

Background

In summer 2023, the Archbishops' Council agreed to review the Church of England's 'financial system' – particularly focusing on the financial relationships between dioceses and the National Church.

The current funding model is complex, with many different financial flows between dioceses and the National Church Institutions. Many dioceses are facing financial difficulties, constraining their ability to deliver their mission and ministry plans.

Before considering future funding arrangements it was important to establish a clear understanding of the true state of diocesan financial health so that any proposed changes to funding arrangements would be based on a transparent and accurate financial picture for each diocese.

In Phase 1 of the Review, all dioceses participated in a data collection exercise, working with external accountancy firm BDO, to share financial data in order to build up an accurate picture of diocesan finances. We are very grateful to the Dioceses for undertaking this detailed work.

Findings of Phase 1

The findings of Phase 1 revealed a deteriorating picture with aggregate diocesan deficits of £29m in 2022, expected to more than double to £60m in 2024:

- The number of dioceses in deficit is increasing, with 18 in deficit in 2019 and at least 35 expecting to be in deficit in 2024.
- Declining attendance (by at least 25% since 2015 and as much as 40% in some dioceses) has driven a real terms reduction in parish share in all mainland dioceses, with a significant mismatch between parish share collected and the cost of resourcing ministry and mission.
- Half of dioceses face some short-term liquidity risk with 23 holding less than 3 months' cash reserves, 13 of which do not have any easily available investment assets to liquidate.

In light of the findings of Phase 1, the next phase of work was initiated to Review Future Funding Arrangements.

Aim

The Review of Future Funding Arrangements aims to consider how to ease dioceses' current financial stress in a way which helps to develop the Church's longer-term missional and financial health, focusing on:

- The financial support of dioceses by the national Church
- The simplification of the Church's financial systems, primarily in respect of financial flows between dioceses and the National Church Institutions.

Project approach

The Review of Future Funding Arrangements is seeking to develop coherent, costed proposals for reform of the key financial flows between dioceses and the National Church Institutions.

The Review will consider:

- the effect of current and proposed arrangements on supporting local mission and financial sustainability within dioceses
- the redistribution of wealth effect, given the relative underlying wealth of each diocese
- any transition or interim arrangements needed to support any material change in the financial flows
- the relative balance of existing funding streams
- the nature and number of funding streams

Any new funding model will seek to uphold the key principles agreed in consultation with dioceses, the House of Bishops, the Archbishops' Council and the Church Commissioners.

Phase 2 will also build upon the data collection undertaken in Phase 1 to deliver a reporting dashboard for dioceses, enabling them to easily compare their financial position and performance to that of other dioceses and prompt sharing of good practice.

The project is overseen by a steering group including National Church and Diocesan colleagues, and Chaired by Carl Hughes, Archbishops' Council Finance Committee Chair.

Next steps

The Project Team have begun to engage with a range of stakeholders through workshops and other activities. This includes broad consultation with dioceses, the House of Bishops, and National governing bodies, as well as engagement with the General Synod.

Over Summer 2024, work will be undertaken to model the financial impact of various options, which will be shared with key stakeholders in the Autumn for input and feedback.

Any proposed changes to funding arrangements will be brought for consideration to the Archbishops' Council in late 2024 and General Synod in February 2025.

Recommendations from the review will inform the process for developing Triennium Spending Plans for 2026-28 which set out the allocation of funding priorities for the monies distributed from the Church of England endowment fund, managed by the Church Commissioners. This work will commence in the Autumn 2024 and conclude by Summer 2025.

Contact

If you have a question about the Diocesan Finance Review, please contact Joanna Woolcock at joanna.woolcock@churchofengland.org.

FAQs

What were the detailed findings of the Diocesan Finances Review?

You can review the key findings of the Diocesan Finances Review [here](#).

What factors are driving the problem?

The Church of England's dioceses have experienced greater financial challenges over the past decade, driven by a reduction in parish share in cash terms, with an even steeper reduction in real terms (inflation adjusted) and an increase in costs.

Alongside the impact of Covid19 and the inflationary environment which followed, the underlying driver is a decline in church attendance which has reduced by at least 25% in all dioceses since 2015.

Are there mechanisms to redistribute assets from richer dioceses to poorer ones?

The Council's Lowest Income Communities Fund grants (£30.3m in 2024) are targeted at the dioceses in lowest income areas.

In addition, the Council's apportionment request from dioceses (which funds key expenditure such as training for ministry, national support services and clergy retirement housing) asks for proportionately more from the better resourced dioceses and so has a redistributive effect.

The Review of Future Funding Arrangements will consider the effect of the current redistribution mechanisms and whether these are fit-for-purpose.

How is the Church of England addressing the worsening financial problems at individual dioceses?

The Diocesan Investment Programme grant scheme aims to support dioceses to enable the bold outcomes and strategic priorities of the Church's [Vision & Strategy](#) to become a reality in parishes and communities, prioritising investment in the most deprived and resource-poor contexts.

The Vision & Strategy team work closely with dioceses to help them develop integrated mission and people plans, supported by appropriate financial plans.

How does the Church of England support dioceses that are struggling financially?

The Vision and Strategy team work with dioceses' senior staff teams on their missional, people and financial planning and associated grant applications. If the need arises, external consultancy advice can be provided.

In the short-term, up to three months' forbearance on the Clergy Stipend Account is available to aid dioceses' cashflow.

Is the decline in church attendance accelerating?

There has been modest growth in church attendance in 2022 and 2023. Attendance is still less than before the pandemic and also below the pre-pandemic trend projection.

What are the key principles underpinning Future Funding Arrangements?

Any future funding arrangements will seek to uphold the following principles:

- Mutuality / Partnership
- Enabling the Vision & Strategy
- Prioritising Areas of Deprivation and Need
- Intentional Missional Focus
- Transparency / Clarity
- Simplicity
- Generosity & Sacrifice
- Accountability

A more detailed narrative, along with theological reflections, [can be found here](#).

Who are the members of the Steering Group?

The project is overseen by a steering group including National Church and Diocesan colleagues:

- Carl Hughes, ACFC Chairman (Chair)
- Pete Wilcox, Bishop of Sheffield and Church Commissioner
- Gareth Mostyn, Chief Executive, Church Commissioners
- William Nye, Secretary General, Archbishops' Council: Secretary General's Office
- Simon Gallagher, Director of Central Secretariat
- Neil Burgess, Archbishops' Council Finance Committee member
- Richard Gough, Chair of the Diocesan Secretaries / Chief Exec's Network
- James Morgan, Diocesan Secretary, Durham
- Michaela Southworth, Diocesan Secretary, Chelmsford
- Neil Williams, Finance Director, Exeter
- Philip James, Deputy Director for Diocesan Support
- Debbie Clinton, Co-Director of Vision & Strategy
- Stephanie Harrison, Director of Governance Programme
- Joanna Woolcock, Director of Finance Transformation
- David White, Deputy Director of Finance

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