GENERAL SYNOD

DSM: REDISTRIBUTION OF FUNDS

The Motion

Bishop Michael of Bath & Wells to move on behalf of Bishop Richard of Hereford and the Hereford Diocesan Synod;

'That this Synod:

> (i) call upon the Church Commissioners and Archbishops Council to undertake everything necessary to effect a redistribution of financial resources directly to Diocesan Stipend Funds to reflect the value of contributions made by Diocesan Boards of Finance to the Church of England Funded Pension Scheme since it was established by the settlement of 1997 (£2.6 billion); and
>
> (ii) call upon Diocesan Boards of Finance to manage the funds redistributed as a result of the above to support parish ministry in the ways discerned locally to be most effective in enabling growth and sustaining the Church of England's commitment to be a Christian presence in every community.'

Summary

This Motion invites General Synod to direct that income[1] from the funds effectively transferred to the Church Commissioners as a result of dioceses taking on the cost of clergy pensions in 1997 should be disbursed directly and regularly to diocesan stipend funds as part of the current and future Triennium funding agreements. Such disbursement to dioceses should be in addition to current Low-Income Communities (LInC) funding. In so doing, a future financing system would be achieved which would rebalance the Church's finances to reverse the widespread degradation currently being experienced by our parishes and the dioceses that support them and that is undermining our achievement of all the intended outcomes of our Church's agreed Vision and Strategy.

The Urgent Need for Action

1. Phase 1 of the Diocesan Finances Review has revealed a catastrophic and rapidly deteriorating picture for diocesan finances with aggregate diocesan deficits of £29m in 2022, expected to have more than doubled to £62m in 2024. The number of dioceses in deficit is increasing, with 18 in deficit in 2019 and at least 35 (83%) expecting to be in deficit in 2024." [2]

[1] The term 'income' in this paper is used to describe the surplus made available to the Church by the Church Commissioners arising from long term management of the funds that the Commissioners hold. This derives from a mix of actuarial surplus (i.e., from financial performance that is better than assumptions) and actual returns (capital and income) on investments.

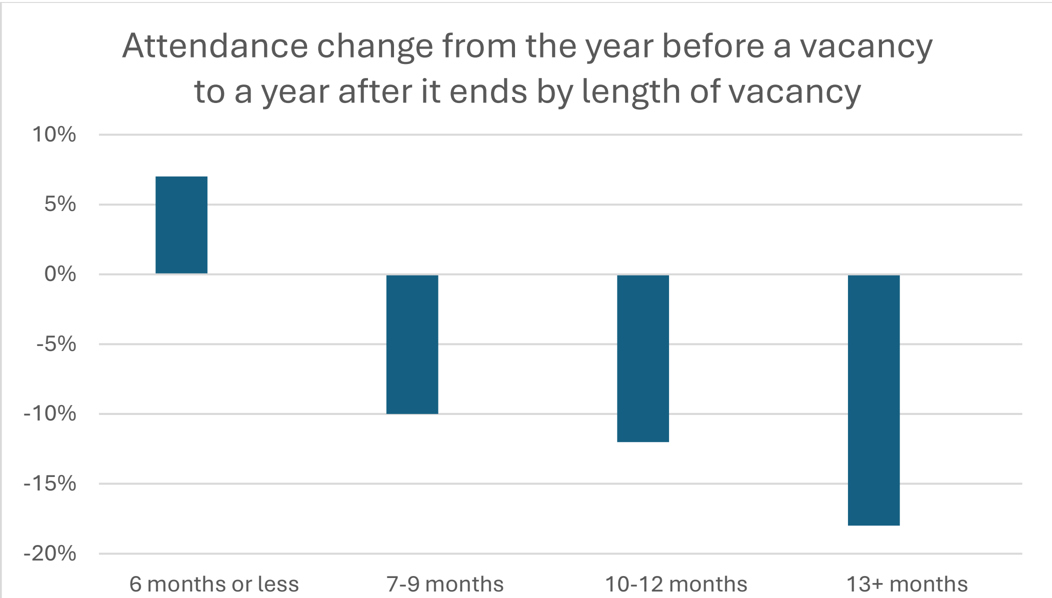
[2] GS Misc. 1384. Diocesan Finances Review Update

2. Diocese have been forced to attempt to mitigate the deficits that exist in various detrimental ways:

a) Selling assets – usually houses – of which there is only a limited supply. This cuts rental income in the short term and the ability to house clergy and other ministers in the long term. It also raises the urgent question 'What will dioceses do when the houses and other assets run out?'

b) Cutting clergy and other posts. Frequently, such cuts are achieved through pastoral reorganisations with the creation of ever more and larger multi-parish benefices that are devastating to the workload and morale of clergy, church officers and parishes. We have known for years that such measures are highly counterproductive. Published in 2014, the Church Growth Programme's report *"Anecdote to Evidence"* found that "the strategy of grouping multiple churches together under one leader has in general had a detrimental effect on church growth. Multi-church amalgamations and teams are less likely to grow."[3] Reducing numbers of parish priests leads to reduced congregations which reduces giving. The result is a spiral of decline.

c) Increasing the length of vacancies. It has long been known that vacancies of more than six months are associated with further church decline[4].



