

GENERAL SYNOD

Triennium Funding Working Group: National Church Spending Plans for 2020-22**Summary**

The 2020-22 spending plans outlined in this paper have been developed following the recommendations of the Triennium Funding Working Group which General Synod was informed of in GS Misc 1216. **These plans remain subject to approval at the Church Commissioners' Annual General Meeting on 26 June 2019.**

In 2020-22, each of the following funding streams will continue to be supported by the national Church funds (the 'core' distributions) mostly rising year on year in line with earnings:

- Lowest Income Communities Funding
- Strategic Development Funding
- Archbishops' and bishops' ministry costs (including senior leadership development)
- Cathedral clergy stipends
- Digital evangelism

'Additional' distributions from the national Church funds will be made to support dioceses and cathedrals, as follows:

- £27m to meet the costs of training the incremental increase in ordinands throughout the next triennium, supporting dioceses to deliver the Church-wide goal of providing for future ordained ministry through increasing the number of ordinands by 50%.
- £18m for a new funding stream – Strategic Ministry Funding. All dioceses can apply for support towards the incremental costs of the increased number of curates resulting from the increased number of ordinands.
- An extra one-off sum of £10m to help develop cathedrals' financial sustainability.
- £45m of diocesan sustainability funding, mainly focused on providing funding for dioceses with financial difficulties wishing to undertake a major programme to provide a platform for the Church's sustainable growth. £1m of this sum will be used in 2020 to enable the Council to keep the diocesan apportionment at the 2019 level.
- A social impact investment programme will be started with initial seed funding of up to £20m in 2020-22.

A. Introduction

1. Every three years there is a review of how the national funds of the Church – those managed by the Church Commissioners – are distributed. A Triennium Funding Working Group (TFWG – see GS Misc 1216), which included members from the House of Bishops, Archbishops' Council and Commissioners, has been preparing recommendations for how the funds should be distributed in 2020-22.
2. The Group's recommendations for the 2020-22 Spending Plans have been approved by the Archbishops' Council and the Church Commissioners' Board of Governors and are supported by the House of Bishops. The recommendations are subject to approval by the Commissioners who will vote on the allocation of the money available in 2020-22 at their Annual General Meeting in June.

3. The funds will continue to provide a key way of supporting the Renewal and Reform programme, the Church's co-ordinated vision to become a growing Church for all people in all places.
4. Three priorities agreed by the House of Bishops informed the recommendations for the use of the national funds in 2020-22:
 - Investment in recruiting and training new ministers – helping dioceses deliver the Church-wide goal of increasing the number of ordinands by 50%;
 - Supporting dioceses in making strategic investment in change programmes designed to produce 'good growth';
 - The continuation of specific funding to help dioceses to support mission in lowest income communities.
5. The latest triennial actuarial assessment of the Church Commissioners' funds has recently been completed. Their Assets Committee has agreed to switch from using the Retail Price Index (RPI) to the CPIH Index as the inflation basis on which provision is made for future expenditure growth (other than for expenditure on pensions). As the long-term estimate of the annual increase in CPIH is below the estimate for RPI, less of the Commissioners' assets are needed to cover their 'core' distributions.
6. The Committee has therefore agreed that a significant increase can be made in the amount of money available for distribution in 2020-22 compared to that distributed in 2017-19. It is important to note that there is no new money: distributions are higher now but will be lower in the long-term because they will grow at a slower rate than if RPI-related increases had been maintained (the actuaries estimate the crossover point will be in around 40 years' time).
7. In addition to pensions, the national funds will therefore support:
 - 'core' distributions (on-going funding for dioceses, bishops, and cathedrals)
 - 'additional' distributions of funding which will be made available for finite expenditure (albeit including two new programmes of long-term support expected to run until 2031) to help address the Church's key challenges as they evolve over time. There was no such funding in 2017-19.
8. The amount of money available for 'additional' distributions will vary over time. But the Assets Committee has refined its mechanism to aim to give a full triennium's advance notice in most circumstances for any reductions in distributions deemed necessary following an actuarial review. This cannot be guaranteed: this length of advance notice might not be possible in the event of a particularly adverse actuarial review, e.g. if there were a severe market correction.
9. The Assets Committee has advised that around £50m p.a. will be available for multi-year 'additional' distributions in 2020-22 and that the Church can plan on the basis that a similar sum will be available in 2023-25. The first priority for the use of this money will be to support ministry growth.
10. Although decisions about the use of funding in 2023-25 will be taken in three years' time, the sum expected to be available for 'additional distributions' in 2020-25 is sufficient to be able to provide the estimated requirement for additional support for ministry growth up until 2031, albeit at a reducing level from 2026. In other words, if it became clear that these higher distribution levels could not be maintained in 2026-

2028, we can say now there will be sufficient to enable dioceses to plan with confidence for the full period of increased support in respect of ordinands and curates.

