AF

Anglican Futures

Funding the Future: Are current models sustainable?

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Anglican Futures offers day-to-day practical and pastoral support to faithful Anglicans.
Our online events are designed to help lay and ordained church leaders to:

- Think Ahead (in the light of today's evidence)
- Think Afresh (in the light of eternal truth)

Anglican Futures is a Registered Charity in England and Wales (1192663)

Funding the Future

1. How is Ministry Funded in the Church of England? (Part 1)

What needs to be funded?

This is a great question to ask yourself - and it is fascinating to hear the answers given by different people. One of the issues of being in the Church of England is that much of the nitty gritty of the finances of church life are hidden from the average church goer - they just happen - with little thought for the costs (or potential savings) involved. The PCC has no input into the stipend or pension contributions made to the clergy, they rarely have to concern themselves with repairs to the parsonage and if there is a keen young person in the congregation they do not have to consider how their training will be funded if they are selected for ordination.

This is the list that the participants in our Ideas exchange came up with - you may be able to think of more - or think some of these functions are unnecessary - but this is our starter for ten.

Safeguarding
Travel expenses
Cathedrals
National Insurance
Governance costs
Music
Pensions
Initial Theological Training
Insurance
Housing
Buildings
Outreach
Technology
Ongoing Ministerial Training
Stipend
Ordinand selection
Admin Support
Utilities
Council Tax
Repairs
Welfare
Episcopal Ministry
Resettlement costs

"The Church's financial eco-system is complex"

This was how a recent (2019) report to the House of Bishops (quoted by Winchester Diocese) described the way money moves around the Church of England.

There are different 'pots' of money:

And each pot of money is filled up from a variety of sources.

Funding the Future

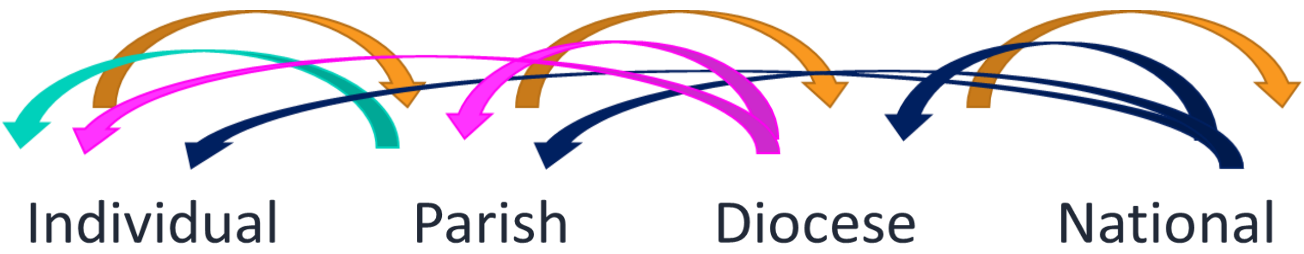
2. How is Ministry Funded in the Church of England? (Part 2)

And the money moves backwards and forwards between the 'pots'

As the Report to the House of Bishops went on:

- *"parishes pay money to dioceses for them to meet the cost of parish and other clergy remuneration and the functions run by dioceses;*
- *dioceses effectively support some parishes by subsidising the costs of their ministry*
- *the Church Commissioners help fund the ministry of bishops and cathedrals;*
- *they hand money to the Archbishops' Council who distribute it to dioceses;*
- *dioceses pay money to the Commissioners to meet their clergy stipend bill and make their pension contributions into the pensions fund managed by the Pensions Board;*
- *and dioceses pay money to the Council to meet the cost of the national functions it undertakes and the cost of ordination training*
- *- the money being channelled through to the Theological Education Institutions. "*

And if we consider the fact that donations are given by, and ministry is done by, individuals within the parish it gets even more complicated…..



Surely there must be a simpler way than this?

As the Reform and Renewal process, which is currently being undertaken by the Church of England, makes abundantly clear that the burden of administration in a system this complicated just increases the overall costs.

For those who remain in the Church of England, and for those that leave ,the question of how we improve the mechanisms for funding ministry at local, diocesan and provincial levels will be key to our understanding of how we can fund the future.

