

Ten Year Plan – Finance

- I At its meeting in March 2022, the Representative Body accepted the following recommendations:
 - A That the Trustees of the Representative Body support the preparation of a 2023 budget and ten-year financial plan based on an increase in the distribution rate assumption each year for the next ten years from 3.5% to 4.5%.
 - B That the Trustees of the Representative Body invite the Finance Committee, in discussion with the bishops and their senior diocesan colleagues, to develop expenditure plans for an additional increase in annual expenditure of £10 million (over and above the increase in distribution rate set out in recommendation A) each year for the next ten years.
 - C That the Trustees of the Representative Body urge the Bench of Bishops to conclude their work on vision, strategy, ambition, and goals as soon as possible in order to ensure alignment between strategy and finance. The Trustees invite the Chair of the Representative Body, the Deputy-chair of the Representative Body and the Chair of the Standing Committee to request a meeting with the Bench of Bishops as soon as may be arranged.
 - D That the Trustees of the Representative Body urge the Standing Committee to initiate discussions about much closer integration of the support activities of the RB and the six DBFs.
- 2 Since that meeting, further discussions have taken place at:
 - a. The Finance Committee's meeting on 5 May
 - b. A meeting of the Diocesan Secretaries with the Head of Finance and the Finance Manager on 13 May
 - c. A meeting of the Diocesan Secretaries, the Chief Executive, the Head of Finance, and the Finance Manager on 10 June
 - d. The Bench of Bishops meeting on 15 June, a discussion which was also attended by the Chair of the RB and the Chair of the Standing Committee

In addition, the Bench of Bishops have continued their work on Purpose, Values, Ambition and Goals.

- 3 The Finance Committee have asked that proposals be developed about three elements of the additional funding.
 - a. The first of these is additional support for dioceses in the next 18 months. The war in Ukraine, price shocks for fuel and food, a general increase in inflation, and a step increase in the level of stipends and salaries from 1 January 2023 all come at a time when the full picture is still emerging about the shape of post-pandemic Wales. We have no hard data, but anecdotal evidence indicates a decline in attendance of between 25% and 35% on pre-pandemic levels. It is also important to provide sufficient short-term funding to allow each diocese to participate fully in a non-anxious conversation about finance.
 - b. The second element is the increase in core expenditure of approximately £3.7M per annum. The Finance Committee are clear that this is to strengthen

support for core operations. It should be noted that the immediate additional support described in a. is simply the first expenditure of this additional amount.

- c. The third element is the distribution of the additional £100M over ten years. The Finance Committee are clear that this should not be regarded as £10M a year for 10 years but as a sum to be distributed in the way most likely to stimulate evangelism and church growth. There are compelling reasons to front load this expenditure - there are several projects which are ready for scrutiny. The sooner expenditure is authorised, the sooner they can start to flourish.

Underpinning all these tranches of additional expenditure is an expectation that any additional expenditure will be conditional on its alignment with clearly articulated objectives, outputs and outcomes. This is money for change rather than for business as usual. The Standing Committee will be invited to discuss recommendation D above at their residential meeting on 6 and 7 July.

- 4 The discussions between the Diocesan Secretaries and the Finance Team have resulted in the paper at Annex A. The themes of the paper were discussed by the Finance Committee on 14 June (the paper was finalised after they met) and the paper itself at the Bench meeting on 15 June in discussion with the Chair of the RB and the Chair of the Standing Committee. At the Bench meeting, it was agreed that each Bishop would share the paper with their senior staff team and discuss it with them. Both the Finance Committee and the Bench were supportive of the ideas contained in the paper. It may be that DBF Chairs can update the Trustees on progress of discussion about it in their Dioceses.
- 5 The paper is rich in ideas and makes suggestions for immediate action and for further work. It is a record of how thinking has developed so far rather than being the final word on these matters.
- 6 To capitalise on the momentum achieved so far, the Representative Body in their meeting on 30 June are invited to:
 - a. Authorise an additional £1,850k of expenditure on 1 July 2022. For ease, the proposal is that this be split in equal shares of £264k between the seven legal entities (the RB and the six DBFs). The purpose of this funding is to provide immediate assistance in meeting core costs as the nation and our churches emerge from COVID. This is a one-off distribution to cover the current emergencies. A more considered formula will be required for the distribution of partnership funding in future years.
 - b. Invite the Diocesan Secretaries and the Provincial Staff to continue to work closely together to develop recommendations about (i) the allocation of Partnership Funding, (ii) the organisation of a Shared Funding Process and (iii) the mechanisms for grants from the £100M fund. These proposals would initially be shared with the Finance Committee so that they can provide governance scrutiny and engagement. They would then be further developed at a meeting on 15 September.
 - c. Give their support to a meeting on 15 September between the Bench, the DBF Chairs, the members of the Finance Committee, the Diocesan Secretaries, and relevant Provincial Officers. The purpose of the meeting is to develop recommendations about the expenditure of the additional £3.7M per annum

