

GENERAL SYNOD

FINANCING THE CHURCHES CONSERVATION TRUST
IN THE TRIENNIUM 2024 TO 2027Report by the Church Commissioners
and
Explanatory Memorandum to the Payments to the Churches Conservation Trust
Order 2023**Part A: Report**

The Mission and Pastoral Measure 2011 (“the Measure” or ‘MPM’) provides a regulatory framework which enables the Church to support the provision of local worship, mission and ministry, and to adapt that provision as circumstances change of time.

When church buildings are no longer required for regular public worship but are important from a heritage perspective (e.g. in terms of their listing or historical significance) then it is sometimes not appropriate for them to be converted to an alternative use. The Measure makes provision for such buildings to be held by the Churches Conservation Trust (CCT), so that they can be retained in public use for a range of activities, including occasional worship and community and charitable events and functions.

The CCT is technically a statutory body under the MPM, a registered charity and an arms length government body, **funded jointly by the Church Commissioners and the Department for Culture, Media and Sport (“DCMS”)**.¹ Under the legislation the Church Commissioners are required to seek approval from General Synod for the CCT’s funding order every three years. This report sets out the strategic context and background and seeks Synod approval for the funding order, for the period of 2024-2027, which was approved by the Church Commissioners’ Board of Governors in April 2023.

The Commissioners’ Board approved proposals to pay the CCT a fixed sum of £4.8m (£1.6m per annum) for the funding period 2024-2027 and an additional amount of up to £0.9m within that period, should the Commissioners’ share of net proceeds arising from the disposal of closed church buildings exceed £0.65m in any calendar year during that same period.²

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¹ Detail of the CCT’s board of trustees can be found here - [Board of Trustees | The Churches Conservation Trust \(visitchurches.org.uk\)](https://www.visitchurches.org.uk).

² For convenience, the amounts in this report are rounded, but the Funding Order sets out the amounts in full.

Governance and strategic context

1. The Mission and Pastoral Measure 2011 (“the Measure” or ‘MPM’) provides a regulatory framework which enables the Church to support the provision of local worship, mission and ministry, and to adapt that provision as circumstances change over time.
2. When church buildings are no longer required for regular public worship but are important from a heritage perspective (e.g. in terms of their listing or historical significance) then it is sometimes not appropriate for them to be converted for an alternative use. The Measure makes provision for such buildings to be held by the Churches Conservation Trust (‘CCT’ or ‘the Trust’), so that they can be retained in public use for a range of activities, including occasional worship and community and charitable events and functions.
3. There is a formal process in place for making the decision about whether a church should be ‘vested’ in the CCT; the Commissioners take advice from the Statutory Advisory Committee of the Church Buildings Council about which churches should be considered for vesting, and the Commissioners’ Mission, Pastoral and Church Property Committee (MPCPC), chaired by the Third Church Estates Commissioner, makes the final decision. For those closed church buildings that are vested, the Trust provides a long term solution which ensures the buildings can be both looked after and retained in public use, whilst at the same time relieving parish and diocese of the responsibility for care and maintenance. The CCT therefore furthers the mission of the Church by keeping these sacred spaces open and in use.
4. These arrangements form part of the wider Church/State regime which governs the protection and care of the Church’s historic built heritage. It is important that the Church has appropriate arrangements for historically significant church buildings as part of this overall approach.

Funding governance

5. The CCT is jointly funded by the Church Commissioners and the Department for Culture, Media and Sport (DCMS). Both the Commissioners and DCMS provide three-year funding orders to support the Trust’s core costs so that there is longer term certainty about income. In the 2021-24 triennium the funding proportion was 34:66 – with DCMS providing the larger portion of the funding³. The combined grants from the Commissioners and DCMS provide approximately 69% of the CCT’s income (excluding grants for major projects) and the rest of their income is raised from a variety of other sources including commercial work, donations and legacies.
6. The process by which the Commissioners’ funding of the CCT is determined is as follows:
 - The Mission, Pastoral and Church Property Committee (MPCPC) is responsible for recommending the three year funding order to the Church Commissioners’ Board of Governors.
 - The Board of Governors then approve the funding order, and Synod is asked to approve the Commissioners using their general funds to support the CCT, when any closed-church sales proceeds are not sufficient to meet the funding order.
 - The MPCPC recommended the funding order for 2024-2027 to the Board, and the Board approved it in April 2023.

