

6a Consultation on a new MMF formula from 2026

This is a detailed briefing paper for members who want to delve more deeply, we aren't expecting everyone to have read this!

BDC are proposing that a new MMF formula be introduced from January 2026, such a change will require the agreement of Synod, to prepare for this we are beginning a consultation at deanery level during February, March and April.

This paper describes the background, the priorities and outline proposal as provisionally agreed by BDC and the Finance, Assets and Risk Committee.

1. Background

The current formula was introduced in 2019, running for one full year before the pandemic struck. In 2019 the collection rate was 74% achieving £3.5m (compare 90% collection rate in 2023 achieving £2.9m). The low collection rate was despite a full year of consultation and widespread apparent support for the formula.

The 2019 formula has two main elements:

- **Cost of ministry** which funds clergy and ministry costs, the allocation is based on the actual costs of clergy etc minus some allocated income.
- **Benefice charge** which funds shared costs including Church House, curates, and archdeacons. This is allocated as an equal share of the total cost, divided by benefice.

In the 2019 formula the balance between the two elements was roughly 3:1

1.1 The formula currently applied is still based on the 2019 model, but both elements (cost of ministry and benefice charge) have been distorted in at least two important ways:

- Basing calculations on deanery plans ahead of achieving the actual cost base (ie. in some cases the “call” is based in part on a lower cost plan, not on actual costs).
- Not recalculating the benefice charge for the lower number of proposed benefices.

1.2 “On the Way” deanery planning used indicative costs based on the 2019 formula for costings, but this was distorted (and continues to be distorted) by interventions that had not been budgeted into the formula calculations.

- Cost inflation arising from increases in stipends and salaries have in part been absorbed by the DBF and not passed onto parishes, we called this “honouring the indicative costs”. This “distortion” in the formula costs the DBF around £1.8m in 2025 (although there are some different ways of calculating this value).
- Another distorting factor is the use of LICF and mission funding to pay MMF. This means that simple comparisons of the call and collection rates before and after 2020 are complex and can be misleading.

Overall the impact of these and other less significant distortions can be said to have re-shaped the 2019 formula meaning that simply re-applying the 2019 formula would now introduce unsustainable changes in the call in several deaneries.

2. Priorities

BDC considered the above background earlier in 2024 and agreed that the priority for a new formula would be to **support the implementation of deanery plans**. This means that the output (the call at deanery level) is more important than the mechanics of the formula. To support deanery plans the “output” (the “call” or MMF asked for) needs to be as close as possible to the call that the deanery is expecting or planning for.

By making “supporting the implementation of deanery plans” the priority, BDC are choosing not to prioritise alternatives such as simplicity, or increased support for deaneries experiencing deprivation.

3. Outline proposal

Members will note that there are at least ten factors that can be taken into account when considering an MMF formula (see Section 7 below).

The proposed formula from 2026 continues to be based on Cost of Ministry (as in 2019), but rather than splitting the ministry costs and benefice charge as in 2019 the key factor will be ministry units (people in ministry) with most weight being given to stipendiary ordained ministry. This calculation, with some transitional arrangements, will give a call where each deanery will pay close to the same proportion of the total call as that calculated in the indicative costs.

The overall call will continue to be reduced by support from DBF reserves. Parishes will continue to use mission funding and LICF in line with deanery plans.

4. Key Questions

- **New and extra parochial churches**

Because the proposed formula is based on ministry units the treatment of non-parochial organisations (such as BMOs) is relatively straightforward.

- **Deaneries where the formula may not offer stability**

In some deaneries the new formula gives an output further away from the current call. In these cases we propose a tapering transitional arrangements up to the end of the timeframe described in the assets strategy.

- **Ongoing changes in plans**

The underlying formula will give enough clarity to allow proposed changes in plans to be costed, changes after 2024 will not typically attract transitional arrangements.

- **Clergy vacancies**

The 2019 formula included an estimated vacancy rate and expected ongoing payment of MMF in parishes in vacancy. This approach was not well supported. We are proposing an immediate reduction in call that matches the approximate saving to the DBF, followed by an immediate reinstatement when appointments are then made.

- **Legacy call**

A number of parishes and benefices are carrying historic “debt” from MMF that has not been contributed. The introduction of a new formula will be an opportunity to reset the legacy call of “unpaid MMF”.

5. Additional notes

5.1 Support for deanery level allocation

The MMF call is calculated from benefice level data, but allocated as a total call to the deanery. Deaneries then allocate the call between churches and or PCCs. At least in theory this happens, some deaneries simply pass on the PCC or church level call using the same formula (Church House could have done that) others can take months trying to resolve the allocation.

The deanery approach can encourage honest conversations to take place at deanery level and in some places (but only a few places) it has led to churches that are more able to pay deciding to support a neighbouring church or churches. The approach is meant to encourage leadership and ownership at deanery level, but this doesn't always happen. The deanery approach makes most sense where clergy or readers operate across benefices.