and the £100M allocation from reserves. This meeting will have the work done by the Diocesan Secretaries and Provincial Finance Team available to it, as well as the Purpose, Values, Ambition and Goals work being undertaken by the Bench of Bishops. The hope is that this will be the first Shared Funding Process meeting. For shorthand, as explained in Annex A, we refer to this as the 2:47 meeting.

- d. Give their support to a fourth joint meeting of the Bench, the Standing Committee, the Trustees of the Representative Body, the Diocesan Secretaries and Senior Provincial Staff to be held, residentially, on 10 and 11 October. This aim is for this to be a decision-making meeting which draws on discussion at the Governing Body, the discussion at the 2:47 meeting and the wisdom of those present. The anticipated output is a clear direction of travel, the adoption of ambitious goals, and the approval of clear mechanisms for accessing additional funds.

It has been said that the worst thing that could happen is that the Church in Wales dies rich. It isn't. A far worse fate would be for it to die poor having frittered away its resources without clarity, ambition, rigour, and prayerful discernment. We currently are in regular touch with less than 1% of the population of Wales at church services but touch many lives through our schools, occasional offices, and community engagement. Small numbers should not be seen as a harbinger of the inevitable demise of the Church in Wales. Rather, they should be seen for what they are - the huge opportunity to declare the unconditional love of God afresh to all the people of this nation. Money should be fuel for mission. The trick is to use it wisely, creatively, and intentionally.

Simon J Lloyd

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Towards a 10-Year Financial Plan

A discussion paper from the Diocesan Secretaries and the Provincial Finance Team

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Introduction

The Diocesan Secretaries and the Provincial Finance Team have been working together to produce proposals for the short-term future of the Block Grant and to suggest a sustainable method of sharing this funding across the seven legal entities in a way that would reflect the three guiding principles recently articulated by the RB:

The trustees of the Representative Body wish to resource the Church in Wales in a way that stimulates it to grow and to flourish. They will prioritise the provision of well-planned financial support for the dioceses, their mission and ministry areas, cathedrals and bishops which is significant, sustainable and strategically focused.

To ensure this, they will:

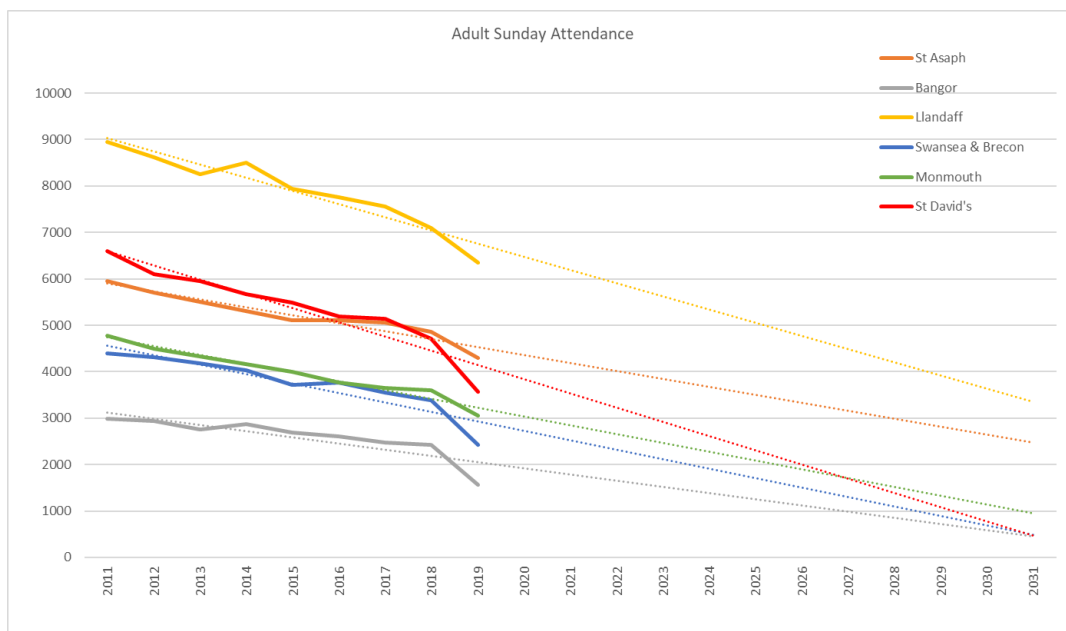
1. Produce expenditure plans that:
 - a. prioritise numerical and spiritual growth
 - b. improve missional and organisational effectiveness
 - c. include mechanisms to assess outcomes against objectives
2. Ask questions about consequences for future generations and the environment when making project expenditure decisions
3. Keep structural expenditure within prudent budget parameters.

