

STRATEGIC SPENDING REVIEW

Report from the Steering Committee

1. Following last year's adjourned Synod debate on the Strategic Spending Review (GS1529) Christina Baxter, the Very Revd George Nairn-Briggs and I were invited to form a small Steering Committee to oversee a number of strands of further work (GS Misc 750). We have been supported by the Secretary General and by the Secretary of the Church Commissioners.

2. Our role has been to:

- seek to maintain some coherence across the various exercises;
- keep the Archbishops' Council, Board of Governors of the Church Commissioners and House of Bishops abreast of emerging thinking; and
- provide the Synod with an opportunity to consider the detailed proposals in the context of the big picture.

Context

3. The financial story of recent years is in many respects hugely encouraging. Since the early 1990s parishes and dioceses have successfully managed to absorb nearly £100 million of additional annual expenditure in relation to ministry costs and pensions that would previously have fallen to the Church Commissioners. Across the Church, regular, tax efficient giving went up by 90% between 1993 and 2001 at a

time of falling membership numbers.

4. The Church Commissioners themselves have recovered from their difficulties of the early 1990's and achieved a decade of exceptional investment returns. Since the end of their cutbacks, in 1997, their contribution to Church costs has been remarkably stable despite their pension obligations. Many cathedrals have raised funds for major restoration projects. More parishes are financing the employment of their own staff in a wide range of new ministries.

5. Even so, giving still falls well short of our longstanding target that Church members should commit 5% of their income to the Church (around 3% in 2002). As a result, the financial challenges facing us in relation to stipends, pensions, the maintenance of our buildings and the promotion of the mission of the Church more generally are substantial. Moreover, in these fast changing times we have a responsibility to ensure that our financial systems are helping to create the Church we want to become rather than simply reflecting the Church we have been.

6. Nowhere is the complexity of the Church of England more clearly manifested than in the financial arrangements. The money flows between the Archbishops Council, Church Commissioners Pensions Board, dioceses, cathedrals bishops and parishes are probably understood in their totality by very few.

7. Some complexity is inevitable with an organisation as large as the Church of England, with its myriad of charitable bodies. The church pays a price for such confusion and one of the outcomes from this work needs to be greater clarity and

simpler flows of money throughout the church. This is essential in order to increase the levels of sacrificial giving.

8. There seem to us to be three possible models for the future, namely one which would be almost entirely **congregational**, one which would involve a move towards much greater **central management and redistribution**, and a third which would seek to sustain a measure of **mutual solidarity**. The choice facing us now as a Church is which model will best serve us in the coming decades.

9. Each has its strengths and weaknesses and at different times in our Anglican history one or other has been in the ascendant. When the General Synod was created in 1970, the Church Commissioners met more than half of the Church's annual expenditure. In addition a further significant proportion came from income created by assets and investments held in dioceses and benefices.

10. Now, the underlying dynamic is very different. More than two-thirds of the Church's expenditure is met by the regular, current, voluntary giving of its members in the parishes. Some regard this increasingly local influence, particularly of the larger churches, with apprehension. Others rejoice in the new energy which has been generated and are unconcerned by the weakening of levers previously operated nationally or in dioceses.

11. What is clear is that the increased reliance on current giving at local level is not going to be significantly reversed. That means that the financial systems operated by dioceses and at the national level need to reflect the reality that an organisation primarily funded by voluntary giving has to be held together by

consent rather than coercion. Policies and formulae are only as strong as the persuasive power they can command.

12. It is clearly for the Church as a whole to decide how these conflicting tensions should best be managed creatively. For ourselves, we would unequivocally recommend an approach designed to sustain **mutual solidarity**. We belong together. Our financial systems need to reflect that.

13. There will need to be much local discretion. Systems which have served well in the past will need to be adjusted to reflect new realities. But neither greater centralisation nor full blown congregationalism in matters financial would adequately reflect our ecclesiology nor, we would say, New Testament principles: 'If one part suffers, all suffer together; if one flourishes, all rejoice together'.