Research in the charity sector shows that local, small charities tend to be more flexible and engender greater loyalty and generosity than big national charities. Larger charities have to spend a greater proportion of their income persuading people to give them money. We perhaps need to consider whether this is also true as we move from the local church to diocesan and national structures.

Funding the Future

3. Is the Church of England model sustainable: for parishes?

The 'ideal' parish/ benefice

Traditionally the 'ideal' parish is a local church with its own vicar.

One parish = one member of clergy

Some would suggest that larger local churches need to employ more people; administrators, associate ministers, youth workers, women's workers - but for now let us just consider the possibility of each parish or benefice paying for one stipendiary member of clergy.

How much would it cost?

This seems to be one of the most contentious questions but to keep things simple, these figures are taken from Rochester Diocese (which is a reasonably 'average' diocese).

The 'direct' costs of the clergy—their stipend, the employers National Insurance contribution, the employers pension contribution, and a housing allowance (which in Rochester is based on average parsonage upkeep each year) - works out at **£41,300.**

But there are also support costs - safeguarding, admin, stewardship, ongoing training, clergy removals and relocation, communications, legal and governance costs, IT, DAC etc. This does not include the direct costs of the diocesan or suffragan bishops (which is paid for from the national pot). In Rochester this works out at £12,000 per benefice.

Then there are the diocesan costs of mission and ministry - the training of ordinands and curates and the wider diocesan mission projects. In Rochester this works out at £11,800 per benefice.

The diocese also has to contribute to the deficit in the national pension 'pot' - on top of the main pension contribution - which in 2021 will cost approximately £4,700 per benefice.

The diocese then recognises that there has been a historic shortfall in giving - which adds a further £8,000 per benefice. So total costs are **£77,800.**

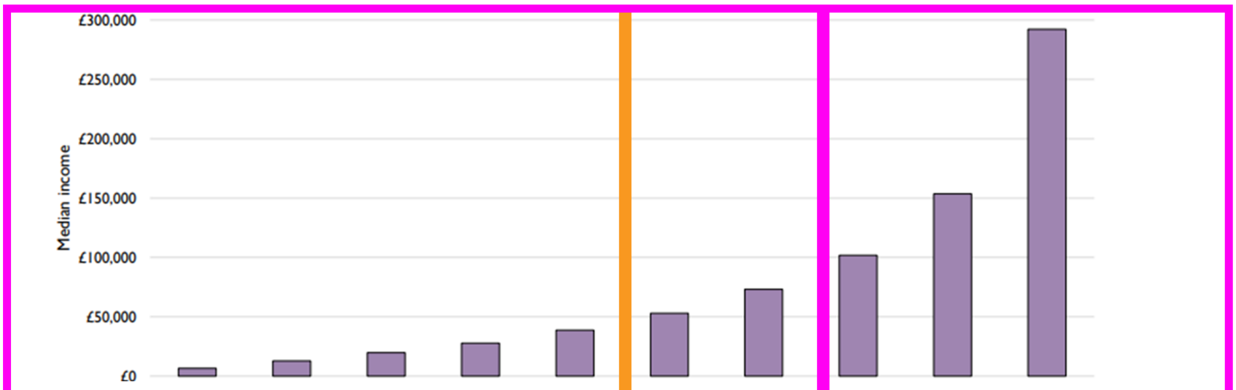
Cost of a full time clergy post Rochester Diocese 2021 (from 2020 Annual report)	
Stipend	27,260
National Insurance	2,181
Pension (ex deficit)	6,602
Parsonage upkeep	5,257
FT Incumbent	**41,300**
+ Diocesan Support Costs	12,000
+ Mission, Ministry (curates/ordinands)	11,800
+ National (pension)	4,700
Current cost per benefice	**69,800**
+ cost of 56% churches historically unable to meet above costs	**8,000**
TOTAL COST PER BENEFICE	**£77,800**

Funding the Future

4. Is the Church of England model sustainable: for parishes? (Part 2)

How much income do parishes generate?

The Church of England's Parish Finance Statistics 2019 [1] notes carefully, "There is considerable variation in parish income." It then divides all the parishes into ten equal blocks - and gives the lowest, highest and median income per parish in each 10% block. The results can be seen below. The Bars represent the median income for each 10% block.