The trustees:

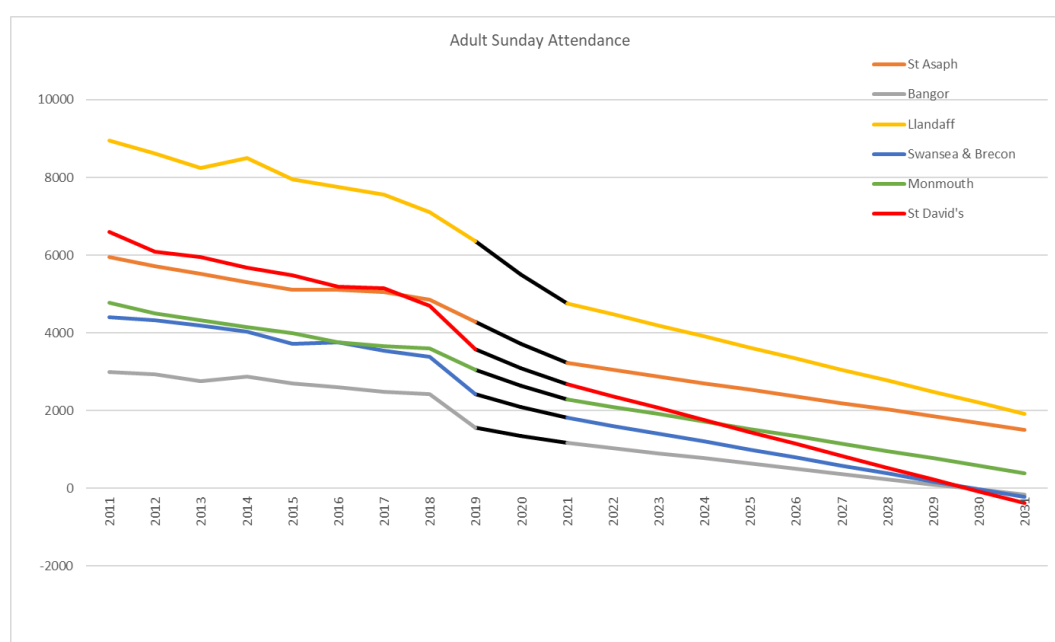
- a. Seek the support of the Bench of Bishops, the Standing Committee and the Diocesan Boards of Finance for these three guiding principles; and
- b. Commit to working closely and collaboratively with others as part of a united Church in Wales team.

Analysis of Attendance Data

We have completed some analysis of key statistics that could be used to measure the life of the diocese and completed some simple forward projections using standard Excel modelling tools. This analysis demonstrates that it is now urgent that these three guiding principles are adopted and implemented. For example, if the current decline in Sunday attendance continues, the adult Sunday attendance for the Church in Wales in 2031 will be 8,187 (21,249 in 2019). The following chart maps the trend for the six dioceses and, if this trend continues unchecked, three dioceses could have fewer than 500 adults in attendance on a Sunday by 2031:



It could reasonably be assumed that the rate of decline in attendance will have accelerated between 2019 and 2022 because of the pandemic: this is the consistent message from Mission and Ministry Areas across the Church in Wales. In the following graph, we have assumed a decline of 25% between 2019 and 2022 before picking up the underlying decline trend once more. Using this model, the adult Sunday attendance for the Church in Wales in 2031 will be 3,832 with several dioceses no longer viable.