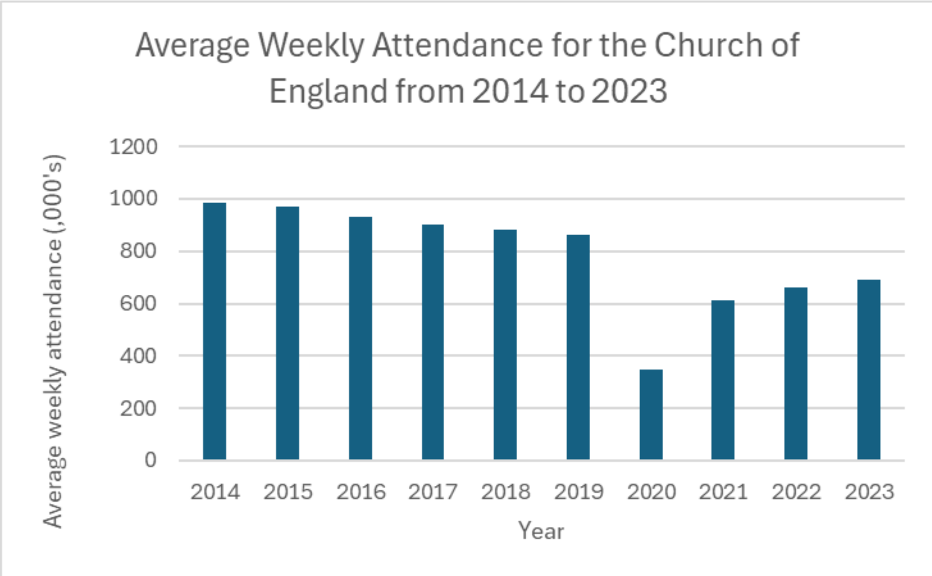
3. The financial crisis of dioceses has also been recognised to be a driver of the low numbers of vocations currently coming forward for ordained stipendiary ministry. Vocations have fallen by 40% since 2019, with fewer than 350 ordinands beginning training in 2024 compared with an original aspiration of 650.[5] An Archbishop's Council paper *"Factors contributing to reduced numbers of ministerial vocations"* found that "Some DDOs and local clergy

[3] 'Anecdote to Evidence' Findings from the Church Growth Programme 2011-2013
[4] Bob Jackson. Growing through a vacancy, CPAS, 2013
[5] CS Misc. 1384, Diocesan Finances Review Update

lack confidence in 'whole life' stipendiary vocations and see too much risk in encouraging people (especially young adults) out of settled jobs/ homes/ schools without reassurance of posts down the line.'[6] The idea that in the future dioceses may not be able to pay for their clergy is a major disincentive to people answering God's call on their lives.

The Financial Situation of Dioceses Threatens to Jeopardise the Fragile Recovery in Church Participation Being Seen

4. After many years of decline, the response to the COVID pandemic had a serious, adverse impact on participation in parishes. However, the last three years have seen encouraging signs of recovery. After an initial bounce back in 2021, AWA grew by 8.3% and 4.5% in 2022 and 2023 respectively. Even so, the recovery seen has not yet seen participation restored to pre COVID levels. It is therefore vital that the trend emerging[7] is supported, encouraged and adequately funded.



Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Average weekly attendance (1000s)	984	969	932	904	882	864	348	612	663	693

[8]

5. Our national strategy is for our Church to be a 'mixed economy' that includes both traditional forms of church and new worshipping communities. Parishes are the 'trellis' on which new forms of church can grow and day to day experience in parishes and dioceses shows that the development of new

[6] Archbishop's Council 'Factors contributing to reduced numbers of ministerial vocations', 2024
[7] The Church of England, Statistics for Mission 2023
[8] Church of England, Statistics for Mission, 2023

forms of church is almost always dependent on the presence of an active and flourishing parish system. Ultimately, to be enduring in themselves, new initiatives need to be able to feed into the enduring presence of the parish system, as Synod affirmed in its passing of the Amendment to the Motion under GS 2314 *"Revitalising the Parish for Mission"* (York, July 2023) which recognised "the parish system as **the** central component of the mixed ecology".