³ The proportions of the split have changed over time and are not defined by statute.

- As part of these arrangements, the CCT's annual report and accounts is discussed each year by the MPCPC and is tabled annually at the relevant session of General Synod.
7. The DCMS process is as follows:
 - The DCMS allocation is decided as part of the government's Comprehensive Spending Review (CSR) arrangements. The CSR is led by HM Treasury and usually takes place every three years, but it can happen annually in certain political circumstances. At the end of the process, each department receives a funding settlement and settlement letter setting out the priorities for the department and what they are expected to deliver.
 - The DCMS officials include the funding request for the CCT in their departmental submission, and because the CCT is also classed as a government arms-length body, they also receive a settlement letter and are expected to take account of the government priorities in their strategy and day to day work.
 - The DCMS timeline is different to the Commissioners and depends on the timing of the CSR exercises.
 8. The arrangements between the DCMS, the Commissioners and the CCT are governed by a detailed tri-partite management agreement, which is part of the government's legal regime for the management of arms-length bodies. This document provides a comprehensive set of management arrangements and reporting requirements to which the Trust must adhere. As part of the recent 'Freedoms Review', the government has amended the arrangements to make them easier for smaller organisations to manage and changes to the agreement were agreed and signed off by DCMS in 2023.

CCT Strategy 2019-2025

9. The CCT currently looks after 357 closed church buildings and is following a strategy which was agreed in 2019 by the CCT Board, and was extended by one year to 2025 because of the disruption during Covid, which delayed the implementation and assessment of much of the strategy.
10. The strategy has a strapline which expresses the CCT's purpose as an organisation which would "empower and support communities to care for historic places of worship" and there are three main delivery objectives:
 - Promoting the value of our shared cultural heritage.
 - Supporting communities to use and love their historic places of worship.
 - Sharing our skills to sustain churches.
11. The CCT's approach is to recognise that fundamentally a Church building is a local building, that it is there for everyone, and that the best way to look after those buildings when they are no longer needed for regular worship is to encourage local people and groups to look after the buildings and make them available for communities to use for suitable events and activities. Therefore, much of their approach is about community support, capacity building and work with volunteers and Friends Groups, as well as the preservation and care of the buildings themselves.
12. With the consent of the local incumbent, CCT Churches can continue to be used for occasional services, in addition to which the charity has developed significant expertise in keeping these buildings open and in use for a wide range of purposes. As such they also offer advice and consultancy services to the Church and other partners.

13. As part of the strategy a series of headline key performance indicators (KPIs) were agreed and there is reporting on these in the annual report and accounts. In 2022, a new Chair (Liz Peace) and Chief Executive (Greg Pickup) were appointed to the Trust. During this triennium period, they plan to review the current strategy and then set a new strategy for the next 3-5 years. The Church Commissioners will continue to engage with and support the CCT Board as it develops a new strategy.

CCT Finances

14. A summary of the CCT's income and expenditure for 2022-2023 is attached in graphical format at Annex A. It gives an overview of:

- The sources of CCT income.
- Expenditure by function.
- Church repair and maintenance expenditure.

15. The CCT's annual report and accounts was tabled at the February session of General Synod 2023 – for a copy see - [ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022 \(churchofengland.org\)](#).

16. Whilst the overall financial position set out in the annual report was positive, it is important to recognise the challenges of the current operating environment, including the impact of inflation rises, and the longer term challenges to achieve sustainability.

CCT Estates review

17. The CCT have been conducting an in-house review to assess the condition of the estate which will help inform future strategy and funding priorities, and the Board will be considering the findings of this exercise over the autumn. A methodology has been established which considers the state of the roof, masonry, drainage, internal finishes and woodwork and internal fittings. Every building has been given a rating of 'very good', 'good', 'fair', 'poor' or 'very poor'.

18. The findings were broadly positive with 73% of buildings being classed as 'very good' or 'good', and with 11% being classed as 'poor' or 'very poor' and a positive direction of travel, assisted greatly by external grant funding support. The main reason for the buildings in a poorer state is generally issues with the roofs and/or masonry. There is some variation in the regional picture, as the north and south-east benefitted particularly from post-Covid repair funding from the government's Heritage Stimulus Fund.

19. The CCT is developing a new priority list of projects to address the repairs for the churches in poorer condition.

20. The Commissioners will have more detailed conversations on the outcome of this exercise once they have been considered by the CCT Board.