Funding available

The RB's long term total return policy of a total return of 5.5%, inflation of 2%, means that the RB has 3.5% to distribute. However, the RB Trustees have agreed to increase the distribution rate to 4.5% for the next 10 years, which releases an additional £3.7m of funding, in addition to the £2.6m already allocated to the dioceses through the Block Grant mechanism.

The RB Trustees have also agreed to release a further £100m from reserves over the next 10 years to meet the three guiding principles. It is recognised that for the three guiding principles to be fulfilled, the £100 million fund will need to be front loaded, to ensure that by year 11, the new structures and models would be ingrained into the organisation. This recognises the urgency of the challenges currently being faced by the Church in Wales.

The bold proposals made by the RB to release £137M of extra funding in the next ten years will require both detailed operational consideration and rigorous governance oversight. Yet the need for investment in our mission and ministry areas, as we work together to rebuild after the pandemic, deal with the impact of the war in Ukraine and face a looming cost of living crisis, is undeniably urgent.

We have therefore grouped our recommendations into interim measures and medium-term measures.

Interim Measures

Proposal for Partnership Funding

- It is suggested that the Block Grant should be renamed as Partnership Funding
- The RB will continue to fund the Clergy Pension Scheme in full
- In 2023, each diocese will receive Partnership Funding to the value of £400k, except where the value of the 2022 Block Grant is higher than this. This affects the Dioceses of Llandaff and Monmouth. The total values of Partnership Funding for 2023 would be £2,674k and the following table provides a summary of these proposals:

Diocese	Block grant in 2022 £	Est. RB Funding of Clergy Pension Contributions 2022 £	Proposed Partnership Funding in 2023 £
St Asaph	363,238	664,459	400,000
Bangor	374,570	314,291	400,000
St Davids	368,070	771,148	400,000
Llandaff	495,271	927,531	495,271
Monmouth	578,252	391,421	578,252
Swansea and Brecon	387,475	476,837	400,000
Total	2,566,876	3,545,837	2,673,523

- Wales is still not wholly through the COVID pandemic. Additionally, there are severe challenges from the cost-of-living crisis, the unstable geo-political situation and, for a building heavy organisation, increasing energy and maintenance and repair costs. In view of this uncertainty and consequent anxiety about the future, it is recommended that Partnership Funding should be launched on 1st July 2022 in order to provide the additional help which dioceses need now. This would be for a total of £1,850k, representing 50% of the additional annual funding provided by the RB and would be in addition to the block grant funding already in place for 2022. For ease and speed of distribution, this should be divided equally between the seven legal entities, providing seven grants of £264k. Each legal entity would use this funding to further the three guiding principles in a way that is appropriate for their context. Reports would be provided to the RB Trustees on how this money has been spent to ensure accountability.
- Explore with RB Trustees and Bishops the principle that partnership funding should be tapered in a straight line to £200k per diocese over 5 years to encourage organisational efficiencies

Medium-Term Measures

Proposal for Funding from Reserves

The group agreed that it would be important to spend time in the second half of 2022:

- I. Establishing a robust budgeting process

II. Producing necessarily urgent budgeting recommendations for 2023 spend to the Finance Committee

This work should reflect the three guiding principles and avoid arguing about formulas or tying the hands of future Trustees into a formula which might have limited shelf life. This new Shared Funding Process (SFP) should involve key personnel from each diocese: our suggestion is that this should be the Bishop (for Bangor, the Assistant Bishop), Chair of the DBF and the Diocesan Secretary. The RB should be represented by the Chair of the RB, the Chief Executive and the Head of Finance. The Archbishop would also be invited to be present. The hope is that all seven budgets can be developed together.