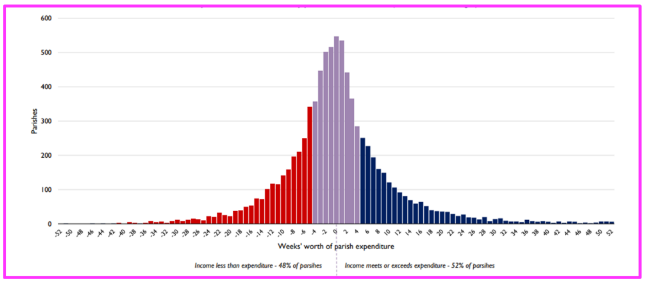


Lowest (£)	0	9,800	16,400	23,500	32,500	45,600	62,200	86,300	122,800	194,500	0
Median (£)	**6,600**	**12,900**	**19,800**	**27,800**	**38,700**	**52,900**	**73,00**	**101,800**	**153,600**	**292,200**	**45,600**
Highest (£)	9,800	16,400	23,500	32,500	45,600	62,200	86,300	122,800	194,500	12 mn	12mn
Total (£m)	8	16	24	34	48	66	91	126	190	495	1097

So, the median income of the poorest 10% of parishes is a mere £6,600 a year - with some having no individual income at all. Whilst the richest 10% of parishes have a median income of £292,500 (with 40 churches - of very different traditions - having an income of over £1m).

What is striking from these figures is that

- 50% of parishes cannot afford a full-time stipendiary minister
- 66% of parishes cannot afford to pay diocesan costs at the rate required by Rochester
- BUT if income was divided equally every parish would receive £87,760
- And this does not include the money that some parishes have placed in other local trusts.



The Parish Finance Statistics offer another way of looking at parish income - based on a comparison of their expenditure and income. The graph shows how many weeks surplus income the parish had in 2019 (or how many weeks they were in effect unable to pay their expenses.) In this example, 48% of parishes are unable to meet their planned expenditure.

The evidence suggests that for about 50% of parishes the current system is unsustainable.

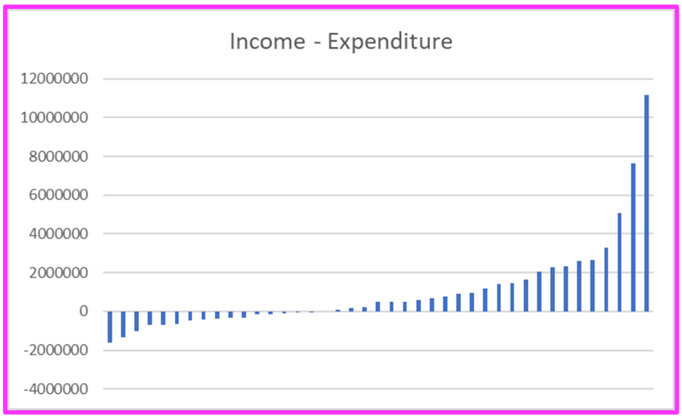
[1] https://www.churchofengland.org/sites/default/files/2021-01/Parish%20Finance%20Statistics%202019.pdf

Funding the Future

5. Is the Church of England model sustainable: for dioceses?

But surely the dioceses can bail out poorer parishes?

It is easy for parishes to assume that the diocese has loads of money but that is not always the case.

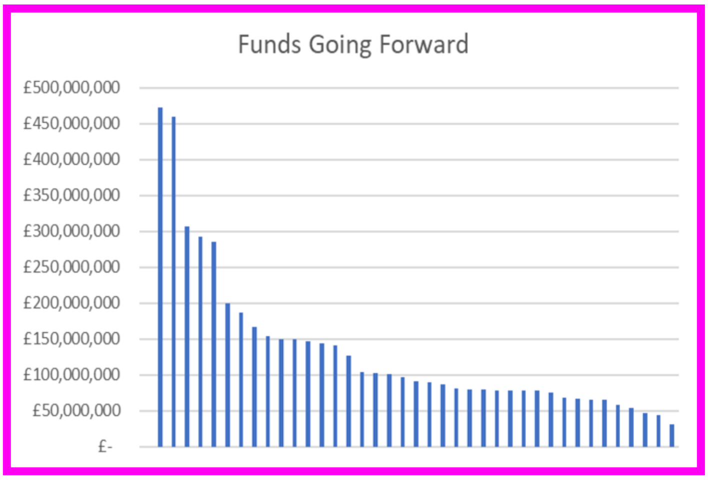


A simple comparison of income and expenditure for each diocese in 2019[1] shows a pattern that is a little better than the parishes.