The Reviews

14. Consistent with this view of our mutual interdependence, planned change needs, in our view, to occur organically, through a process of evolution. We believe that the programme of work carried out over the past twelve months provides a way of achieving that. A group chaired by **Brian Newey**, chair of the Oxford DBF, has helpfully looked at some immediate changes to elements of the **Darlow formula**. That determines the basis both on which each diocese pays its share of the national costs of the Church through the apportionment system and may be eligible for selective allocations of national funds to support parish ministry. Also on the immediate horizon is the **phasing out of guaranteed annuities** from January 2006. Some of the other strands of work have identified possibilities for change which are for the 2008-10 triennium and beyond.

15. This not, in our view, the moment for attempting to settle all the details so much as seeing whether there is a shared view on the direction of travel. In one area decisions have already been taken. The Archbishops' Council has considered the proposals of the **Newey Group**, in the light of discussion at the inter-diocesan finance forum and has endorsed its recommendations. The proposals before the Synod in relation to the apportionment for 2006 and the decisions in relation to the selective allocations reflect the Council's conclusions.

16. In relation to the **review of administrative costs**, the group chaired by Andrew Britton (Chair of the Southwark DBF and of the consultative group of DBF Chairs and Secretaries) has produced a progress report, a copy of which is circulated as GS Misc 782. This has identified some promising areas for the reduction of diocesan costs. We urge Synod members to take an interest in this continuing process and use their own influence within dioceses to encourage voluntary participation in collaborative, cost cutting initiatives.

17. In relation to the **costs of Episcopal Ministry** the House of Bishops agreed in January on three broad objectives namely that:

- the sum directed towards episcopal ministry to be a fixed quantum in relation to the amount of money available for parish ministry support;
- a move to a more flexible system of block grants for the support of episcopal ministry;
- less central day to day management of episcopal budgets, including in relation to property matters.

18. The House of Bishops judge that, taken together, these would produce a more constructive way forward than attempting to implement the Mellows programme of reforms in their original form or launching at this stage a review of the number and deployment of suffragan bishops. The Church Commissioners are now doing further work on these propositions.

19. The reports from the groups chaired by the Bishops of Bath and Wells and Liverpool range much more widely. They are being circulated to Synod separately as GS [y&z]. Each merits debate in Synod in its own right. The Bishop of Bath and Wells group addresses the question of how over the coming years the Church wishes to arrange its financial affairs in order to **resource mission more effectively**. The group has made it clear that its report is in the nature of a ‘green paper’ and the Synod debate will be an important opportunity for shaping the next stage of the work.

20. The Bishop of Liverpool’s group on **accountability and transparency** has identified some specific ways in which there can be a greater degree of mutual disclosure and challenge both between dioceses and others. As the report makes clear, this is an area where the changing requirements of the Charity Commission have already generated greater consistency and an openness in financial reporting over recent years. But we should not primarily be dependent on external stimuli for increasing the extent to which we are mutually accountable to each other within the Body of Christ.

21. The Synod needs therefore, to consider whether it supports the principles in the report and endorses the need for the sensible and effective ways, over and above what the law requires, for sharing information more constructively. Clearly

the aim should be to nurture that trust which needs to be at the heart of our relations with one another. Clarity and understanding about the key financial facts are essential for securing a renewed commitment to sacrificial giving.

Conclusion

22. The Strategic Spending Review which Synod debated in February 2004 opened up some large questions which the Church was not then ready to answer. The further work done since then – and in particular the reports from the groups chaired by the Bishops of Bath and Wells and Liverpool – has attempted to tease out these questions further. While there remains scope for many views on what the answers should be, the underlying questions about how best to use all the resources with which God has entrusted us will not go away.

23. It is our hope that the series of debates at the July Synod will start to create some consensus on the principles which should guide the reshaping of our financial arrangements. It will then be for the Archbishops' Council, the Church Commissioners and the House of Bishops to take decisions in the light of further discussion of the reports' detailed recommendations.

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