

Briefing Note on proposal for a “New Financial Settlement” in the Church

Context

The BDO (an accountancy and business advisory firm, selected by the national church) report on diocesan finances has clarified there is a systematic problem with our current ministry funding model which means all English dioceses have insufficient funds to keep "the show on the road". The only difference between dioceses is how much each DBF has in reserves to keep going for longer. As BDO noted, DBFs have virtually no control of 75% of their income or expenditure, without reserves they therefore have no capacity to effect change. That means that dioceses like Liverpool are looking at an immediate crisis. Dioceses like Gloucester with good reserves are also not "safe" but have capacity to protect local ministry for longer and explore innovations that may lead to a long-term growth model.

We also heard from Diocesan Secretary colleagues how the current models of NCI funding are hard to access, opaquely governed, limiting in scope and rarely fund the essential day-to-day parish ministry which is our core purpose and challenge. It is worrying that this methodology creates both a false ecclesiology of "central management" in the Church of England and a sometimes-dishonest conversation about what can and should be our ambitions for sharing the Gospel locally. This approach has failed to have any demonstrable impact on our aggregate missional or financial fortunes.

We are facing the potential bankruptcy of some DBFs and seriously damaged morale in our clergy and parishes.

This is unstable and ultimately unsustainable.

Origin of the current wealth imbalance between National Church Institutions and Diocesan Boards of Finance

At the invitation of John Spence, I wrote a paper for Archbishops' Finance Committee (sent with this note) which sets out how the funds in the Church were shifted from diocesan to NCIs over the past 25 years. This happened with all good intent and succeeded in saving the Church Commissioners from bankruptcy. What is now clear however is that this settlement was funded by, essentially, an asset transfer from DBFs to the NCIs – simply put selling property and investments to pay unaffordable pension contributions.

The consequence of this is that now many DBFs are at risk of bankruptcy.

This paper was welcomed by the Archbishop's Council Finance Committee and sparked a good conversation about shifting assets back to the local Church. At Archbishop's Council and Church Commissioners level however that was diluted to simply a bit more money passing through the same system. This has not brought any major change for DBFs.

Formation of a group advocating change

My paper was subsequently shared quite widely and over the past few months I have been asked to share it again with people concerned about the need for a radical "New Settlement" in the Church. This includes bishops, Church Commissioners, Diocesan Secretaries, General Synod members as well as organisations concerned for clergy wellbeing.

A group has formed which is looking to pick up this issue and start a national conversation on bringing about a rebalancing of funds in the Church to make local ministry and DBF's more sustainable.

I am helping this group, and we believe that the right action is to confidently assert the voice of bishops and their dioceses, initially through a co-ordinated set of diocesan synod motions that calls for **£2-3bn of funds currently held by the Church Commissioners to be reallocated to the Diocesan Stipends Funds** of DBFs based on ministry needs. A needs-based assessment would mean some dioceses (like Gloucester) receiving very little, if any, of this reallocation, but dioceses like Liverpool being put on solid ground rather than facing a downward spiral of cuts and withdrawal. £2-3bn may sound like a lot of money but is only equivalent to the increase in CC funds since the pandemic and should hardly affect their capacity to allocate funds to the low income community grants.

Will simply shifting money around really help.

Yes. Whilst moving money may sound like simply moving deckchairs there are significant reasons why this will make real difference:

- a. The misalignment between control of funds and funding responsibility is a structural weakness in the Church's decision-making process.
- b. Having so much of the Church's funding decisions controlled by a small central group fails to capture the diversity and innovation of the local Church which is essential to any realistic reform and renewal of the Church. History tells us reform comes from the edge, not the centre.
- c. Disparities in wealth between dioceses leads to a "postcode lottery" of ministry rather than our affirmed catholic ministry of a presence in every community. Greater equity between dioceses will help restore our sense of being a national Church.
- d. The Church Commissioners release funds at a lower rate than DSFs typically do – leading to strong capital gains at the expense of today's ministry. Bishops and DBF's, not actuaries, are more appropriate authorities to address the question of when and how to invest in mission.

How you can help

We understand there is local support for this proposal in your diocese, and we hope you will consider a **Diocesan Synod motion in support of this proposal**.

If you do take this forward, **you will not be alone**. The dioceses of Hereford and of Gloucester will be voting at their next Diocesan Synods with episcopal backing. People in leadership roles from over a third of dioceses have indicated they want to explore this proposal and that is before any active promotion of a joint movement.

The work is being co-ordinated by Robert McNeill-Wilson (cc'd). **Please contact him** for advice and help, he will be able to share an example motion and network you with others involved. If there is interest, he would be happy to host a joint Zoom meeting with interested parties after Easter.

+Richard of Hereford is the episcopal champion of this work and is also copied in. He is very happy to speak with you and or your senior clergy to share how important he believes this proposal is to protect the future of parish ministry in England for the next generation.

Benjamin T LI Preece Smith
Diocesan Secretary, Gloucester