- 59% of dioceses made a profit
- 3% broke even
- 38% of dioceses lost money

So, even pre-Covid, over a third of dioceses are operating with a structural deficit. Gloucester Diocese recognised this as their main strategic issue[2]. Many dioceses plan to survive, in the short term, by selling investments (St Albans sold £12m of land in 2019) or relying on a handout from the Church Commissioners[3]. In the medium term, many have recognised they will need to sell housing linked to clergy posts if they are to remain solvent.

The question of the differing levels of reserves held by different dioceses is also a contentious question. We have used Funds Carried Forward as a measure of the wealth of the diocese , though it must be noted that as this includes the notional value of every vicarage, office, glebe and church hall the DBF 'owns' it does not given an indication of the liquidity of these assets. If a large part of the wealth of the diocese is in the vicarages they require to house their clergy they may still need to reduce clergy numbers to keep afloat.



The poorest dioceses (Newcastle, Liverpool, Chester and Birmingham) carried forward less than £50m.

The richest dioceses (London, Oxford, Chelmsford, Southwark, Chichester and Leeds) caried forward between 6 and 10 times that amount.

These figures may seem large but even if all the wealth of the dioceses were pooled and shared out amongst the parishes - they would each receive less than £500,000 - and they would have lost their vicarage and any other subsidiary buildings.

The evidence suggests that for about 30% of dioceses the current system is not sustainable in the long term.

[1]The information on this page has been taken from the reports made by each Diocesan Board of Finance to the Charity Commission for the year ending Dec 2019.
[2]EG Gloucester DBF Annual report p6
[3] EG Canterbury DBF Annual report p13

Funding the Future

6. Is the Church of England model sustainable: for the National Institutions?

But surely the Charity Commission can bail out poorer parishes or dioceses?

The wealth of the Charity Commissioners is regularly feted in Church of England circles and at first glance the numbers seem quite eye-watering.

In 2019 the Charity Commissioners' income was £186.8 million from an investment fund (including property) of £8.7 billion. Almost four and a half times the total available to all the dioceses combined. No wonder they are considered to be the answer to so many of the Church of England's problems.

Their investment in Strategic Development Funding, Strategic Transformation Funding, Capacity Funding and Innovation Funding, alongside their support of the Lowest Income Communities, gives hope to many.

However, when we look more closely the picture looks somewhat less rosy.

Income 2019: £186.8 million

Expenditure 2019: £288.9 million

Loss: £102.1m

£94.2m was spent on pensions

£77m was spent on raising funds.

£59.4m was spent supporting dioceses and local churches - less than £5,000 per parish

£53m was spent on bishops and cathedrals.

£5.5m was spent on other activities (legal responsibilities for reorganisation, running the payroll for dioceses + grant to the Churches Conversation Trust)

Assets 2019: £8.7 billion

£1.5 billion is set aside to pay for pensions in the future

If the remaining funds were distributed equally, each parish would receive the equivalent of £576,000 per parish. Which sounds great … but...

If we assume the parishes would then have to pay for the bishops, cathedrals and other costs at a similar rate to 2019 (about £4,680 per parish - per year) and also pay the £77,000 for incumbent + diocesan costs - the money would run out in just over 7 years.

And that does not begin to take into account the 'liability' of the responsibility of maintaining the 16,200 church buildings - 12,500 of which are listed

The Church Commissioners are having to juggle the need to invest in parishes and dioceses today in the hope that the funding can kickstart spiritual growth and increased revenue - with the need to maintain a large enough portfolio of assets to generate the income that will be needed in the future.

Is it sustainable?

Funding the Future

7. What hints are there about central plans for the future? (Review of the Mission and Pastoral Measure 2011) (pt1)

Reform and Renewal

“Renewal & Reform is an ambitious programme of work, which seeks to provide a narrative of hope to the Church of England in the 21st century” - so says the Church of England website. Introduced in 2015, it represents a number of ‘workstreams’ from Setting God’s People Free (enabling the laity to play their part in mission) to Simplification and Legislative Reform (breaking down the legal barriers to mission and ministry. All aimed at growing the church.