2022 Independent review of CCT governance and finance

21. In 2022, the Commissioners asked an independent consultant to complete a review of the CCT, with terms of reference which were approved by the MPCPC, and in part informed by questions received at various sessions of General Synod. This review focused on aspects covering governance and finances, and a specialist consultant was engaged to review the health and safety arrangements for Champing (overnight stays in some CCT churches), which had been raised as an issue of concern by a

member of General Synod. The output of the review was a report, together with revised risk assessments and an updated fire safety plan for the Champing activity.

22. The consultant's report explored the CCT's strategic challenges, governance processes and looked in detail at financial governance and reporting, the security of long-term funding and risk management, and made a series of recommendations.

23. The main findings were as follows:

- i. That there were no fundamental issues of concern relating to governance or financial integrity, but there were some improvements which the report recommended to the CCT Board and management team.
- ii. The Board and its Committees were functioning effectively and had a clear strategy for 2019-24. The restructure which had underpinned the strategy had bedded in well. Covid had caused some inevitable disruption so the Board extended the strategy for another year to 2025 to give more time to see how the model was working in practice. The report highlighted the need to ensure that there was shared agreement on how the CCT strategy was delivered in practice, as there was scope for different interpretations among the various partners. The report included some recommendations to improve membership for some of the committees, which have been followed up by CCT.
- iii. The staffing structure and resources were considered and the report stated that there was limited scope to significantly reduce operating costs, although it would be important for the new Chief Executive to make sure that only necessary work was being done, and in a cost effective manner. Comparisons with other organisations were deemed to be of limited value due to the particular nature of CCT's role and remit.
- iv. The report raised an issue about the need for more clarity in the MPM about the CCT's commercial powers and this is an issue that will be addressed in the proposed new MPM legislation. The commercial clauses will be updated to give greater clarity, partly so that the CCT can fulfil the DCMS requirements to diversify its income sources and maximise other grant funding to ensure longer term financial sustainability. The CCT board are well aware of the long-term funding risks, given the reliance on DCMS and Church Commissioners' funding, and that these funding plans are renewed on a three year basis. Although it is unlikely that the arrangements would change suddenly, it provides challenges for the CCT to fund the ongoing maintenance of its churches.
- v. The report also made significant recommendations to improve the financial reporting to the Board. In particular, the report suggested that reports needed to give a more comprehensive overview of the full state of the CCT's finance and associated bodies, and cash flows between them, to ensure the trustees had clearer information when making decisions. As the CCT's reporting system is defined by HM Treasury rules, there is some complexity in how matters are reported and more could be done to make reporting clearer to both internal and external audiences. A new Director of Finance was recently appointed in 2023, so improvements to financial reporting will be proactively progressed over the next year.

24. The report has been discussed by the CCT Board and the recommendations of the review accepted. A (Board-approved) plan has been put in place to implement the recommendations and good progress has already been made on implementation of all

the action points. The Commissioners will continue to review the progress the CCT makes in implementing the plan and report back to the MPCPC.

25. Following on from the review, the Church Commissioners have put new arrangements in place for their work with and oversight of CCT, including additional finance meetings and new reporting requirements, which include a quarterly report setting out the detailed spend on Commissioners' funding. The CCT Board's finance reports are now shared in confidence with the Commissioners.
26. The regular structured meetings which take place between the CCT, the Church Commissioners and DCMS have been refreshed as well: two meetings take place each year dedicated to finance, performance monitoring and risk, and two further meetings cover detailed estate matters, including the scope for new vestings, which is chaired by the Commissioners.
27. In addition, the CCT Chief Executive attends the MPCPC meetings when required to discuss the annual report, vestings and any other significant issues. The Third Church Estates Commissioner and team also attend CCT Board meetings when relevant as part of the regular ongoing engagement.

