

GENERAL SYNOD

Financial update and Archbishops' Council Original 2021 BudgetFOR INFORMATION**Summary**

This paper provides General Synod members with an update on the emerging impact of the COVID-19 pandemic on Church finances. It also provides members with the Archbishops' Council's original budget for 2021. Recognising the high degree of uncertainty resulting from the COVID-19 pandemic, the Council will prepare a revised 2021 budget in the Autumn. This will be circulated to Synod members and it is hoped that this revised budget can be debated at the November Group of Sessions.

Context

1. The Archbishops' Council is required to present a budget to the General Synod before 30 June of the preceding year. The Synod's role in relation to the Council's budget is to approve (i) the expenditure funded largely by dioceses and (ii) the resultant diocesan apportionment and the pooling adjustment in respect of additional maintenance grants for ordinands. But these approvals can only be considered at a physical meeting of the Synod.
2. For much of the first quarter of 2020, the work preparing the Council's 2021 budget was proceeding as normal. This led to the Council considering the "original budget" which is summarised in as **Annex 1**. However, this does not attempt to take full account of the impact of COVID-19 which is yet to be fully understood both in terms of the impact on the Council's own activities and financial circumstances and those of the wider Church.
3. Given that the Synod is unable to meet and vote in the usual way in July, and given the high degree of uncertainty resulting from COVID-19, the Council intends to prepare a revised 2021 budget in the Autumn. Subsequently, this will be circulated to Synod members and it is hoped that the revised budget can be debated at the November Group of Sessions.

Financial support measures in the light of COVID-19

4. As soon as it became clear that the measures taken in response to the COVID-19 pandemic would have a significant impact on the nation and the Church, the national Church, dioceses and cathedrals have been working together to help support the Church through this time. The broad nature of this work is summarised in GS Misc 1249.
5. In respect of finance, there has been – and continues to be – significant collaborative engagement to help understand the challenges dioceses expect to face and what support might be provided by the national Church. Discussions involving the House of Bishops, Church Commissioners and Archbishops' Council led to two packages of financial support being arranged in recent months.
6. On 27 March it was announced that financial liquidity assistance of over £75m was being made available by the Commissioners and Archbishops' Council to dioceses and cathedrals. The purpose of this was to provide immediate cash flow relief which would give time to better understand the financial position of dioceses and cathedrals so that further support could be targeted most effectively.

7. The liquidity support comprised two strands:
 - **Clergy stipend account forbearance.** This enables dioceses with limited cash reserves of less than two months' unrestricted expenditure to delay payments for up to three months on their Clergy Stipends Account¹. The Church Commissioners, who run the national clergy payroll, have made up to £50m of liquidity available for this purpose. This will be available until September 2020 and any deferred payments must be made by September 2021.
 - **Advance payment of 2020 grants.** In April, the Commissioners provided funds to enable the Archbishops' Council to pay all Lowest Income Communities Funding and Transition Funding grants due to be paid to dioceses for the rest of 2020 in one lump sum. This provided a liquidity boost of approximately £25m in total to the 26 dioceses which receive this funding. Similarly, the Commissioners paid the section 23 grants received by 34 cathedrals in one lump sum in April, providing a £3m liquidity boost to cathedrals.
8. Following this, further consultations were held with every diocese on the impact of COVID-19 on their financial position and needs. The strong view emerged that the national Church should prioritise support for diocesan transformation programmes and investment in the capacity to deliver them, but a need for short-term financial assistance for dioceses in the light of the impact of the current crisis was also identified. To respond to this need, it has been agreed £35m will be made available for sustainability funding for dioceses in 2020 and early 2021. This second round of financial support was announced on 14 May.
9. The majority of the sustainability funding will be made available in grants to the dioceses in most need, having regard to the resources available to them. In addition, all dioceses will be eligible for help to offset up to one year of interest payments on any borrowing they need to take on to meet their funding needs as a result of the COVID-19 pandemic, potentially including interest on the Clergy Stipends Account forbearance mentioned in para 7.
10. The funds will be accessible via a simple application process, designed to enable dioceses to access the funding quickly. The Archbishops' Council's Strategic Investment Board has agreed an overall approach to releasing these funds, and discussions with individual diocesan teams to support their applications are underway.
11. The availability of £35m in sustainability funding will necessitate a re-working of the 2020-22 spending plans agreed by the Commissioners and Council last year and which were reported to General Synod last July (GS 2140) such that the total amount of planned distributions will be maintained. Decisions will be made on this when there is a clearer view on the demand for sustainability funding, recognising the need to prioritise funding for longer-term transformation. I am grateful that the Commissioners' Bishops and Cathedrals Committee have thought creatively how the £10m available for cathedrals sustainability funding in 2020-22 can be used to help cathedrals meet the challenges of the pandemic. This has included tailored support for Cathedral Heritage crafts.