Looking at 2019 Statistics for Mission it seems the impact of the programme has yet to be felt. The size of the Average Worshipping Community has dropped from 1,147,500 in 2015 to 1,112,900 in 2019. Other measurables tell the same story:

Figure 3: Usual Sunday attendance, 2009-2019

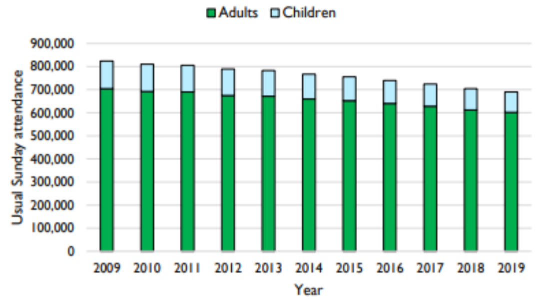
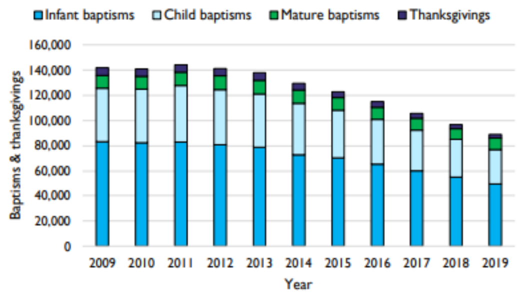


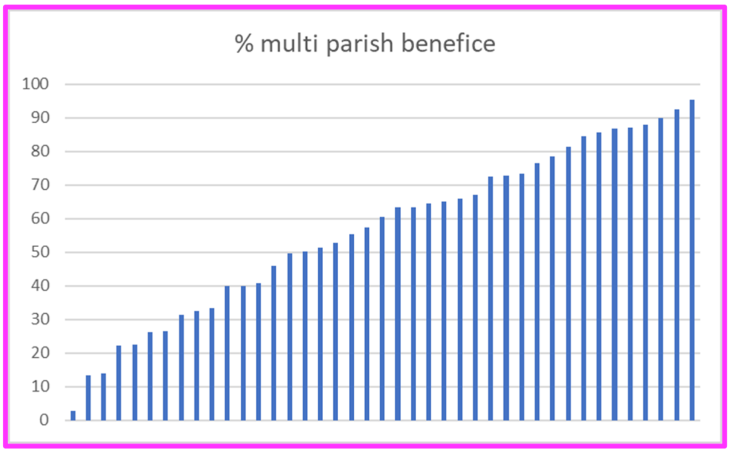
Figure 6: Baptisms and thanksgivings, 2009-2019



Review of the Mission and Pastoral Measure (2011)

This is part of the Simplification and Legislation Reform - as the Church of England website says, “The main aim is to simplify the legislation and processes associated with the administrative reorganisations of dioceses and the re-use of churches which are no longer needed for regular public worship.”

For the past sixty years, the Church of England has seen an increase in the number of multi-parish benefices. In 1960, just 17% of parishes were in a multi-parish benefice - in 2019 62% of parishes were part of a multi-parish benefice[2]. Proportions vary across the dioceses:



- Less than 25%
  - London
  - Manchester
  - Sodor and Man
  - Southwark
  - Guildford
- Average (56.7%)
  - Southwell and Nottingham
  - Winchester
  - Coventry
  - Leeds
  - Lichfield
- Over 87%
  - Salisbury
  - Norwich
  - Gloucester
  - St Eds and Ips
  - Hereford

[1] https://www.churchofengland.org/sites/default/files/2020-10/2019StatisticsForMission.pdf
[2] https://www.blanchflower.org/cgi-bin/cofe.pl

Funding the Future

8. What hints are there about central plans for the future? (Review of the Mission and Pastoral Measure 2011) (pt2)

Why do we need to simplify the process?