It will be noted that the funds to be distributed includes (a) the £100m over ten years, (b) the additional £3.7m annually, and (c) the element of Partnership Funding which is released from the taper to £200k per dioceses per annum. This releases £13.6m in 2023 and rising thereafter (if the £100m were released as £10m p.a.) focused on the growth and sustainability of the Church. In particular:

- The importance and urgency of growth was acknowledged by everyone
- We want to produce proposals that will ensure the flourishing of all parts of the Church in Wales rather than looking at any one part in isolation. Rather like a family, we will want to support family members who are struggling and also celebrate and encourage success wherever it is happening.
- We want to move at a 'Speed of Trust' that will continue to build and strengthen relationships as part of a process of Christian conferring. We expect that, over time, this shared funding process will develop into a shared budgeting process as trust grows and understanding deepens. This will represent a planned move from a Block Grant to wise and strategic funding of initiatives and projects.
- It was acknowledged that all dioceses are at different stages and that all need to be encouraged to move forward in a way that is appropriate to the local context. In particular, we want to avoid the feeling of a 'bidding war' that characterised the Evangelism Fund process.
- The leadership teams of the dioceses and RB should share their proposals and journeys with the Finance Committee and RB Trustees to enable vision and learning. We will need to be ready to accept that not all the new initiatives will be successful and understand that as a valuable opportunity for learning, rather than labelling this as failure. This will support the work currently underway to develop Values, Vision and Strategy for the Church in Wales.
- We will need to ensure detailed operational planning and rigorous governance oversight for the use of these additional funds. A schedule of meetings to achieve this is set out at Appendix A. In order to ensure wide engagement on the detail, two meetings are proposed in addition to the usual meetings of the RB's Finance Committee, the Representative Body, the Bench and the Governing Body and its Standing Committee. They are:

- An all-day, in person meeting on Thursday 15 September of the Bench of Bishops, the DBF Chairs, the Diocesan Secretaries, the members of the RB's Finance Committee, and relevant Provincial Officers.

The agenda for this meeting concerns the release of £137m by the RB. The aim is to use the money to make the Church in Wales a community of people 'praising God and having the goodwill of all the people (and where) day by day the Lord adds to their number those who were being saved.' (Acts 2: 47). For this meeting to take place, we will need the permission of the Bench of Bishops to use their September

meeting for this purpose. For shorthand, we will refer to this meeting as the 2:47 meeting.

- A fourth joint meeting to be held from 12 noon on Monday 10 October to lunchtime on Tuesday 11 October. The invitees will be the Bench of Bishops, the members of the Standing Committee, the Trustees of the RB, the Diocesan Secretaries and senior Provincial Officers. The purpose of this meeting is to make decisions. By then, the Bench will have concluded their work on Purpose, Values, Ambitions and Goals and the 2:47 meeting on 15 September should have made good progress on the principles and operating protocols for expending this additional money. For shorthand, we will refer to this meeting as JM4.

Appendix A

Timetable of meetings

To maintain momentum, the following meetings have been arranged:

Friday 10 June	Meeting of the Diocesan Secretaries, the RB's Head of Finance, Finance Manager And Chief Executive
Tuesday 14 June	Meeting of the RB's Finance Committee
Wednesday 15 June	Chair of the RB and Chair of the Standing Committee to meet with the Bench of Bishops
Wednesday 15 June	Bench of Bishops to complete their proposal on Purpose, Values, Ambitions and Goals
Thursday 30 June	RB Meeting
Wednesday 6 & Thursday 7 July	Standing Committee to meet residentially and will discuss progress on the ten-year plan
Wednesday 7 and Thursday 8 September	GB meeting – substantial time allocated to the ten-year plan
Thursday 15 September	Bench meeting Shared Funding Meeting Finance Committee Diocesan Secretaries, DBF Chairs and RB staff
Tuesday 11 October – Thursday 13 October	Bench of Bishops meeting
10 October – 11 October Hotel in Cardiff	Joint meeting 4 of the Bench, the Standing Committee, the RB Trustees, the Diocesan Secretaries and senior Provincial Staff
Thursday 20 October	Standing Committee
Thursday 27 October	Finance Committee
Thursday 24 November	RB meeting

It is expected that several additional meetings of the RB's Finance Committee will be needed and that the Diocesan Secretaries will continue to meet regularly.