6. In passing GS 2314, Synod welcomed: "the emphasis in the Church of England's Vision and Strategy for the 2020s on the revitalisation of the parish for mission as one of the six 'bold outcomes" and "the Church's commitment to sustaining overall numbers of parish clergy and increasing the numbers of ordinands"'; whilst, also, recognising that **all** of the bold outcomes envisioned by the Church of England's vision and strategy for the 2020s are dependent upon the vitality of parishes. [9]

The Church's Financial "Settlement" of 1997

7. In contrast to the declining picture seen in diocesan finances, the Church Commissioners' financial performance has been a story of considerable success, their funds having grown from £3.48bn [10] in 1997 to over £10.6bn in 2024[11]. At current rates of disbursement, the Church Commissioners are achieving the remarkable feat of returning to the Church the total of their endowment every 25 years. The fund management of the Church Commissioners should be lauded as a financial and ethical success story.

8. One of the reasons for the very considerable increase in the Commissioners' endowment was the decision made in 1997 to transfer the obligation for payment of future clergy pension contributions to dioceses (paid into the new scheme operated by the Church of England Pensions Board).

9. The paper *"The 1997 Settlement: its Effectiveness and Consequences"*, presented to and discussed at the Finance Committee of the Archbishops' Council in November 2021, (Appendix A) revealed a major unintended, adverse consequence of that settlement; the effective asset transfer from dioceses to the Commissioners of a sum of the order of £2.6 billion and made the compelling case for a significant rebalancing of Church Commissioners' funds to Diocesan Stipend Funds.

10. Whilst the environment and position for pensions and national and world financial conditions have changed considerably since 2021 when the analysis contained in that report was undertaken, the figure of £2.6 billion remains useful as a baseline indicator of the consequent level of adverse impact on diocesan finances.

[9] GS 2314 'Revitalising the Parish for Mission'
[10] Hansard
[11] Church Commissioners, Annual Accounts

11. While the success of the Church Commissioners is to be saluted, it is accompanied by at least two major issues:

a) It is not supporting parishes or dioceses in their current situation of destructive and destabilising financial deficit.

b) When the endowment is not seen to help parishes or dioceses, its success and magnitude act as an active discouragement to people in churches and their communities participating in fundraising, giving and calls to generosity. "The lack of transparency and clarity about how resources are held, used and shared, can undermine trust and lead to resentment and confusion amongst different parts of the Church family." [12]

12. The problems outlined above are not, essentially, the responsibility of the Church Commissioners. They lie, principally, in the decisions that are made about how the income from the Commissioners' endowment is disbursed. "As the 'economic landscape' of the Church becomes increasingly challenging, the time has come for new financial arrangements which enable our parishes and worshipping communities to flourish".[13]

13. It is important to note that the *"Chote Report"*[14] found that the SDF and LInC "funding streams are too small by themselves to achieve Church-wide change". Therefore, interventions of that nature could not be expected to deliver the kind of financial rebalancing that the Church needs at this critical time.

14. This Motion is therefore timely, particularly as it comes:
    - in the context of the strategic imperatives, highlighted above, recognised by Synod with its passing in July, 2023 of GS 2314, 'Revitalising the Parish for Mission';
    - with the National Church Governance Review in progress;
    - as work is underway on the solution generation phase of the Diocesan Finances Review (Phase 2); and
    - at the moment that the Triennium Funding Working Group will be determining disbursements of Church Commissioner funds for the next three years, with "final funding plans" to be shared with Synod in July 2025. [15]

[12] GS Misc. 1384, Diocesan Finances Review Update
[13] GS Misc. 1384, Diocesan Finances Review Update
[14] The Independent Review of Lowest Income Communities Funding and Strategic Development Funding
[15] GS Misc. 1384, Diocesan Finances Review Update

How should this motion be effected?

15. As has already been mentioned, the paper *"The 1997 Settlement: its Effectiveness and Consequences"* (Appendix A) was presented to and discussed at the Finance Committee of the Archbishops' Council in November 2021. Since then there have been enormous changes in global financial realities, not least in the world of pensions. Also different approaches could be used in the method of calculation and the assumptions used within that method. Therefore, the first step needed towards putting this motion into effect will be a recalculation of Appendix A under an agreed methodology.

    This work should be undertaken by a group from the Church Commissioners alongside a small working group of Diocesan Secretaries, member of the House of Bishops and Chairs of Diocesan Boards of Finance by the end of March 2025.

16. Of the total income provided by the Church Commissioners for disbursement to the Church, the proportion deriving from the funds transferred to the Commissioners as a result of the 1997 "settlement" should henceforth be transferred to diocesan stipend funds as an ongoing and integral part of the current and future Triennium Funding Agreements.
    (i.e. Total disbursement x Proportion of total funds held by Church Commissioners as a Result of the Assumption by Dioceses of Pension Costs from 1997). Such disbursement to dioceses should be **in addition** to current Low Income Communities (LInC) funding.

