GENERAL SYNOD

Generosity and Diocesan Finances

Cover note

1. In July 2021, continuing pandemic restrictions led the Business Committee to postpone an item of General Synod business on Generosity and Diocesan Finances. I am delighted this item has now been scheduled for the November 2021 Group of Sessions and this topic will be one of the first subjects of discussion for a new Synod.

2. The key reading for this item is GS Misc 1296, which was circulated to General Synod in July 2021 and is annexed to this cover note. Some updates since July are as follows:

   - Para. 16 of GS Misc 1296 noted the Archbishops' Council's plans to distribute the Diocese of Oxford's gift to the five dioceses in receipt of Lowest Income Communities (LInC) grants with the lowest level of DSF capital per capita. The first year's payments of £50,000 have been made to the five recipient dioceses.

   - The close of 2019 Diocesan Stipends Fund (DSF) capital figures provided in GS Misc 1296 appendix 1 remain the most up to date complete set available. Close of 2020 figures will not be available until later in 2021, as Diocesan Boards of Finance (DBFs) are not required to file their accounts with the Charity Commission until the end of October.

3. The recommendation of the Mutuality in Finances Group, which carries the support of the House of Bishops and the Archbishops' Council, remains that legislative proposals be brought forward to remove existing geographic restrictions on how the DSF can be used. Diocesan wealth is far from evenly spread across our communities and legislative change could remove actual or perceived barriers to generosity, helping wealthier parts of the church support the poorer parts in times of need. We believe this step would stimulate a greater sense of mutuality, leading to greater generosity and greater fairness.

4. As per GS Misc 1296 para. 26, the motion put to General Synod by the Bishop of Sheffield on behalf of the Archbishops' Council is:

   That this Synod request the Archbishops' Council to develop legislative proposals, to be brought to a future group of sessions, to give dioceses more freedom to be generous with their historic wealth to other dioceses in the Church of England, and in this way enable a more equitable sharing of this wealth.

The Rt Revd Dr Pete Wilcox

Bishop of Sheffield

October 2021

Annex One

GENERAL SYNOD

Generosity and Diocesan Finances

Summary

1. Continuing pandemic restrictions have led the Business Committee to determine that the General Synod's July 2021 Group of Sessions should be held online rather than in person as originally planned. As a result, the Business Committee has also decided that the agenda should be reduced and some items which had been scheduled have therefore been deferred to a future group of sessions. One such item is the subject of this paper, now provided as a GS Misc for members' information.

2. The recommendation of the Mutuality in Finances Group[1], which carries the support of the House of Bishops and the Archbishops' Council, is that legislative proposals be brought forward to remove existing geographic restrictions on how the Diocesan Stipends Fund (DSF) can be used. Diocesan wealth is far from evenly spread across our communities and legislative change can remove actual or perceived barriers to generosity, helping wealthier parts of the church support the poorer parts in times of need. We believe this step will stimulate a greater sense of mutuality, leading to greater generosity and greater fairness.

The Rt Revd Dr Pete Wilcox

Bishop of Sheffield

June 2021

[1] The Mutuality in Finances Group was established in September 2020 as part of the Emerging Church of England programme to explore options for greater generosity between dioceses. It is a sub-task-and-finish group of the Vision and Strategy work led by the Archbishop of York. The group is chaired by the Bishop of Sheffield. Its members are Paul Cowan, Bishops' Chaplain, Oxford; Julie Dziegiel, House of Laity, Oxford; Anna Hughes, Diocesan Secretary, St Edmundsbury and Ipswich; Libby Lane, Bishop of Derby; and Shane Waddle, Diocesan Secretary, Newcastle. The group draws on support from several National Church Institutions (NCI) members of staff, including colleagues from Legal, Finance, the Strategy and Development Unit, and the Secretary General's Office.