11. More details on the 'core' and 'additional' distributions are set out below.

B. 'Core' Distributions

12. The Lowest Income Communities (LinC) Funding, Strategic Development Funding, and grants for bishops' and cathedral ministry will all rise year on year in line with assumed earnings growth during 2020-22 (set at 3.45% p.a. for 2020-22) as detailed below. The 'core' distributions will also support increased investment in the senior leadership development programme and in digital evangelism.

Lowest Income Communities Funding

13. The overall level of LinC funding will rise in line with earnings in 2020-22 enabling a total of £82m to be allocated for this purpose. The transitional funding payments agreed in the 2017-19 spending plans will continue to be met from the national funds.

14. The Strategic Investment Board (SIB) will review the impact of the LinC funding and the formula used to distribute it between dioceses at the end of the current triennium.

Strategic Development Funding

15. The level of Strategic Development Funding (SDF) will rise in line with earnings during 2020-22 adding a total of £82m to the amount available for award.

16. SDF is a ten year programme (2017-2026). Assuming that the current level of funding continues to increase in line with earnings up until 2026, it is estimated that the total amount of SDF available over the ten-year period will be £270m.

17. It is now estimated that by June 2019 (when the next awards are made) around £130m will be left to distribute up until 2026. Although the Commissioners have agreed that the Council could award in the early years a greater amount of funding than that allocated in order to create early momentum behind the SDF programme, the levels of distribution seen previously will need to be reduced in future years to ensure that spending keeps within the overall level of money available. The SIB is giving thought to the future pattern of distribution of SDF (and we will send further information about this to dioceses as soon as possible). During the triennium, it is anticipated that there will be a pause in SDF awards whilst the outcomes from the SDF programme are reviewed.

18. The SIB is reviewing the criteria for SDF grants and is considering how they can be targeted on addressing the Church's strategic challenges and ensuring there is growth for all people and for all places, involving all church traditions.

Bishops' Ministry

19. Grants for archbishops' and bishops' ministry costs will rise broadly in line with earnings during 2020-22, equating to a total of £94m of funding over the triennium.

20. A review of the allocation of bishops' ministry costs between dioceses is underway in consultation with bishops. Any changes will be introduced in 2020.

Cathedral Ministry

21. Block grants to fund cathedral clergy stipends and the section 23 grants distributed by formula for other stipends and salaries will rise in line with earnings in 2020-22 (totalling £20m and £12m respectively).

C. 'Additional' Distributions

Funding Ministry Growth

22. A key priority of the 2020-22 spending plans and beyond is to ensure that dioceses are empowered to grow ministry through an increase in ordinands and curates with confidence that this will not have an unmanageable short or medium term impact on their finances. The national funding will help dioceses with the costs of a) training and maintenance of the growing numbers of ordinands, and b) the curacy costs resulting from this growth in numbers. In 2020-22, a total of £45m will be available for distribution to support these costs, with a further £17m of the 2020-22 funding being earmarked towards supporting the costs of the programme after 2022.

23. Looking ahead, dioceses should also take confidence from the fact that the amount expected to be available for 'additional' distributions in 2023-25 should be adequate to cover the rest of the twelve-year funding ministry growth programme, albeit decisions about the use of funding in 2023-25 will be taken in three years' time.

Funding for the Training of Ordinands

24. The additional costs of training ordinands will be supported by injecting national funding into the existing 'Vote 1' and associated pooling system which apportions between dioceses the overall costs of tuition and maintenance for ordinands. This funding will seek to ensure that the national Church funds will meet the full costs of the training and maintenance of additional ordinands from 2020 to the end of 2025 and that Vote 1 apportionment increases would be limited to no more than inflation over this period.

Funding for Curates (Strategic Ministry Funding)

25. An increase in the number of ordinands will lead in time to an increase in curates as they complete their training. The national Church funding will support dioceses with a portion of the cost of the increase in curates through a new funding stream to which all dioceses will be eligible to apply.

26. The goal of the Strategic Ministry Funding (SMF) is to:

- Provide financial support for growth in the number of curates:
 - funding will be deployed to support growth in the number of curates against a baseline
 - the full incremental cost including pensions and housing will be considered
- Tailor the level of support so that it is proportionately higher for dioceses that need it most.
- Ensure the funding has the best possible impact through ensuring well planned and executed deployment and development.

27. The timetable for applications is yet to be worked out but it is hoped that funding can be provided for curates starting during 2020. It is envisaged that there will be an annual application process to provide funding in time for each cohort of new curates.
28. With respect to housing, funding will be available for the day-to-day increased costs (including an allowance for financing and/or maintenance costs but not capital costs) that dioceses face. This could be maintenance costs of existing properties, or rental costs where existing property is not available.

