

## STRATEGIC FINANCIAL REVIEW

### **The Reasons for a Strategic Review**

1. The Church Commissioners are obliged, as trustees of their fund, to make periodic reviews of their spending plans in the light of the money available to spend, working with the Archbishops' Council in the way laid down in the National Institutions Measure 1998. Current plans are fixed until the end of 2004 and the Commissioners and Council are now working together on the next three-year plan – for 2005-7 – in the light of the triennial actuarial valuation of the Commissioners' fund which takes place in the spring of 2004.
2. The spending review is timely because it will allow the Church, with the new Archbishop of Canterbury, to look forward and evaluate the evolving national needs and opportunities of the Church, and to take stock of recent changes that have been achieved in respect of financial strategy.
3. The plans for 2005-7 itself can only be finally determined after the triennial actuarial valuation of the Commissioners' fund has taken place in 2004, since that will inform decisions on the overall amount of money available to be spent in the following triennium. Before then, however, there is the opportunity for discussion within the Church on priorities and the 'ideal use' of the Commissioners' funds (in the short and longer term).
4. The debate at General Synod gives its members an opportunity to make their views known on the priorities which should inform the Commissioners' future spending plans.

## **The Purposes of the Church Commissioners' Funds**

5. The Church Commissioners and their predecessors (the Ecclesiastical Commissioners and Queen Anne's Bounty) have used their funds in different ways at different times in history to address the evolving needs and opportunities facing the Church. For example:

- the endowment of new parishes in the new population areas created by the Industrial Revolution and the underpinning of the Church's ministry in poor parishes;
- the funding of lay workers (in view of clergy shortages) ministering to munitions workers during the First World War;
- grants for clergy, Church Army Evangelists and Women Workers working in mission areas between the Wars;
- the development of ministry in new housing areas after the Second World War;
- the work undertaken over many generations to improve and equalise clergy remuneration across the Church including the provision of a uniform pensions scheme and help with retirement housing;
- the distribution of block grants to dioceses since the 1940s to underpin the parochial ministry throughout the country;
- the emphasis since the early 1980s on selective distribution on financial grounds to equalise resources between dioceses;
- the support of the Church Urban Fund.

6. The Commissioners' fund has acted as a strategic and dynamic reserve for the Church to enable it to tackle needs and opportunities that its component parts might otherwise have struggled to address. This has enabled the Church to sustain and – importantly - develop its ministry to the whole nation.

7. The strategic capacity of the Commissioners' fund has, unfortunately, been significantly depleted because of the growth in their pension liabilities which will consume roughly half of their capital over the next 50 years or so. This, however, only increases the importance of ensuring that the

potential of the remaining half of the fund is fully realised, not least in view of the pressing needs and opportunities that the Church continues to face. This (non-pensions) capital provides over £60m per annum to the Church and is still the largest strategic reserve at its disposal.

8. The Commissioners' fund must be used in line with the various Acts and Measures which govern its deployment, and a balance must be struck between their different commitments. Except where there is a specific contractual obligation (stating, for example, that a certain level of pension must be paid), the amount of money allocated to each of the expenditure commitments the Commissioners have in law is not defined. Some of these commitments may oblige them to pay *something* but the actual amount is left open to discretion (e.g. the stipends of diocesan bishops and cathedral clergy for which the Commissioners are legally responsible). In other expenditure categories, there is complete discretion over the quantum that is to be made available (e.g. to fund bishops' working costs, make grants to cathedrals or provide 'section 67' support – see below).

9. The review of the Commissioners' spending plans must involve, therefore, choices about the amount of money allocated to *each* of their non-pensions expenditure commitments. No part of the overall amount of money available to be spent is 'ring-fenced' for a particular expenditure category.

10. In making decisions between the use of the Commissioners' fund, the Archbishops' Council and Commissioners must be mindful of the National Institutions Measure 1998 which directs they should pay *particular regard* to the Commissioners' 'section 67' responsibilities (derived from section 67 of the Ecclesiastical Commissioners Act 1840). These obligations direct that:

*‘additional provision shall be made for the cure of souls in parishes where such assistance is most required, in such manner as shall be deemed most conducive to the efficiency of the Established Church’.*

11. They have authorised a wide variety of support for parish ministry over the last 150 years, for clergy, lay workers and other resources which have helped address the Church’s different needs and opportunities around the country. Most of the current ‘section 67’ support distributed by the Council from the Commissioners’ fund is given to poorer dioceses to provide support to those parishes which cannot meet the costs of their stipendiary minister. Some money – the parish mission funding – is distributed on a different basis so that dioceses can choose whether to use the money for stipend support (as above) or invest in *new* Church ministry in line with local mission needs and opportunities (see GS Misc 716).