Introduction

3. Existing legislation means that dioceses can only use their DSF for certain specified purposes and only within their diocese. The recommendation of the Mutuality in Finances Group is for a permissive legislative change that removes the geographic restrictions. This would, in effect, enable a diocesan board of finance (DBF) to grant funds from the income account of its DSF for use by other dioceses in the Church of England. To be clear, such legislative proposals will not force dioceses to do anything differently with their funds nor confiscate any assets – rather, they would free up dioceses to be more generous with one another. DBFs would continue to operate within the framework of charity law and will continue to act in accordance with their charitable objects.
4. It is recognised that the long-term sustainability of all dioceses involves many interconnected variables – such as historic glebe, parish wealth, giving, parish share models, grants from the national Church and other partners, the ministry of all other parts of our Church, such as cathedrals and chaplaincies, and so on. Diocesan income from historic assets is actually a small part of overall income – a far greater proportion of diocesan income comes from other sources, most significantly parish giving. Nevertheless, it is an obvious area of inequality, which begs to be addressed.

Grace, gratitude and generosity

> *Yours, O Lord, are the greatness, the power, the glory, the victory, and the majesty; for all that is in the heavens and on the earth is yours; yours is the kingdom, O Lord, and you are exalted as head above all. Riches and honour come from you, and you rule over all. In your hand are power and might; and it is in your hand to make great and to give strength to all. And now, our God, we give thanks to you and praise your glorious name. But who am I, and what is my people, that we should be able to make this freewill offering? For all things come from you, and of your own have we given you.*
>
> 1 Chronicles 29:11-14, NRSV

5. These words (made familiar to many of us as an offertory prayer in the Alternative Service Book's order for Holy Communion) suggest that it was axiomatic for the people of God in ancient times that all wealth and riches come from God, belong to God and are to be used to the glory of God. Wealth, like every other form of blessing, is understood to be the gift of God, to be received with gratitude, issuing in generosity. Even before the coming of Christ, therefore, a faithful servant of the living God was expected to live in an open-hearted and open-handed way. The Book of Psalms and the Book of Proverbs, in particular, extol the virtue of generosity (e.g., Ps. 37:21, 112:15; Prov. 11:24-25).
6. In the New Testament, generosity was a key hallmark of the Christian community from the beginning (Acts 2:46), and the expectation was quickly established that wealthy members of the church would share with those who had least (Acts 2:44-45; 4:32-37).

7. So fundamental was this expectation that it was possible for the Apostle Paul, in his second letter to the Corinthians, to make an appeal to that church, in chapters 8-9, to contribute to his collection for the believers in Jerusalem without once referring to money. Using instead, in 9:1-15, the language of ministry, blessing, eucharist, liturgy, gospel and communion (*diakonias*, *eulogia*, *eucharistia*, *euangelion*, *leitourgia*, *koinōnia*), Paul traces the direct line between the grace of God and the gratitude and generosity of God's people, which is the only adequate response.

8. For a fuller theological overview for the work this paper presupposes, see Giving for Life, GS 1723 (2009); and for practical resources for 'building a generous church', see the work of the National Giving Team.

A brief history of financial endowment in the Church of England

9. Before the industrial revolution, most people in England lived in rural communities. In these communities, the incumbents of parish churches were often supported by glebe property. This glebe comprised assets, often land, owned by the benefice that earned an income for the clergy to support their ministry. With the advent of industry, large numbers of people moved into new cities, but glebe ownership remained attached to the pre-existing rural benefices (some of which, of course, became urbanised).[2] This was not selfish hoarding on the part of the rural church in the late Victorian era. It would not have been apparent that the urbanisation process was creating an uneven distribution of wealth. The new cities (and the churches within them) were flourishing, and it could not have been imagined that urban churches would ever need financial support from the historic wealth of the rural churches. In the growing cities, wealthy industrialists were willing to give significant amounts of money to support their local church, often helping to build and endow the church.

10. By the mid twentieth century, however, it was apparent that some benefices had a lot of glebe, and therefore well supported clergy, whilst other churches had very little glebe, and therefore poorly supported clergy. Although various minor attempts to deal with this inequality date back to 1919, the Endowments and Glebe Measure 1976 addressed the situation by transferring the glebe from the benefices to the DBFs – in exchange for the payment of a standard stipend to each member of clergy ministering in the parishes of the diocese.