¹ Interest charged at 2% above the Bank of England base rate in line with the existing arrangement in place.

Early indications of impact of COVID-19 on diocesan finances

12. It will take some time for the impact of COVID-19 on parish and diocesan finances to become clear. At the time of writing the most up-to-date information we have is on parish share received by dioceses in the first five months of the year. Overall cash receipts in April and May 2020 were 11.0% and 8.6% lower than in the corresponding months of 2019. Over the first five months of 2020 parish share receipts were 4.6% lower than in the corresponding period of 2019. In cash terms this year on year reduction was £6m (almost entirely in April and May), although it does need to be recognised that parish share is not received evenly across the year. Inevitably the position of dioceses varies enormously from these aggregate figures.
13. Whilst sobering, and recognising the situation is different in each diocese, these figures are considerably better than many were forecasting at the onset of the pandemic, and illustrate both the generosity of people within the Church for which we are incredibly grateful, and the positive effect of diocesan engagement with parishes where this has been prioritised.
14. We know less about the impact of COVID-19 on parish finances. We do know that income from many areas of activity including parochial fees, hall lettings and events will have dried up completely, although some income – e.g. fees for marriages – may be deferred. The impact on donations and the associated tax recovery will depend on the balance of giving in each parish between standing order / direct debit and cash collections. The importance of committed giving to fund the mission and ministry of the Church is even more critical at this time. Many parishes have shown real energy and commitment in encouraging giving, with large numbers accessing the guidance, advice and training provided by the national Giving and Digital teams, making innovative use of the online tools provided.

Archbishops' Council budget 2021

15. As noted earlier the Archbishops' Council's budget can only be formally considered by the General Synod at a physical meeting. The original 2021 budget is presented in summary form in **Annex 1** to meet the statutory requirement of providing Synod members with a budget by 30 June. Over the summer work will take place to prepare a full revised budget for 2021, taking into account what we know about the impact of COVID-19 on Church finances. This will be considered by the Council in the autumn prior to being shared with General Synod members.
16. Whilst the Council's budget will need to be revised before it is considered formally by the Synod, the Council has agreed that the diocesan apportionment in 2021 will be no higher than £33.0m, the same level as in 2019 and 2020. Therefore, **dioceses and General Synod members may plan on the basis that there will be no overall increase in apportionment in 2021.**

Conclusion

17. It needs to be recognised that we are operating in an uncertain and fast moving environment. We will continue to maintain close dialogue with diocesan colleagues to keep in touch with the developing impact of COVID-19 on diocesan and parish finances and we will continue to address the situation as it develops. In particular, we will monitor the impact of the financial support packages, and assess whether they are proving sufficient in the light of the challenges and opportunities faced by dioceses. The Communications team will continue to work with the Finance team and diocesan press officers to ensure consistency and accuracy of messaging and content regarding the financial health of the Church.
18. The original budget is circulated for the information of General Synod members. I am committed to working with colleagues to prepare a revised 2021 budget for the Archbishops' Council with the diocesan apportionment being no more than the £33.0m requested from dioceses for the past two years. The revised budget will be shared with General Synod members in the autumn and, God willing, I look forward to presenting that at the next Group of Sessions.

Canon John Spence.

Chair, Archbishops' Council Finance Committee

June 2020

2021 Archbishops' Council Original Budget: Summary of Votes 1 - 5

1. The 2021 original budget presented below reflects only those activities governed by Synod Votes 1 – 5 (i.e. it does not include the grants made by the Council from Church Commissioners' distributions). It reflects that much of the work was carried out before the restrictions arising from the COVID-19 pandemic were put in place. Pending preparation of an updated full budget pack for consideration in the autumn, it is intended solely to meet the statutory requirement to provide a budget to Synod by the end of June. Consequently, the 2021 original budget is presented in summary form and is for illustration only.