Strategic approach for 2024-2027

28. The period of the next funding order (2024-2027) will be one of strategic transition and change. At a political and policy level there will be a General Election which may have an impact on future policy direction and the timings of the Comprehensive Spending Reviews and government funding processes.
29. The CCT will also be setting its future strategy and that will need to align with the outcome of the review of the Mission and Pastoral Measure 2011. Following Synod's approval of the draft proposals set out in GS2315 in July 2023, new legislation will be prepared and brought forward in 2024. This will include updates to the provisions relating to the CCT and further work needs will be completed on the detailed technical issues in 2023/2024. As part of this work, there will be discussions on the CCT's future operating model and how the Church Commissioners and the Board can work together to ensure the CCT is sustainable over the long term.
30. Therefore, the funding order for this period will ensure there is continuing stability for the CCT whilst these various conversations are undertaken. The Commissioners' expectation is that both organisations will continue to work together in a proactive and positive way with DCMS to ensure the best outcomes, for the Church, the CCT, the government and the wider public. The usual work of the CCT will continue during this period, and new vestings will continue.

Funding arrangements

Current funding triennium (1 April 2021 to 31 March 2024)

31. The 2021-2024 Funding Order made provision for a core grant of £4.5m (£1.5m per annum) which is being used to support the CCT's costs and includes a new vestings budget of £2m. The Commissioners' grant is roughly split 45% for new vestings and 55% as a contribution to ongoing costs, primarily maintenance, repairs, and community support.
32. In addition, the Order provided that if there were proceeds of £0.65m or above in any of the calendar years during the triennium, then the Commissioners would contribute up to an additional £0.9m to support CCT work.

33. In 2022 that threshold was reached and so an extra contribution of £0.45m was allocated in 2023 to provide funding for vesting and repairs to the churches in the 'poorest' condition band. (This support will leverage the CCT's annual campaign for donations for roof repairs).
34. The forecast for the current triennium is that £2.52m of the funding will have come from sales proceeds (including the additional £0.45m) and £2.43m from the Commissioners' General Funds. The total allocation for this period was therefore £4.95m.
35. There have been two new vestings during the 2021-2024 triennium: Grade II* listed Brougham St Wilfrid (Diocese of Carlisle), and Grade I listed North Hill St Torney (Diocese of Truro) where repairs are ongoing.
36. Note – the total grant from DCMS for the period 2022-2025 will be £8.7m.

Next funding triennium (1 April 2024 to 31 March 2027)

37. The Commissioners propose that the Church's core grant should be £4.8m (£1.6m per annum). This is an increase of 6.6% compared with the previous triennium, an additional £100,000 per annum, to allow for some element of cost inflation (noting that this is well below the actual cumulative inflation over the past three years).
38. The two sources of funds for meeting the Church Commissioners grant to CCT are net proceeds from the disposal of other closed church buildings and distributions from the Church Commissioners' General (endowment) Fund. (The figures are reported in the Commissioners' annual report and accounts).
39. The forecast is that the £4.8m funding will require £3.3m from the Commissioners' General Fund for the next triennium (averaging £1.1m per annum), and £1.5m from sales proceeds (averaging £0.5m per annum). We will also retain the arrangement whereby an additional sum may be released to the CCT but only if, and to the extent that, net sales proceeds are above £0.65m in any calendar year of the triennium. The maximum amount that they may be provided from such additional proceeds is £0.9m. (This threshold has only been reached four times in the last ten years).
40. It is anticipated that the DCMS contribution will remain stable, but we do not yet know the timing of the next comprehensive spending review, or how the next General Election, expected in 2024, may affect timing and process.