17. Passage and subsequent implementation of this motion would also provide an elegant opportunity to enable some rebalancing of the finance of dioceses between those who are asset rich (either as a result of the comparative affluence of their population or their level of historic endowments) with those that are asset poor (either as a result of the comparative poverty of their population or their level of historic endowments).

18. It is therefore proposed that disbursements to diocesan stipends funds happening as a result of this motion should be calculated as a result of two factors:

- The amounts that individual dioceses have paid in pension costs since 1997.
- A balancing moderation that takes into account the comparative wealth of dioceses.

It is proposed that the balancing moderation applied would be approved by the Archbishops' Council together with the Church Commissioners based on the agreed input from the House of Bishops and their consultation with Diocesan Secretaries and Chairs of the Diocesan Boards of Finance at the House of Bishops meeting taking place in May 2025.

19. A criticism of the previous *"Darlow Formula"* for disbursements to dioceses was that the funds provided were used purely to 'subsidise decline'. It is therefore essential that acceptance of this motion be accompanied by the commitment of dioceses in receipt of funds to have clear and accountable plans for how the additional funds being made available will be used to enable growth in parish ministry and Church flourishing.

20. Such accountability should occur through peer support and scrutiny held regionally. Diocesan plans should be scrutinised and held to account by regional panels comprised of bishops, diocesan secretaries, directors of mission and lay and clergy chairs of diocesan synods. Such a process should also have the aim of generating learning across regions and of identifying opportunities for the sharing of both best practice and resources.

It is proposed that planning for how such peer support and scrutiny would work in practice should also be agreed by the House of Bishops on consultation with Diocesan Secretaries and Chairs of the Diocesan Boards of Finance at the House of Bishops meeting taking place in May 2025. This would build on previous practice in peer review that took place between dioceses with support from the national team and that happened until the COVID pandemic.

Amendments to this Motion

21. The Motion as presented had been subject to much development since its being raised by Hereford in April 2024. In light of subsequent developments, additional consultation, financial and legal advice etc it is therefore apparent that the Motion will benefit from important updates and enhancements presented as Amendments during the Synodical process. The wisdom and input of Synod members is warmly sought in developing Amendments that are required to enable this motion to be as effective as possible for the growth and flourishing of our Church.

Conclusion

22. Without the urgent change called for by this Motion, the increasing crisis consequent to the catastrophic inadequacies of diocesan stipendiary funds will fatally undermine our vision of becoming a simpler, humbler, bolder Church that is younger and more diverse, where mixed ecology is the norm and comprised of missionary disciples.

23. The Motion provides the Church with the opportunity to make a long-overdue, urgently needed change to the financial realities faced by dioceses today, enabling our recovery from COVID to continue and to give us a future with hope. The reform proposed by this paper will restore the ability of our parishes and the dioceses that support them to be engines of growth and renewal, putting us on the front foot of our Church's mission to bring the Good News of the Gospel of Jesus Christ to the people and communities of our nation.

The Right Reverend Michael Beasley
Bishop of Bath & Wells
January 2025

GENERAL SYNOD

APPENDIX A

FC(21)37
The 1997 Settlement: its Effectiveness and Consequences.

Introduction

1. This paper offers an analysis of the impact on various parts of the Church of the decision in 1997 for DBF's to relieve the Church Commissioners of their pension obligations for future clergy pensions (the 1997 settlement). Based on this it poses the questions for the next 25 years.

Summary

2. The 1997 settlement was designed to "save" the Church Commissioners from simply becoming a clergy pension fund and thereby ceasing its historic role in funding parish ministry. This settlement succeeded in the principal objective, probably more than expected at the outset. The Church Commissioners' pension liabilities have reduced from around 60% of assets in 1997 to around 16% in 2020. They are no longer in financial crisis.

3. The Church Commissioners pension obligations for future service were passed to a newly established funded pension scheme managed by the CEPB and funded by contributions from DBFs. This had assets of around £2.4bn at the end of 2020 and has been in surplus against its liabilities since 2018 when it introduced a revised asset management policy. This has therefore also been a success in terms of the original objective to secure the future of clergy pensions.

4. The origin narrative was that this huge transition was to be funded from increased congregational giving passed via parish share to the DBFs and so to the CEPB. Congregational giving has not increased to the levels needed for various reasons. As a result, these contributions have been substantially funded from the sale of historic assets, in effect a large scale dis-endowment of the local church, felt at diocesan and parochial levels. Selling parsonages to "get by" is the reality of the past two decades of DBF finances.

