:julie.millar@truro.anglican.org) or [john.caff@truro.anglican.org](mailto:john.caff@truro.anglican.org).