The first stage of the Review will be presented at General Synod in July 2021. While it is mainly focused on process, two reasons for the need to simplify legislation emerge from the Report GS2222[1]:

- A reduction in the number of church buildings for which the Church of England is responsible:
  - "A significant strategic concern for the Church (and State) as a result of Covid is that the pandemic will have a negative impact on the infrastructure that keeps churches open: PCCs, volunteers and financial resources. If many churches do not or cannot sustainably re-open, then more closures might be needed sooner rather than later." (para 50)
  - "What is needed are faster processes which would allow for an increase in closures over time to be managed in a sensible way. " (para 52)
  - "PCCs could look at exploring partnerships with local groups who are interested in community development." (para 62)
- A possible reduction in the number of stipendiary ministers:
  - "The recent (2018) reduction in the amount of compensation payable for dispossession, to a year's stipend plus housing, combined with the increased financial pressure in some dioceses to reduce the number of stipendiary clergy posts, means that reorganisation involving dispossession may now be more likely to be proposed." (para 119)

What might be the impact of these changes?

Based on the experiences of the participants of the Ideas Exchange and the ideas put forward in the Report it would appear that the following implications are likely:

- Team Ministries are "going out of fashion"- with some suggesting they "might inadvertently lead to decline" - instead the Report suggests allowing for more informal, less hierarchical working arrangements across benefices. (para 27 and 34)
- Informal working arrangements may offer opportunities (for both clergy and lay leaders) to bring the gospel to parishes with little biblical teaching. On the other hand, the need to work across traditions, may challenge some and could have a bearing on the number of posts open to complementarian clergy.
- One of the problems identified in the Report "is the creation of benefices with a large number of joint patrons or unwieldy patronage boards" (para 128) . The Report states that the changes proposed "will also affect more subtle aspects, such as the dynamics between dioceses, parishes, and patrons" (para90). This changed dynamic is revealed to be the establishment of new patronage boards for any new benefice, "made up of (i) the bishop, (ii) another diocesan representative and (iii) up to 3 patrons (with three votes). Where there are more than 3 patrons they could alternate." (para 128). It would appear this reduces the power of patrons and increases diocesan influence over appointments.

[1]https://www.churchofengland.org/sites/default/files/2021-06/GS%202222%20-%20Mission%20in%20Revision%20-%20A%20Review%20of%20the%20Mission%20and%20Pastoral%20Measure%202011.pdf

Funding the Future

9. What other models of funding exist?

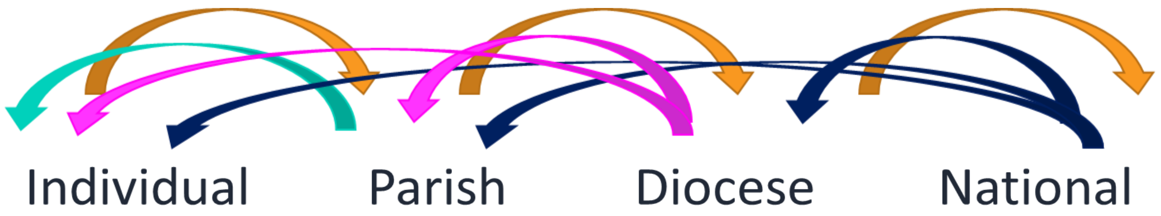
Not all Anglican Provinces work in the same way

When one works within a system there is always the danger of assuming that, because things are done a particular way in your system, there is just no other way to do things. This is even more the case when ‘your system’ is the system from which others have grown.

Our experience of working with other churches in the Anglican Communion, through Gafcon and other partnerships, has revealed how careful one has to be not to assume things work the same way in each of Anglican Province.

When it comes to funding structures there may be things we can learn from other Provinces.

The structures of the Church of England have grown up over centuries and, as we have already seen, a very complex financial ecosystem has been created.



Church of Uganda

But it is not always like that, for example, in Uganda, the average minister is in charge of between 7-15 churches - often many miles apart. There is no formal salary scheme, instead most clergy receive a proportion of the weekly offering. Most clergy families need other sources of income to survive.[1]

Diocese of Sydney

In the Diocese of Sydney, in the Church of Australia, stipendiary ministry is the norm, and training is paid for by central grants, but the parish is responsible for paying for all their local costs - stipend, running costs, pension etc. Failure to keep up the payments has a serious effect, as the parish will lose their rights of representation and the next appointment will be made by the bishop (in the hope of making the church sustainable as soon as possible).