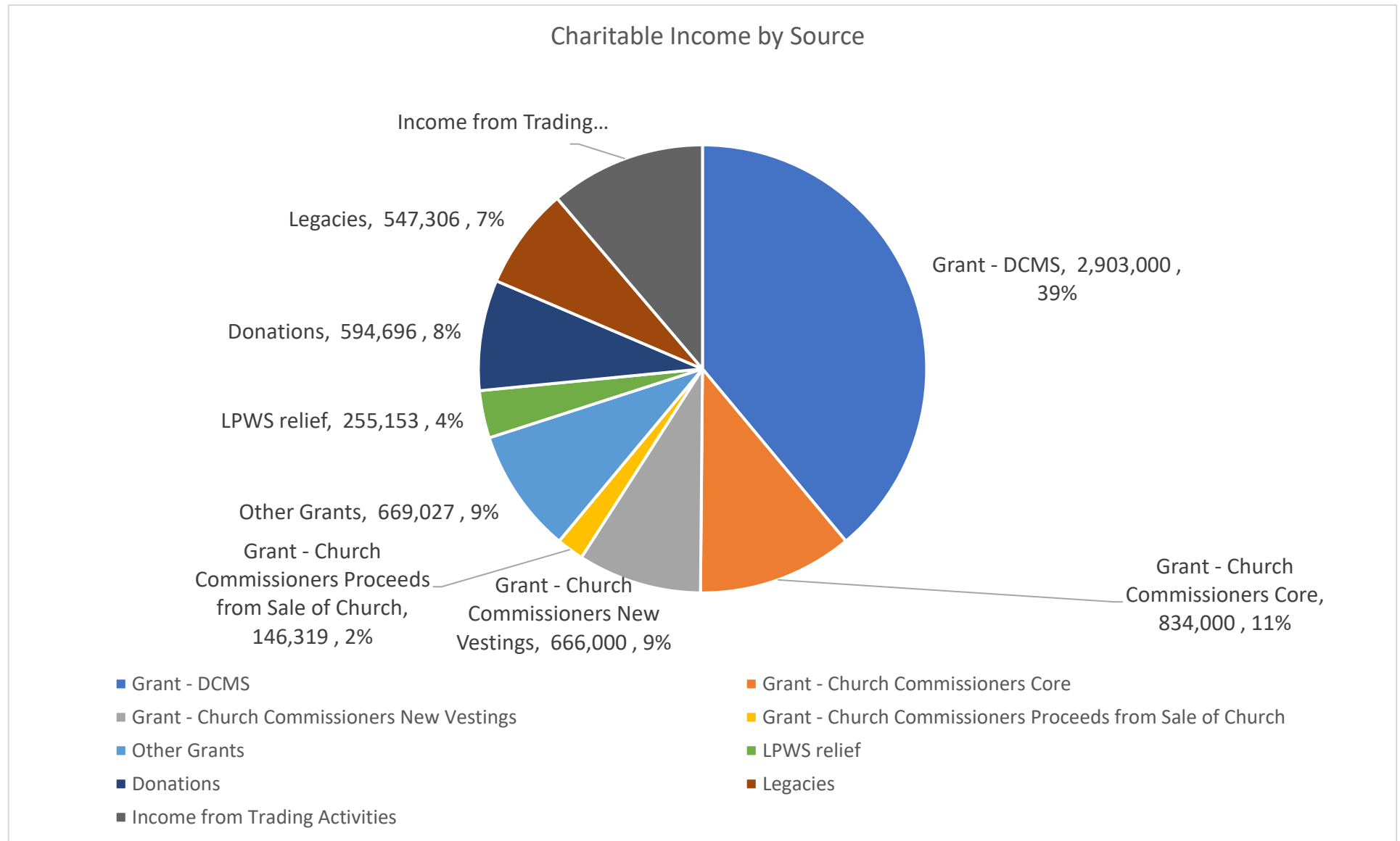
Recommendation

The Church Commissioners invite the Synod to approve their payment in 2024 to 2027 of a total grant of £4.8m as the Church's contribution to the financing of the CCT, with an additional amount of up to £0.9m if the circumstances set out in the funding Order are met, and only if and to the extent that the Commissioners' share of net proceeds arising from the disposal of closed church buildings exceeds £0.65 million in any calendar year during the term of the Funding Order. Grant payments will be made to the Trust only when the Commissioners are satisfied that the sum is needed by the Trust and that the appropriate funding will also be paid by DCMS. The funding Order laid before Synod provides for funding the Church's share on this basis (see Part B below)

Part B: Explanatory memorandum to the Payments to the Churches Conservation Trust Order 2023