11. Although this solution was much fairer for clergy, due to differences in size, location and urban or rural constitution, dioceses received vastly different amounts of glebe (historic wealth) from their churches. And since 1978 (when the glebe transfers to DBFs were completed), the growth of that wealth has varied greatly over time – not least due to the significant variation in land and property values regionally, and how the assets have been managed.

12. Through the 1980s and 1990s there were a series of attempts to address the question of historic resource, which, at the end of the 20th century, led to Stewart Darlow's Allocation and Apportionment Group considering ideas to rebalance diocesan finances. Darlow's recommendations for changes to the allocation and

[2] In some places, such as Bury and Clapham, urban development greatly increased the value of once rural land, which did make some newly urban benefices very wealthy.

apportionment systems (for support of the less well-resourced dioceses from Church Commissioner funds, and requests for payment of the Archbishops' Council budget from all dioceses, respectively) were welcomed by some but heavily resisted by others. Although Darlow's group was able to flag the potential for the use of the model for mutual support, its main focus was on a model for selective allocations and apportionment. Work on mutual support ceased following the failure of an amendment requesting further work towards mutual support, during the debate on the Darlow Group's recommendations at General Synod's July 2001 Group of Sessions. The issue of diocesan mutual support has not been addressed since.

Present disparity in diocesan wealth

13. Despite some grants that support less wealthy dioceses from Church Commissioners' funds – firstly distributed by the Archbishops' Council through the Darlow formula and, more recently, as Lowest Income Community (LInC) grants – the result of this history is that at this point in the 21st century we find ourselves in a situation where some dioceses are being forced to make painful financial savings, whereas others (partly on account of significant income from historic wealth) are relatively more comfortable. This disparity has likely been exacerbated by the impact of the pandemic on parish finances (and, therefore, via parish share contributions, diocesan finances), as dioceses with lower levels of historic wealth are more dependent on contributions from parishes.
14. Based on 2019 accounts, the diocese with the largest value of historic assets is Oxford (£166m) and the diocese with the lowest value of historic assets is Liverpool (£1.5m), demonstrating the huge range of historic wealth held by dioceses. However, it is obviously important to take into account the size of the dioceses in looking at the relative historic wealth, and Appendix 1 shows the amount of historic wealth in each diocese per capita – to take account of diocesan population size.
15. Although dioceses do not all account for historic wealth in quite the same way (with the result that comparisons are not entirely straightforward, as there are differing accounting policies for valuing property assets), it is notable that of the ten dioceses with the lowest historic wealth per capita, seven are industrial areas, and six are in the north of England (and a further one, Birmingham, is in the Midlands) – reflecting the historic reasons for the disparity.

Current opportunity for generosity

16. In an entirely independent initiative, but one directly related to the issues being addressed by the Mutuality in Finances Group, the Bishop's Council of the Diocese of Oxford has generously approved £250,000 to be made available for other dioceses every year for four years (£1m in total). This money will be granted to the Archbishops' Council, which plans to distribute it to the five dioceses in receipt of LInC grants with the lowest level of DSF capital per capita.[3]

[3] It is notable that an October 2019 Strategic Leadership Development Programme (SLDP) group's commentary on 'dioceses' allocation of [LInC funding] as a way of exploring how lowest income

17. A significant factor in this gift being possible was the adoption by Oxford of total return accounting for the majority of their DSF endowment funds,[4] which released income to enable the gift.

18. The Mutuality in Finances Group has been made aware that some dioceses have, at different times, supported stipendiary clergy posts in other dioceses as a form of mutual support. Such generous arrangements are very welcome but are not always easy to achieve.

19. The Mutuality in Finances Group hopes that Oxford's generosity will inspire other dioceses that are relatively well endowed with historic wealth to make further generous gifts. It is hoped the suggested permissive legislative changes to DSF restrictions might enable and encourage further such initiatives by removing current restrictions and actual or perceived legal barriers to generosity to reduce the friction of gifting between dioceses. Future donations following the Diocese of Oxford's gifting model will enable those dioceses most in need at any given point to be recipient of dioceses' gifts.