Summary	2020		2021		Funding Sources		
	Budget £m	Forecast £m	Budget £m	% Change vs 2020 Budget	Gross income £m	Diocesan appt £m	Reserves
							/
Training for Ministry (Vote 1)	17.6	17.5	17.9	2.0%	3.2	14.8	-
National Church Responsibilities (Op. Budget) (Vote 2)	22.1	22.5	25.7	16.2%	12.9	10.8	2.0
Grants (Vote 3)	1.2	1.2	1.3	1.7%	-	1.3	-
Mission agency pension contributions (Vote 4)	0.7	0.7	0.7	2.0%	-	0.7	0.1
Clergy retirement housing (Vote 5)	5.3	5.3	5.4	2.5%	-	5.4	-
Total	46.9	47.3	51.0	8.8%	16.0	33.0	2.0

2. In the original budget for 2021, the Council's expenditure for 2021 for areas of activity substantially funded by apportionment (Votes 1 – 5) is £51.0m, which is £4.1m, 8.8%, above the 2020 budget.
3. Whilst the Council's budget will need to be revised before it is considered formally by the Synod, the Council has agreed that the diocesan apportionment in 2021 will be no higher than £33.0m, the same level as in 2019 and 2020. Therefore, **dioceses and General Synod members may plan on the basis that there will be no overall increase in apportionment in 2021.**
4. However, the Council is examining options to explore to what extent its planned expenditure and the diocesan apportionment can be reduced. It will only be possible to achieve this by reducing – or in some cases eliminating – the Council's capacity to support the Church in some areas of work.
5. Gross income of £16.0m in 2021² includes the assumed re-allocation of £3.4m (plus a further contingent re-allocation of up to £2.3m) from anticipated underspends on the new ministry funding streams (for additional ordinands and towards the cost of curates) in order to hold apportionment flat including meeting additional planned expenditure in some areas of work agreed prior to the COVID-19 pandemic. The Council is now reassessing whether these should proceed as originally planned.
6. The remaining expenditure is met through use of Restricted / Designated funds of £1.3m (considered to be at a sustainable level) as well as drawing £0.7m from the Council's reserves in 2021 to meet the Council's contribution to diocesan costs in conducting the second round of Safeguarding Past Cases Reviews (PCR2).

² The main elements of which are £10.3m from the Church Commissioners, £3.0m from other grant funders and £1.7m for accommodation costs from other occupants of Church House.

2021 Original Budget by Vote

Vote 1 – Training for Ministry

7. Total expenditure on Training for Ministry is budgeted at £17.9m, 2.0% above the 2020 budget, and provides for 1,389 ordinands in training in the 2020/21 academic year including 588 new starters in Autumn 2020.

Vote 2 – National Church Responsibilities (Operating Budget)

8. Total expenditure on operating activities is budgeted at £25.7m, a £3.6m (16.2%) increase on the 2020 budget. The most significant drivers of this are increases of:
- £1.6m on Safeguarding, focussed on training and quality assurance, and establishing a regional adviser network to improve standards
 - £0.4m to support the Church to respond to the Net Zero 2030 Environment General Synod Motion, primarily activities related to planning, co-ordination and measurement
 - £0.5m on Evangelism & Discipleship activities including Thy Kingdom Come (for which the Archbishops' Council is taking over funding responsibility), Fresh Expressions and Sports Ministry. The first two of these are funded from Church Commissioner distributions and the latter funded by the Laing Trust.
 - £0.4m for Ministry for the extension of the Ministry Experience Scheme and administration of the Strategic Ministry Funding grants which help dioceses to fund the cost of additional curates (funded through Church Commissioner distributions)
 - £0.3m for depreciation and licence costs relating to the new People System to manage people data across the Church including provision of a national register of clergy as recommended by the Gibb Report
 - £0.2m on work relating to Modern Slavery (Clewer Initiative: funded from an external grant)
 - £0.2m on the production of resources for Living in Love and Faith, funded from an external grant
9. Excluding the increases outlined above, in aggregate the remaining budget areas are broadly flat.

Vote 3 – Grants

10. The Grants budget for 2021 is £1.3m, 1.7% above the 2020 budget. Most grants are assumed to be held flat at the 2020 level for 2021 and it will need to be considered later in the year if any increases are affordable.

Vote 4 – Mission Agency Pension Contributions

11. The 2021 expenditure budget is £0.7m, 2.0% above the 2020 budget in line with the increase in standard pension contributions for the relevant scheme.

Vote 5 – Clergy Retirement Housing

12. The 2021 budget of £5.4m reflects a 2.5% increase in the Vote 5 grant for the clergy retirement housing scheme. This is an inflationary increase plus a contribution towards the required growth in the portfolio to meet the expected increase in the numbers of retiring clergy – i.e. to broadly maintain the level of support per property in real terms.

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