5. In terms of underlying need clergy pensions have been secured, but on significantly reduced terms the current scheme accrues at a rate approximately 2/3rds of the original scheme. This could be seen as a partial success, although its impact on clergy confidence should not be underestimated.

6. The key question now is: what next? The 1997 settlement more than succeeded in its aims for the Church Commissioners and security of clergy pensions but has unintentionally led to significant dis-endowment and disenfranchisement of the local Church. Some thought should now be given to whether there should be another significant rebalancing within the Church economy, one that helps set even better outcomes for the whole Church in the next 25 years.

The 1997 Nexus

7. In the early/mid-1990s the financial concerns of the Church were very different than they are today. PCCs and particularly DBFs were financially stable. As an example, in my diocese, Gloucester, things were sufficiently “good” to buy up all curates housing to enable central control over deployment. There were no deficits to speak of. Much of this financial security is likely to have come from good stewardship in parishes (against a background of a clear understanding of improving clergy livings) and the financial gains of the professionalisation of glebe management by DBFs which almost doubled glebe income within four years of the Glebe and Endowment Measure being enacted.[16]

8. The Church Commissioners by contrast had over committed their financial support to ministry and suffered significant investment losses causing public embarrassment. In proposing the changes in parliament, it was reported that without reform up to 90% of Church Commissioner funds would be tied up with pensions by 2010 and it would be unable to continue with its principal purpose to "support and maintain a nationwide parochial ministry”. [17]

9. The key changes introduced in 1997 were:

- The Church Commissioners were no longer to be responsible for clergy pensions that accrued from 1 January 1998.
- An actuarial review was introduced on the use of Church Commissioners assets to ensure the security of the funds available for pre-1998 clergy pensions. This limited funds that may be distributed for other mission and ministry whilst retaining the ability of the Commissioners to invest more speculatively, and therefore obtain higher returns than a typical pension fund.
- A new pensions fund (CEFPS (Church of England Funded Pension Scheme)) and pensions board (CEPB) was established to ensure clergy pensions were more secure in the context of wider pensions reform arising out of the Mirror Group pension fund scandal.
- DBFs were to take on pension contribution obligations from 1998 at 21.9% of NMS, with taper relief for the first few years from the Church Commissioners.
- It was *hoped* DBFs would be able to afford this due to additional parish share as congregations responded to the call to ensure a more secure retirement for clergy, just as giving had improved to cover increased stipends and housing in the previous decades.

---

[16] See Hansard: https://hansard.parliament.uk/commons/1982-07-19/debates/ba14c3db-0a55-412d-9d25-088322d4c0e2/WrittenAnswers

[17] Hansard: https://hansard.parliament.uk/Lords/1997-03-19/debates/9a8cf2c8-fa26-4e95-ad55-04291b321730/PensionsMeasure

10. From a personal perspective I was seconded to AC in 2006 to draft a consolidated financial report of "the Church of England 2000-04". I was relatively new to working in the Church at this time and in understanding the settlement described above noted that it was in danger of "over-achieving" its outcome at the expense of unintended consequences. This observation was considered too contentious to be included in the report which was published so recently after the monumental 1997 settlement, but what could be predicted in 2006 has largely come to pass.

11. The information in this report is "best available". It is fully drawn from published accounts for 2012-2021. For the Church Commissioners only 1998, 1999, 2002 and 2005 are estimated. For CEPB I have drawn on the 2000-04 work previously done and worked with ancillary information to fill in gaps. David White has been extremely helpful in offering a review and critique of the data.

Post 1997: What happened next?

Church Commissioners

12. In 1997 the Church Commissioners were facing the probable end of their historic role in funding parochial ministry and becoming "just" a pension fund in little over a decade. Their assets of £3.48bn were offset by an estimated pension liability of £2.2bn (63.2%), which was rising year on year.