We propose to continue with deanery level allocation, but note that most deaneries will need significantly more support to operate the system, particularly if we want them to model "mutual aid".

5.2 Retiring the toolkit

Although the basis of the 2019 formula is reasonably simple the layout of the toolkit is un-necessarily complex. We propose that this be re-thought from the bottom up to make it more transparent and to help benefices or deaneries see how DBF support impacts the call.

5.3 Promoting "ownership"

National research into diocesan funding formula shows that the mechanics of the formula is largely irrelevant to how successful it is, the key factor is ownership of the approach and the quality of relationships. The detailed consultations and groundwork in 2018 was based on complex financial modelling, we are proposing to invest in promoting the formula in 2025 but to take a different approach based on guidance from national and other partners.

5.4 What's in a name?

MMF is reasonably well known as a concept across the diocese, although fewer people know what the letters stand for. Simply changing the name won't be transformative but consulting on a new name might have some merit.

6. Options

Some of the alternatives we have considered are:

- Ceasing to allocate at deanery level
- Shorten transitional arrangements
- Incentives for high payment levels etc
- Changing arrangements for clergy vacancy

Beyond the recommended approach there are any number of alternatives, but among the most credible would be:

- Use other factors from the table at Section 7 below (these may be attractive, but will not serve to support the implementation of existing deanery plans and would potentially be disruptive)
- Continue with the current formula and approach beyond 2025. This has some attractions, however we have committed publicly to a new formula and the current approach is increasingly hard to justify (it now scarcely aligns with the formula agreed by Diocesan Synod in 2018)
- Revert tightly to the 2019 formula (there doesn't seem to be much in favour of this, it wasn't "successful" in 2019, it isn't widely understood, and would be disruptive to the implementation of deanery plans)

7. The Alternatives

Every diocese has some sort of mechanism that allows parishes to contribute towards the cost of stipendiary ministry and the shared cost of the diocese. These mechanisms differ from diocese to diocese and over time, and the calculation of what a parish “should” pay also differs. There are (arguably) nine core factors that can be used to work out what each place should pay.

Most dioceses blend at least two factors, by common consent there is no “perfect” formula and recent national research indicates that *the* single key factor in achieving a high collection rate is the quality of communication.

a	Historic	Sometimes a formal transitional arrangement, but sometimes literally just based on a previous assessment that may no longer be “true”. Most new formula use a bit of this
b	Offer	Many of our parishes had (arguably) adopted this prior to On the Way, paying what they thought was right or affordable, licensed ministry may or may not relate to what is paid. At its best this encourages generosity.... There are a number of dioceses that operate an “offer” system.
c	Congregation size	Often blended with a. so that growth is not “penalised”
d ^{1/2}	Deprivation	Two versions of this; ¹ assesses the relative poverty or wealth of the parish, or ² assess the relative poverty or wealth of the congregation. Exeter’s formula gives significant weight to d ²
e	Cost of Ministry	You get what you pay for. Sometimes mitigated using DBF or national grant funding for areas of deprivation. The 2019 formula is mostly this, with some (h) and a bit of (a).
f	Ability to pay	Measures financial capacity of a church (income or reserves or a mixture). This never encourages opaque finance reporting in parishes because everyone wants to pay their fair share.
g	Missionary	Specific arrangements to encourage growth or mission in a particular context, often time limited. Funding can come from the DBF, or be church to church, or via another party.
h	Equal share	Each parish or unit pays an equal share of a total cost. This is a secondary element of the 2019 formula
i	Buildings	Takes account of the number or complexity of buildings
j	Blended	Almost all dioceses blend at least two of the above

8. Timetable

1 st Feb 25	Diocesan Synod	Background & proposals for consultation, immediate feedback but not major debate
Feb/Mar 25	Consultation with parishes and deaneries	
11 th Apr 25	FAR	Detailed proposal - rec. to BDC
29 th Apr 25	BDC	Detailed proposal approve for Synod
21 st Jun 25	Synod	Approve new formula (major debate)
	June onwards promote new formula budget based on new formula	

9. Risk

There are at least two main areas of risk, one arises from the consultation and implementation, the second is more fundamental and exists at parish and benefice level.

- The consultation and implementation will need to be handled well, with clarity and lightness of touch. The consultation as proposed is looking for support for what is a fairly narrowly drawn approach, it isn't the sort of consultation that encourages creativity and prophetic thinking.

The consultation could become a lightning rod for disaffection and could erode support for the work of change and renewal. It risks exposing critical tensions in the common life of the diocese.

Senior leaders will need to offer support to the consultation and implementation which will need to be well resourced.

- If the work described in deanery plans to achieve financial sustainability is not effective, then the overall plan and the call are unaffordable, changing the formula will not help.

Analysis and understanding of the affordability of ministry and the work of the church in Cornwall will require sophisticated monitoring and will be part of the work of the Board for Change and Renewal, and of FAR.

A key question for FAR in the next couple of years is likely to be to consider the balance and quantum of reserves and other resources allocated to the budget.