Strategic Ministry Funding Assessment Framework

29. The detailed expectations will be worked out in consultation with dioceses and other stakeholders, but it is envisaged that the following broad framework will be deployed to assess applications for SMF:
- Initially, dioceses will be asked to demonstrate how they will ensure strategic coherence around the training and placement of curates funded by SMF. This might include providing high-quality formation and training plans for these curates, selection of and support for their training incumbents (or equivalent), and assessment of how these curacy posts fit with a diocese's context (including the needs of its deprived areas).
 - Within a few years, dioceses will also be asked to demonstrate strategies for formation of ordinands, and for a plan for the pipeline of new ministry they are sponsoring, including how this inter-relates with national needs.
 - Ultimately, it is hoped that dioceses will be undertaking holistic people planning, including a strategic plan covering recruitment, training and deployment over a medium to long term timescale, how these fit with the diocese's long term aims and national needs, and a strategy for formation, training and development for all ministry within a diocese.
 - The additional cost of these plans and strategies will then be considered against the resources available to dioceses to ensure support is commensurate with need.

Funding Other Diocesan Ministry Priorities

30. The SMF will provide the normal route of receiving funding for curacies. However, some dioceses will want greater flexibility around their plans and they will be encouraged, as now, to apply for SDF. Examples might be a diocese appointing curates as part of a wider strategic programme, setting up a scheme for export to a more needy diocese, or a context-focused inter-diocesan scheme for deployment in estates, inner cities or multi-ethnic areas.
31. Whether from the SDF or SMF funding stream, dioceses will only be able to apply for funding through one route for each curate.
32. More information and guidance on the SMF will be sent to dioceses as soon as possible.

Diocesan Sustainability

33. In addition to the above funding streams, the 'additional' distributions will also support a one-off sum of £45m of diocesan sustainability funding in 2020-22 to support dioceses with financial difficulties wishing to undertake major programmes to provide a platform for the Church's sustainable growth. It is initially anticipated that this should be able to assist around 6-9 dioceses during the triennium but this can only be confirmed when applications are received; it is anticipated funds allocated during the triennium will be spent over a longer period. It is recognised that some of the £45m may be needed to support dioceses wishing to build their capacity to deliver such change.
34. This funding will be awarded following similar application, assessment and evaluation processes as for SDF. The details of how this new funding stream will be developed will be provided as soon as possible.
35. The Council will use £1m of the sustainability funding in 2020 to keep the diocesan apportionment at the 2019 level. This is for one year only, in advance of a planned fundamental review of the Council's activities and how they should be funded from 2021.

Cathedral Sustainability

36. The Cathedrals Working Group reported in 2018 with a series of recommendations, some of which fall within the national Church's remit and are being taken forward by the NCIs' Cathedral Support Group. A new draft Cathedrals Measure will be brought to General Synod in July.
37. In 2017 the Commissioners established the Cathedral Sustainability Fund (CSF) from £2.9m of unrestricted legacies. Its objective is to provide seed funding for specific projects aiming to improve cathedrals' financial sustainability. Cathedrals must report on their progress against targets. To date, 16 grants to 15 cathedrals have been awarded totalling £1.8m and discussions are in train with a further eight cathedrals about potential grants.
38. There will be a one-off additional allocation (to be distributed under the Commissioners' power in section 23 of the Cathedrals Measure 1999) of £10m in 2020-22 to provide additional funding for the Cathedral Sustainability Fund and support the implementation of the Cathedrals Working Group recommendations. The detailed allocation and mix of this funding will be decided by the Commissioners' Bishops & Cathedrals Committee with advice from the Cathedral Support Group. The aim of the funding will be to improve the financial sustainability of cathedrals and, over time, reduce their dependence on the Commissioners' funding. It is also hoped that the sum will help leverage Government funding.

Social Impact Investment

39. The 'additional' distributions will support the seeding of a social impact investment programme with the intention of generating positive and measurable social and/or environmental impact alongside a financial return. The Commissioners will make a special distribution or distributions to the Council for it to create an impact investment programme that would not be bounded by the need (that the Commissioners have) to produce market rate returns.
40. £20m of the 'additional' distributions has been allocated to begin a social impact investment programme and the Council is initiating work to help it consider the best way to make this investment and ensure its sustainability.

Renewal and Reform Programmes Support

41. Further investment, totalling approximately £2m, in the management and resourcing of the Renewal and Reform programmes will support the team's ability to deepen, build on and sustain their momentum and impact. The programmes include investment in the communication of the learning and impact of Renewal and Reform, and in the Setting God's People Free and Thy Kingdom Come initiatives.

D. Conclusion

42. We are grateful that, because of the change in the inflation base used to calculate the future growth in the Commissioners' non-pensions commitments, the Commissioners' Assets Committee has been able to make a significant increase in the amount of money available for distribution compared to that distributed in 2017-19.
43. Further work is in train to determine how the new funding streams will work in practice.
44. We are delighted that these changes have enabled the development of proposals to help meet the costs of delivering the Church-wide goal of increasing ordinands by 50%, to support dioceses in meeting the costs of the consequent increase in curates, to provide time-limited funding to enhance the financial sustainability of dioceses and cathedrals and to seed a revolving social impact investment programme. We are confident that these plans for the use of the national Church funds will help sustain and grow the Church so that, in God's grace, the Good News of the Risen Christ will transform many more thousands of lives.

William Nye: Secretary General, Archbishops Council and Secretary to the House of Bishops

Andrew Brown: Secretary, Church Commissioners

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