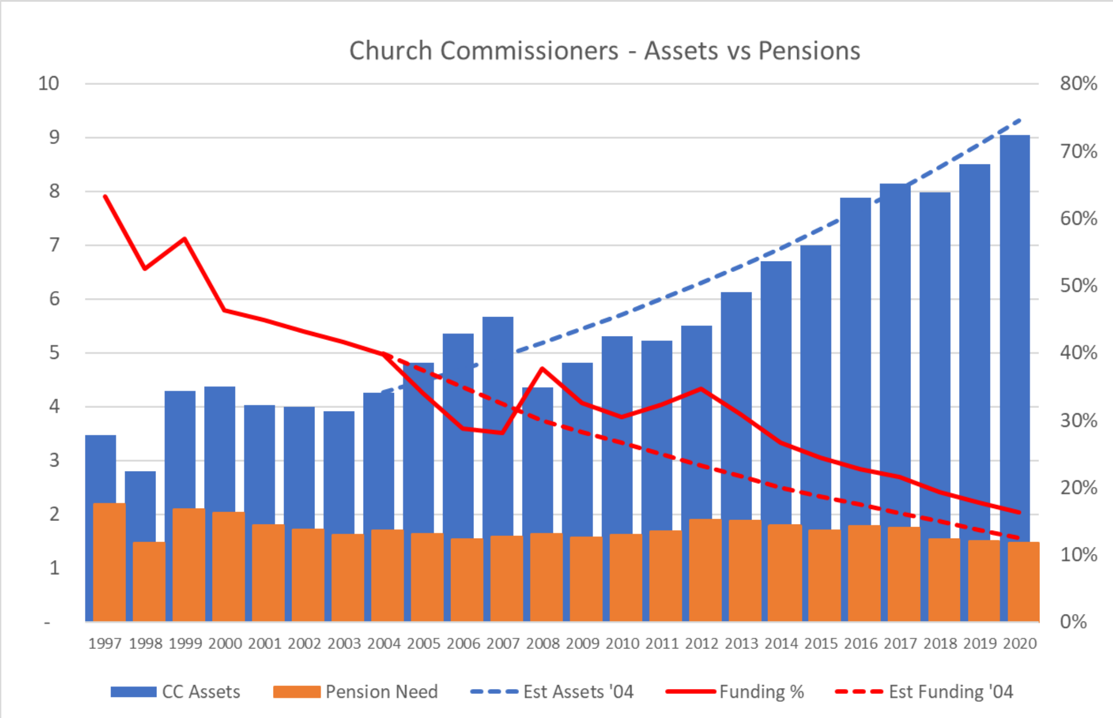
13. In 2020 the Church Commissioners have funds of £9.05bn offset by pension liabilities of "just" £1.48bn (16.3%). Pensions in payment are also now in decline. The issue of its pension commitments has all but disappeared from general discourse. Its fund management is lauded as a financial and, in its fungible asset management, an ethical success story.

14. One of the principal objectives of the 1997 settlement was to provide a form of jubilee for the Church Commissioners. It has been very successfully achieved.

15. It is important however not to think this has happened by either luck or miracle but is closely in line with the planned model that was being followed; to actuarially limit expenditure whilst seeking to invest in growth assets. When I did the analysis in 2006 I was given a forecast of future pension commitments and an investment growth target of 5% above distributions. That is what has largely happened.

    The following chart previously shown to the ACFC illustrates the Church Commissio-ners funds (blue bars) and actuarially assessed pension liabilities (orange bars) since 1998 along with the %age of funds as a red line. Overlaid on this are the projections from 2004 I was able to make based on information given in 2006 (dotted lines):

GENERAL SYNOD



16. **It was clear from this analysis that, not only was the 1997 settlement working, it "risked" working too well. I argued the Church should have a conversation about what to do if the planned growth model actually came to pass as it was so different to the narrative of Church Commissioner funding crisis still prevalent.**

17. **The reason for not sharing this forecast picture was to prevent any sense that the pension crisis might be "in hand" at a time when pension contributions in the CEFPS were being hiked up to first 33.9% and then 39.9%. I can see why others were so cautious in retrospect, having seen the difficulty "the Church" has in discussing finance objectively.**

18. My thinking at the time was to question the need for an asset growth of 5%p.a. above distribution rather than a more "traditional" endowment management approach and seek fund growth of RPI from the value at the end of 2004 (£4.2bn).

19. If that +RPI approach had been adopted instead of the 5% model a further £2.4bn would have been distributed to "support and maintain nationwide parochial ministry". The Church Commissioners funds would be reduced to £6.6bn and the pension obligations unchanged at £1.5bn – giving a funding level of 22% - a world away from the calamities predicted in 1997 and substantially reduced from the 39.8% in 2004.

20. I believe the key issue for future planning is to plan for "success". There is currently no agreed plan for when or if this recovery plan/high asset growth model will be stopped or what "enough" funds with the Church Commissioners looks like. This only leads to tensions and discord.

GENERAL SYNOD

Funded Clergy pension scheme

21. Since 1998 responsible bodies (principally DBFs) have paid approximately £1.3bn into the CEFPS - £1.6bn in "real terms".