Anglican Church in North America

Many churches in the Anglican Church in North America, lost everything when they left The Episcopal Church or the Anglican Church of Canada so it is perhaps unsurprising that they have chosen very localised funding structures. Dioceses are not allowed to own parish assets or even to hold a charge over them. Parishes pay their clergy directly and there is no central training fund. A spirit of generosity is encouraged - with parishes expected to give 10% of their income to the diocese, and the diocese is expected to give 10% to the Province, who in turn give 10% to other Provinces.

Whether remaining in the Church of England, or other established churches, or seeking to build new structures, all the participants recognised how much we have to learn from these different cultures

[1] https://www.crosslinks.org/people-and-places/africa/blog/2018/06/life-as-a-reverend-in-uganda/

Funding the Future

10. Are other models viable? (pt1)

How can we fund someone from scratch?

Many people are asking how churches outside the Church of England manage to fund their ministry. Let's begin with funding a full time clergy post—an let's attempt to give the member of clergy an equivalent 'package'. How much would that cost?

Starting with the basics:

Let's keep the same take-home pay, a house, which would fulfil the Green Book requirements with Council tax thrown in.

Stipend (net of NI + income tax)	22,000			
Housing (rent of average 4 bed house)	15,000		Total	39,500
Council Tax (average 4 bed house)	2,500			

But what if they have kids—they may be used to child benefit and tax credits

Child benefit/ tax credits (2 children)	4,500		Total	44,500

And then they'll need to pay income tax on that + employers pension and NI

Cost of equivalent benefit	**Gross Salary required**	Employers NI and Pension	**Total Cost to Church**
39,500	**53,000**	16,000	**69,000**
44,500	**61,000**	17,000	**77,200**

And so the 'value' of the Church of England clergy package emerges - for comparison.

Living Wage	18,000
Average FT Salary UK (male 40-50)	38,829
Average Post-Graduate salary (all age/gender)	42,000
Average Head Teacher Salary	55,000

Throw in £2,000 a month for ministry expenses (room hire, music licenses etc) and a church is looking at finding £90,000 - £100,000

Funding the Future

11. Are other models viable? (pt2)

How can we find the money?

The first question is how many wage-earners are there in your congregation—and what is there average wage? The lower the average wage, the more people you need. If we assume the wage-earners are willing to give 5% of their gross salary and that donation is gift-aided then we can see the kind of numbers we are talking about:

No of wage earners - average wage	Minimum Wage £18,000	Newly Qualified Teacher £25,000	Average FT Salary UK £31,000	Average post-graduate salary £38,000
30	33,750	46,875	58,125	71,250
40	45,000	62,500	77,500	95,000
50	56,250	78,125	96,875	118,750
60	67,500	93,750	116,250	142,500
70	78,750	109,375	135,625	166,250
80	90,000	125,000	155,000	190,000
90	101,250	140,625	174,375	213,750

Or can we reduce housing costs - take advantage of a cheaper location or lose a bedroom[1]?

	Mean 4 Bed Rent (annual)	Gross Salary needed?		Mean 3 bed rent (annual)	Gross Salary needed?
Kingston upon Hull	8,172	**42,649**		6,480	**40,161**
NW	12,960	**49,690**		8,436	**43,038**
NE	13,368	**50,294**		7,092	**41,061**
E Mids	13,452	**50,439**		8,688	**43,408**
Yorks	13,548	**50,604**		8,016	**42,420**
W Mids	14,100	**51,556**		9,300	**44,308**
East	17,544	**57,494**		11,832	**48,032**
SW	19,380	**60,660**		11,304	**47,255**
SE	22,140	**65,418**		13,872	**51,163**
London	34,368	**86,501**		23,808	**68,294**
Kensington and Chelsea	93,372	**201,325**		55,464	**131,542**

A few more ideas from our Ideas Exchange

- Request tax allowance for housing from HMRC - their guidance states that *"Church – provided living accommodation is usually tax-free IF you work from home AND are in a pastoral role"* NB Church must pay Council Tax and water bills
- Match salary to average salary of congregation (20-30 wage earners then needed)
- Other income - Part-time work - Rent a Room (both give opportunities for outreach)
- If appropriate employ husband/wife team (tax advantages)
- Long-term viability - can clergy buy a house (mortgage usually cheaper than rent) + have somewhere to live on retirement

[1] https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/privaterentalmarketsummarystatisticsinengland