## **The Agenda of the Strategic Review**

12. The task of the current strategic review of the Commissioners’ spending plans is to ensure that they reflect the Church’s priorities today. The Archbishops’ Council and Commissioners have agreed that the review should focus on three major questions:

- A. What is the shared national vision within the Church of its needs and opportunities?
- B. What proportion of the Commissioners’ funds can be marked as available for strategic deployment in the period 2005-7 i.e. to tackle those needs and opportunities which would not otherwise be addressed by individual parts of the Church?
- C. How should the strategic funds available from the Commissioners’ funds in 2005-07 be employed in support

of the national vision of the needs and opportunities facing the Church?

13. It is important to emphasise that the Council and Commissioners have agreed these questions on the basis that their answers can only be worked out in consultation within the Church. A *shared* national vision of the Church's needs and opportunities is something to be developed through debate. And the concern that the Commissioners' funds are used strategically - i.e. in the best way possible to serve the Church – must not involve the imposition of a centralised vision upon the Church. The Commissioners' funds are Church money. It is for the Church to agree the optimal use of these precious resources in addition to those it currently has – where best and how best money should be invested at local level to tackle 'gaps' in the Church's mission and ministry which existing resources cannot address.

14. The strategic review of the Commissioners' spending plans must involve, therefore, consideration within the Church of its mission and ministry priorities, and the resources available to meet them. It must also test current expenditure patterns against those priorities, in discussion with representatives of existing recipients of the Commissioners' funds (e.g. bishops, cathedrals, dioceses).

15. Any proposals to change the pattern of the Commissioners' expenditure will need to be worked out in dialogue with all interested parties, and this will take time. It is also important the spending review looks both at the needs of the existing recipients of the Commissioners' funds and the needs and opportunities of *potential* beneficiaries i.e. those whom the Commissioners' funds could in principle support but who receive nothing under current policy and perhaps do not currently have a voice at the table.

## **Process**

16. The Archbishops' Council and Church Commissioners' Board of Governors held a joint meeting on 28 May to have a preliminary discussion of the strategic review. In a wide-ranging debate, a number of issues emerged, including the importance of the Church maintaining a presence around the country (acknowledging that the form which that presence took would vary in line with local factors), the need to see the role of the Commissioners' fund in the broader picture of the Church's finances and to work in harmony with diocesan mission and financial strategies, and the value of being flexible in the way resources were distributed. The Council and Commissioners have commissioned a Working Group to take forward the review of spending plans, its task being to:

- consider the optimal use of the Church Commissioners' resources in 2005-7 and in the longer-term for funding the ministry and mission of the Church in the light of its needs and opportunities and of the other resources available to meet them,
- make recommendations to the Archbishops' Council and Church Commissioners' Board of Governors by the end of 2003, with a view to their being developed into spending plans for 2005-7 in the light of the Commissioners' triennial actuarial valuation due in the spring of 2004.

In its task, the Working Group should have regard to the views expressed by:

- members of the Council and Commissioners' Board at the joint meeting on 28 May, and subsequently;
- the House of Bishops, General Synod, dioceses and other interested bodies.

17. The membership of the Working Group comprises two members of the Archbishops' Council, two Church Commissioners (one of whom is also a member of the Council) and three external members:

Lady Brentford, *Third Estates Commissioner*

Andrew Britton, *Southwark DBF Chairman and Chairman of the Consultative Group of DBF Chairmen and Secretaries.*

Michael Chamberlain, *Chairman of the AC Finance Division*

Philip Giddings, *Chairman of the AC Mission and Public Affairs Division*

The Right Reverend David James, *Bishop of Bradford*

Canon Jane Sinclair, *Vicar of Rotherham*

Andreas Whittam Smith, *First Estates Commissioner (The Group's Facilitator)*

18. The Council and Commissioners are committed to consulting widely within the Church about the future use of the Commissioners' funds. The House of Bishops was appraised of the strategic review at its June meeting. In its discussion, it welcomed the review and laid down some points of principle, for example, emphasising the importance of a gospel vision to inspire the Church's giving and sustain its ministry in its neediest areas (where the Commissioners' funds continued to play an important role). It was suggested also that care needed to be taken in the review not to 'centralise' decision-making about the use of resources.

19. Consultation with other interested parties is planned over the summer and in the autumn. The Working Party aims to complete its review work in the light of the initial consultation process by the end of this year, with a view to the Council and Commissioners taking broad proposals on the future use of the Commissioners' funds to the House of Bishops and General Synod in the early part of 2004. The specific plans for 2005-7 will then be worked up and agreed once the results of the triennial actuarial review are known in spring 2004.

20. At these July sessions, General Synod has the chance to have early input into the strategic review of the Commissioners' funds. What do members think is the best

way to use this valuable reserve in the light of the Church's needs and opportunities? How best should it be invested so that, in God's grace, the Church's ministry to the nation may grow in the years ahead?

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