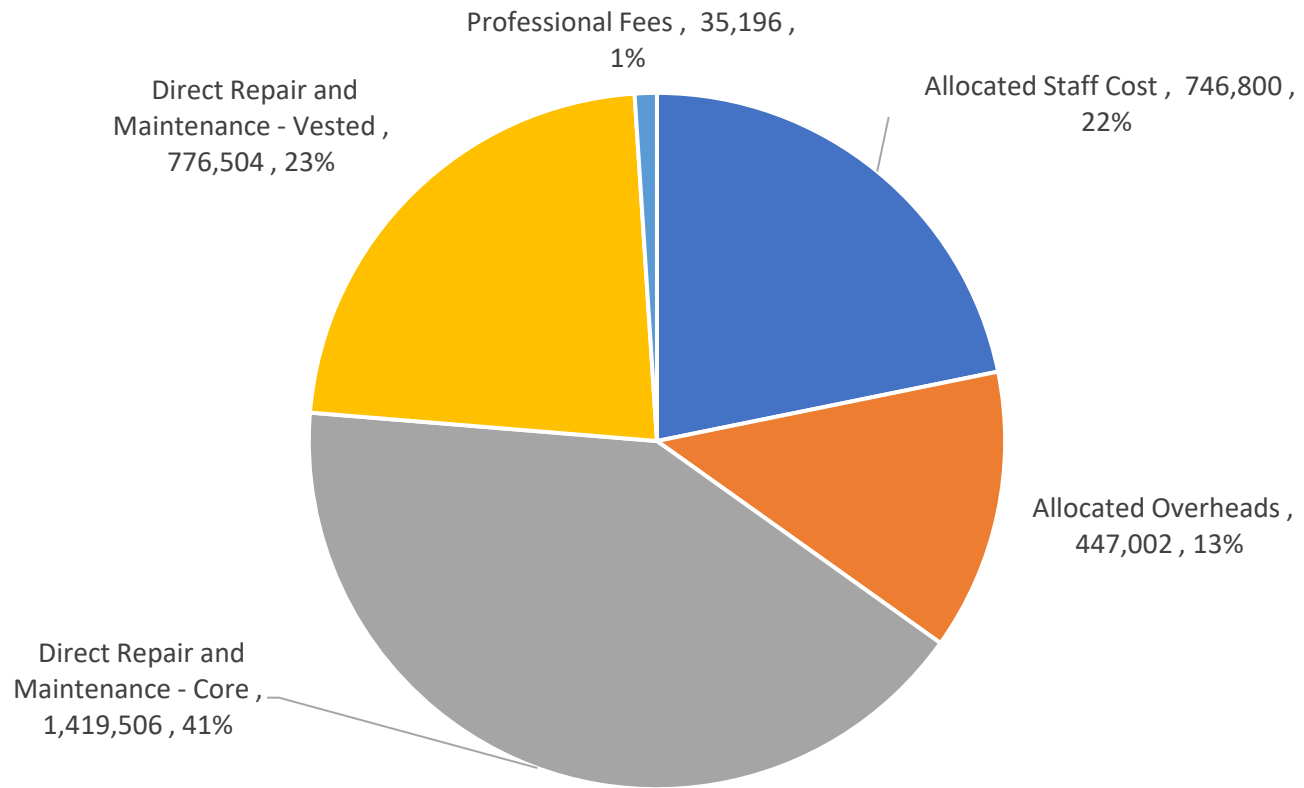
1. The Payments to the Churches Conservation Trust Order 2023 makes provision for the Church Commissioners' financial contribution to the Trust for the period from 1 April 2024 to 31 March 2027. The Church Commissioners have made the Order under section 65 of the Mission and Pastoral Measure 2011. That section provides that the Order cannot come into operation unless and until it has been approved by the General Synod. The Order, being a statutory instrument, must also be laid before Parliament.
2. The Order does not automatically entitle the Trust to receive the sums proposed to be provided. The money will not be paid in advance of need and is provided on the understanding that the Trust will continue to make every effort to generate income from other sources as well, to maximise their effectiveness and outcomes.
3. **Article 1** of the Order provides for citation, coming into force and interpretation.
4. **Article 2** specifies the funding period (1 April 2024 to 31 March 2027).
5. **Article 3** makes provision for the total amount which may be paid to the Trust during the funding period. This is made up of £4,800,000 of grants (from the Commissioners' General Fund and moneys allocated from the Commissioners' one-third share of the proceeds of sale of closed church buildings). In addition, there may be a further sum available of up to £900,000 during the funding period, which may be available only if and to the extent that, the Commissioners' share of net proceeds of sale exceeds £650,000 in any calendar year during the funding period.
6. **Article 4** specifies the conditions that must be met before a payment may be made to the Trust under the Order.

Annex A: CCT financial summary,2022-23 ⁴



⁴The figures are taken from the 2022-2023 CCT annual report and accounts but adjustments have been made for transfers between entities to give a more complete picture. Major NHLF grants for particular church projects are stripped out to give a clearer picture of the overall position.

Breakdown of Church Repair And Maintenance Expenditure



- Allocated Staff Cost
- Allocated Overheads
- Direct Repair and Maintenance - Core
- Direct Repair and Maintenance - Vested
- Professional Fees