20. Within existing legislation, dioceses are in principle already able to be generous with their wealth by giving from their unrestricted funds. Dioceses receive the majority of their unrestricted income through parish share, which is voluntary – parishes have no legal obligation but, in practice, most do pay. What each DBF can spend unrestricted funds on depends on its charitable objects as set out in its company memorandum and articles of association, which will usually extend to the support of ministry in other dioceses in the Church of England and the wider Anglican Communion. While a diocese can support another diocese in this way, political factors can restrict freeing up money as easily as it might first appear.

21. An option, then, which is not currently possible but could be made possible with the appropriate legislative change, is for the geographic restriction on DSF income accounts to be removed, enabling these funds to be directly shared with other dioceses in the Church of England. DSFs comprise a capital account and an income account. The credit balance in the income account may be used for:

    > "providing or augmenting the stipends or other emoluments of incumbents, assistant curates licensed under seal and other persons who are declared by the bishop to be engaged in the cure of souls <u>within the diocese</u>".[5]

    Removing the underlined geographical limitation could enable gifts to other dioceses within the Church of England for these same purposes.

22. Widening the purposes, to enable DSF income to be spent on more general mission and ministry, would further enable greater flexibility. The exact detail of any legislation changes will, of course, need to be developed by the Archbishops' Council's Legislative Reform Committee (LRC) and considered by Synod through the proper legislative stages.

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communities are engaged in the decision-making structures and resourcing of the Church' included the recommendation of "a model of inviting the historically wealthy dioceses to make voluntary contributions to the [LInC fund] for the betterment of the whole church and investment in our lowest income communities" (p.4).

[4] This was made possible by the Diocesan Stipends Funds (Amendment) Measure 2016, which inserted a new section 5A into the Diocesan Stipends Funds Measure 1953.

[5] S. 5(1)(a) Diocesan Stipends Fund Measure 1953.

23. In its early work, the Mutuality in Finances Group did consider the more radical option of obligatory change rather than the permissive change outlined here. It considered whether to propose legislative change to take the effect of the 1976 Measure to its logical conclusion – i.e., as 1976 required by law that assets held by parishes be transferred to dioceses, a new extreme Measure could require by law a reallocation of the historic assets held by dioceses to the Church of England as a whole, so that all parts of the Church could enjoy the benefit of the endowment of the whole Church of England. It is recognised how controversial such a proposal would be and the group concluded that the appetite for such obligatory change does not presently exist within our Church.
24. What appetite does exist, however, that the Emerging Church of England programme and the Mutuality in Finances Group wishes to respond to, is for greater generosity to be encouraged and enabled between dioceses. Several Synod questions, for instance, have been raised over recent years about disparities in diocesan wealth. If restrictions on the use of DSF returns are removed, enabling dioceses to gift DSF income for disbursement to less well-resourced dioceses, this generosity is the equivalent of the gifting diocese lending a portion of its assets to another diocese for a period to enable the receiving diocese to benefit from the associated income, whilst of course the gifting diocese keeps full control of its assets.
25. A further option would be to enable the actual gifting of DSF capital between dioceses.[6] Transferring historical assets (or their capital value) from one diocese to another would represent substantial effort, greater than the gifting of income could achieve, to redress historical disparity. This is not currently within the scope of the legislative change proposed by the Mutuality in Finances Group, but if Synod wishes this option to be investigated by the LRC, it would help to hear this.

A proposed debate at a future Group of Sessions

26. It is hoped the time originally allocated for a debate on generosity and diocesan finances, before the continuing pandemic restrictions curtailed the July 2021 Group of Sessions, will be reprised for an item at a future Group of Sessions. The motion that would be put to General Synod by the Bishop of Sheffield on behalf of the Archbishops' Council would be as follows:

    That this Synod request the Archbishops' Council to develop legislative proposals, to be brought to a future Group of Sessions, to give dioceses more freedom to be generous with their historic wealth to other dioceses in the Church of England, and in this way enable a more equitable sharing of this wealth.