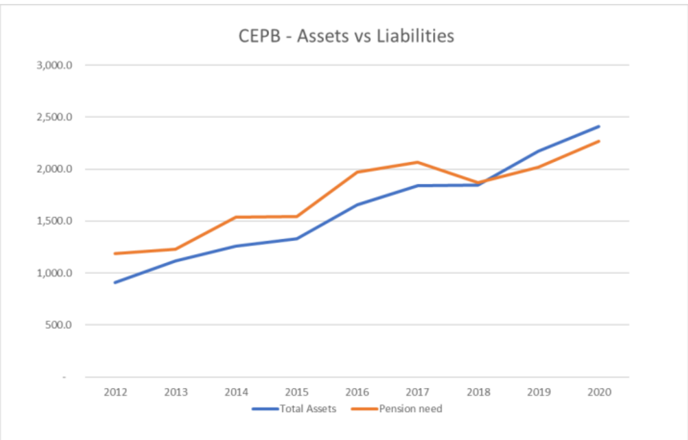
22. Since its inception clergy pensions have changed from accruing at a rate of 1/37th of 2/3^{rds} of National Minimum Stipend (NMS) to 1/41.5th of ½ of NMS and the retirement age has been increased from 65 to 68. This means a reduction of around 1/3rd in benefit to clergy.

23. Despite these reductions in the benefits package for future service and changing post retirement increases from the level of stipend increases to RPI, the contribution rate rates have increased from an initial 21.9% to the current 39.9% as follows:

- 1998-03: 21.9%
- 2003-05: 29.1%
- 2005-06: 33.8%
- 2007-09: 39.7%
- 2010: 45%
- 2011-date: 39.9%

24. Clearly the original actuarial assessment of the cost of this scheme to parishes and diocese was, in retrospect, inaccurate. There are several potential factors in this inaccuracy including the changes in ACT relief for pension funds, the unusual nature of the scheme being new and old at the same time, the generational drop-in long-term gilt rates over the period and, arguably, the investment approach of the CEPB.

25. The investment approach of the CEPB for the CEFPS changed from 2018 to a more balanced "Asset-Led Funding" approach. Since this change the CEFPS has been in surplus every year as illustrated on the chart below. The change in approach did not affect the contribution rate for 2018-2021 and the contribution rate today still includes deficit payments of c£23m p.a. (7.1%) despite there being no deficit on the fund.



26. This change in investment approach means that, finally, clergy pensions are properly funded, albeit at reduced levels. As such a second key aspiration of the 1997 settlement has been achieved.

Diocesan Boards of Finance/PCCs

27. The former two sections note the areas of concern that the 1997 settlement sought to address and its subsequent successes. In that settlement the "heavy lifting" of enabling this change fell on DBFs, and by extension PCCs. It was they that were tasked with funding the change.

28. The aspiration/presumption was that individuals would give in response to the pension need. This has not transpired.

29. Arguably there are two significant factors in this shortfall: pension contributions are almost double the original estimates and congregations have declined significantly. Therefore, despite increasing per-capita donations and a promising start the aspiration of pensions funded by contributions has not worked.

30. A key unintended consequence of this failure is the necessity of DBFs to sell assets to meet pension obligations.

31. Data on this is not readily available however in the period 2000-04 aggregate pension contributions from DBFs to the CEFPS were £186m, offset by asset sales of £105m. In the five years 2016-2020 aggregate equivalent pension contributions were £367m. There is no clear basis to estimate asset sales in the same period, but it is highly likely the proportion funded by asset sales has increased significantly.

32. The implication; backed by local experience and a narrative now common in the Church; is that DBFs are selling historic assets to fund the pension contributions required by CEFPS. This equates to a wholesale shift in endowment funds from locally-owned and managed property to centrally-owned and managed funds.

33. What we can estimate is a counterfactual. If the DBFs had not paid pension contributions but instead invested their contributions in CCLA's investment fund (the most likely use of "surplus" funds) the aggregate value of those investments would be worth in the region of £2.6bn.

34. This *could* be seen as the cost of disendowment from DBFs/PCCs required to establish the CEPB.

35. What isn't being funded by asset sales is being funded by reduced clergy numbers and a loss of DBF posts, sometimes strategically important to their basic governance.

36. As well as this below-the-radar transfer in endowment there is a shift in "strategic control" caused by the shift in financial strength.

37. In 1997 DBFs received £19.5m (approximately £35m in real terms) from the Church Commissioners with no real conditions attached. They did not fund pension contributions (and did not make contributions to AC which did not exist).

38. The comparison between 1997 (in real terms/adjusted for RPI) and 2019 between DBFs and CC/CEPB looks like this:

	1997	2019	Δ
CC Grants (LIC & Transition)	£35.0m	£35.4m	£0.4m
SDF	-	£22.1m	£22.1m
Other CC	-	£0.5m	£0.5m
Pension Contributions	-	(£75.4m)	(£75.4m)
Nett to/(from) DBFs	£35.0m	(£17.4m)	(£52.4m)

39. **Whist the Church Commissioners have, clearly, increased distributions to dioceses well ahead of inflation this is only one part of the picture. These increases are targeted in specific places and are more than trebly offset by the additional costs of pension contributions. In 2019 just the deficit funding payments made by DBFs (£23m) were more than SDF and other targeted Church Commissioner support.**