27. During the course of its work, the Mutuality in Finances Group has been made aware of other options that have emerged for potential change to DSF accounts, which have been discussed by the LRC. These other options have not been discussed in this paper but in summary they are:
    - Broadening the definition of permitted investments to allow funds from the DSF capital account to be invested in dioceses' operational assets, such

[6] Which would involve legislative change to section 4 of the Diocesan Stipends Fund Measure 1953.

as funding in full or in part the establishment of new churches and diocesan offices, as well as investment assets.

- Permitting returns from DSF (i.e. income plus unapplied total return for those dioceses that have passed a total return resolution for this account) to be used for more general mission and ministry purposes of the diocese than at present.
- Potential changes emanating from the Archbishops' Housing Commission's recommendations and the Housing Executive's proposals. We note that there will be a debate at the July 2021 Group of Sessions on the Housing Commission's work.

28. If Synod approved the above motion at a future Group of Sessions we hope that , the LRC, acting on behalf of and as a sub-committee of the Archbishops' Council, will be asked to prepare a draft Measure for introduction at a further Group of Sessions, combining all proposals relating to changing existing restrictions on DSF accounts into a coherent set of legislative changes.

Conclusion

29. God patiently but ceaselessly calls his people and his church to be freely and gladly generous with the plentiful gifts he bestows upon us. History and circumstance, human failure and the stumbling hard work of faithful Christians, has left our Church's wealth unevenly distributed and at times unable to reach those most in need. The Mutuality in Finances Group commends its conclusions to Synod as a small but significant step to help our church conform more closely to the faithful, generous body God wills it to be.

Appendix 1

Diocesan Stipends Fund (DSF) Capital as at 31 December 2019

Ordered by assets per capita from highest to lowest

Diocese	**DSF Capital (including Glebe), 31/12/2019** £000s	**Diocese population 2019**	**Assets per capita** £ per capita	**Ranking of DSF Assets per capita**
Lincoln	100,685	1,091,000	92.29	1
Coventry	65,253	905,000	72.10	2
Oxford	166,390	2,415,000	68.90	3
Norwich	59,318	923,000	64.27	4
Ely	47,051	767,000	61.34	5
Peterborough	56,848	935,000	60.80	6
Hereford	20,072	333,000	60.28	7
Truro	32,925	573,000	57.46	8
Gloucester	35,799	678,000	52.80	9
Worcester	44,316	899,000	49.29	10
Bath and Wells	43,496	969,000	44.89	11
Leicester	46,039	1,066,000	43.19	12
Carlisle	19,435	498,000	39.03	13
Salisbury	34,956	963,000	36.30	14
Derby	38,539	1,069,000	36.05	15
Chichester	59,038	1,711,000	34.50	16
St Albans	64,092	1,942,000	33.00	17
St Edmundsbury and Ipswich	22,250	682,000	32.62	18
Exeter	38,938	1,199,000	32.48	19

Diocese	DSF Capital (including Glebe), 31/12/2019 £000s	Diocese population 2019	Assets per capita £ per capita	Ranking of DSF Assets per capita
Southwark	90,933	2,899,000	31.37	20
Southwell and Nottingham	34,959	1,165,000	30.01	21
York	38,257	1,452,000	26.35	22
Chelmsford	77,605	3,253,000	23.86	23
Durham	32,177	1,498,000	21.48	24
Lichfield	45,400	2,185,000	20.78	25
Guildford	17,256	1,068,000	16.16	26
London	69,452	4,390,000	15.82	27
Winchester	18,797	1,242,000	15.13	28
Bristol	15,468	1,042,000	14.84	29
Portsmouth	11,157	792,000	14.09	30
Leeds	36,904	2,765,000	13.35	31
Rochester	16,450	1,375,000	11.96	32
Blackburn	14,493	1,363,000	10.63	33
Manchester	19,789	2,202,000	8.99	34
Sheffield	10,745	1,308,000	8.21	35
Chester	12,328	1,651,000	7.47	36
Newcastle	3,652	835,000	4.37	37
Birmingham	5,160	1,591,000	3.24	38
Canterbury	2,664	1,155,000	2.31	39
Liverpool	1,546	1,623,000	0.95	40