40. **There is clearly a sense from some that this shift in financial strength has been matched by a shift in the locus of “strategic” decision making in the same direction, away from the bishops in their diocese to “the NCIs”. This equates to a sense of disenfranchisement of the local Church.**

41. **“Strategic Development Funding” is now complemented by “Strategic Transformation Funding” and “Strategic Ministry Funding” etc. These funds may be welcome and strategic; but their availability rests on the 1997 settlement which is the root cause of the financial instability in DBFs these funds are seeking to assist with.**

42. **This instability in DBFs is conveyed directly to parishes. It is “their” houses that are being sold, their clergy that are reduced, their Common Fund/Parish Share that keeps going up. This again gives a sense of lost control and disenfranchisement.**

Clergy

43. The impact on clergy from these changes is two-fold, as beneficiaries and as parish leaders.

As beneficiaries

44. The 1997 settlement was intended, ultimately, to benefit clergy by ensuring their pensions were put on a more secure footing. As noted above this has been a success. Clergy pensions are now at their most secure in history.

45. Despite this there is a potential negative impact on clergy morale.

46. The nuances of pension benefit changes may have been lost but the overall impact is understood; benefits are less than they were. Furthermore, the continual talk of pension deficits over the past twenty-five years (even now when there isn't one) can only have conveyed a sense of uncertainty and insecurity. In such a narrative context a cleric may be forgiven for feeling that the past two decades years has seen their pension cut and become insecure (whatever the true picture).

As parish leaders

47. Clergy of course are not primarily pension beneficiaries but incarnational local leaders in mission. As such they are caught in the unintended consequences of the 1997 settlement arising from insufficient income to cover the "new" cost of their pensions.

48. It is clergy that have most often been at the sharp end of merged benefices, sold parsonages and a parish share that increase inexorably above inflation year on year over decades.

49. Whereas clergy may well have been the intended beneficiaries of the 1997 settlement they have arguably borne the biggest personal cost as well.

Post 2022: What happens next?

50. Too often conversations about money in the church are often negative.

51. It is worth being clear that 1997 was a very significant and positive coming together of the Church to solve two huge issues that no one part of the Church could solve alone: the sustainability of clergy pensions and the sustainability of the Church Commissioners as single biggest funder of parish ministry in England.

52. It is also clear that the two key aims of the settlement agreed in 1997 have been achieved, in the case of the Commissioners probably above expectations (even if within plan). This should be celebrated much more widely.

53. The past 25 years has therefore been in many ways a success in terms of the strategic objectives the Church set herself. It has however come at a cost and now seems a good time, with the two principle objectives of 1997 achieved to think about what to do now for the good of the whole Church, to find a new nexus.

54. **The question of what happens next should, in my opinion, focus principally on how the Church deals with the two unintended consequences of the 1997 settlement:**

    - **Confidence within the Church – especially for clergy**
    - **Looking at how the local Church (DBFs/Benefices) might be strategically reendowed.**

55. **If I might venture further, I would suggest:**

    - **This conversation should consider the asset transfers of the past 25 years from the local Church to the NCIs.**
    - **As with 1997 the time horizon for what might be done should be generational – at least 20 years – not triennial or quinquennial.**
    - As a guide for the potential scale of what might be discussed in looking at a next generation strategic view, I draw attention to the potential lost asset base to dioceses of £2.6bn and the relatively modest consequence for the management of the Church Commissioners pension obligations of such a "loss" of capital.
    - **There should be a "whole Church" plan for growth, missional or financial and preferably both, otherwise we will be back in 1997 within a generation.**

56. As cautions I would note:

    - The 1997 settlement was necessary because of an overcommitment (by the Church Commissioners) to funding unsustainable levels of cost.
    - The unintended consequences of the 1997 settlement arose because parish giving did not respond sufficiently to the costs of clergy pensions; this would suggest the current model of ministry funded principally through giving may be unsustainable in many places and caution applied to simply doing more of the same.
    - This side of the grave, money brings power – the financial flows of the past 25 years have disrupted the ancient balance of authority in the Church, this should not be ignored.

57. As wider considerations I would note:

    - Consideration should be given to transferring the rump of the Church Commissioners to CEPB, both for efficiency and to then seek to release the Commissioners from their actuarial oversight.
    - Thought should be given in restoring confidence to the Church about other initiatives which appear to be either managing decline or parsing fine margins.

GENERAL SYNOD

58. I hope this is a helpful narrative overview of the Church's recent financial past and how it may have influenced tensions and emotions in the wider Church. It is largely a positive story but one that I think now needs a new chapter.

Benjamin Preece Smith
Member, Archbishops' Council's Finance Committee
Diocesan Secretary, Gloucester
November 2021