



THE CHURCH
OF ENGLAND

Funding of Church Buildings: Next Steps

Prepared on behalf of The Archbishops' Council,
with assistance from The Church Commissioners
and several dioceses.

July 2006



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I. Foreword

These pages are far more than another report by the Church of England putting the case for more support from public funds for the maintenance and preservation of the fabric of the church buildings which include up to 45% of all the Grade I listed buildings in this country. That case has already been made in *'Building Faith in our Future'* published in 2004 and in the English Heritage Campaign, *'Inspired!'* launched in May this year.

The case being made here is informed by a Church of England perspective and uses readily available statistics. It is not our intention to have a narrowly confessional appeal. Our arguments are applicable to all listed places of worship where there is the intention to make them available for wider community service.

This is something different – a plan which attaches hard numbers to our case and proposes some new ways forward for a realistic solution so that the remarkable legacy of these historic buildings, an essential part of the British landscape for centuries, may be passed on to future generations. These buildings play a vital role in the spiritual and social life of the nation, and provide community services in many of the most deprived parts of the country. This role needs to be preserved.

A recent poll showed that 86% of the adult population (including 75% of those of other faiths and 80% of those with no faith) had been into a church in the past year for one reason or another. This legacy belongs not just to the Church but to us all.

We commend this plan and hope it will open a constructive and realistic dialogue between the Government and the Church which will lead to a new partnership and positive action.

Most Revd and Rt Hon Rowan Williams
The Archbishop of Canterbury

Most Revd and Rt Hon John Sentamu
The Archbishop of York

2. Introduction

These proposals are intended for all those who are engaged in finding new sources of funding for the 16,000 Church of England churches, the 42 cathedrals and other listed places of worship. As well as being centres of worship, these buildings are frequently hosts to community and cultural events as well as being an important part of the national treasury of vernacular art and memory.

The suggestions in this paper build on the report '*Building Faith in our Future*', the work of the All Party Parliamentary Church Buildings Group under the chairmanship of Frank Dobson MP and the recently launched English Heritage campaign '*Inspired!*'. All these partners in this common enterprise acknowledge the huge contribution of the tens of thousands of volunteers, members of Church Councils and Diocesan Advisory Committees who care for our church buildings day by day. The proposals have been developed with the assistance of the Archbishops' Council with input from the Church Commissioners and several dioceses. The intention is to stimulate discussion and planning for the next stage of our work.

Our paper is not principally concerned with the heritage dimension of our church buildings, but focuses on the role which these buildings already do play and in the future could play in contributing to sustainable communities. First and foremost church buildings point to God but many already play an educational role and act as a base for volunteering. They are frequently significant tourist destinations and make a contribution to local economies. In so many ways they have an underdeveloped potential as part of schemes for social regeneration. It comes as no surprise to those who have cooperated in the preparation of these plans that 86% of the population have visited a church for some purpose during the past twelve months and that churches are growing in significance as venues for a range of social and community activities from the Government's prevention and early intervention agenda to addressing loneliness and deprivation in an ageing population.

As we look ahead we have a duty to care for what we have inherited but also to develop the potential of these buildings to do what they were intended to do as servants of the whole community as well as places for the worship of God. This paper seeks to move the discussion forward by sketching the beginnings of a new financial settlement with both central and local government which reflects the value and potential of these community assets. It offers a reflection on the actual financial position of our churches which is clearer than anything previously available and suggests some new ways of supporting the huge voluntary effort from public funds.

We will welcome all responses to this paper and look forward to moving the agenda onto the next stage.

Rt Revd and Rt Hon Richard Chartres
Bishop of London
Chair of the Church Heritage Forum

3. The value of church buildings

3.1 Church buildings as a national asset

Church buildings matter. That they matter as places of worship to around six million people each month should be enough to establish their value as a national asset. But it is more than that.

- National ORB surveys in 2001, 2003 and 2005¹ found that **86%** of those surveyed **had been inside a church building** within the previous 12 months – with those of other religions or of no religion also showing high figures for visiting.
- **45% of all Grade I buildings** in England are Church of England churches.
- **All 42 Church of England cathedrals in England are listed buildings** – 38 are Grade I, four are Grade II*.
- Three major ecclesiastical buildings are **World Heritage Sites**.
- The architectural, cultural and community values of these buildings are **there for all** in the community – **irrespective of religious affiliation**.
- Census and public opinion poll data show consistently that over **70%** of the population **consider themselves Christian**.
- **38%** of the population think (wrongly) that **central taxation, local taxation, the National Lottery or English Heritage** are primarily responsible for funding maintenance of church buildings².
- When asked who they thought **should be primarily responsible**, **46%** named those sources
- There are over 16,200 Church of England churches alone in England, over **9,600 (60%)** in rural areas³. This is more than the number of **post office branches** which currently stands at around 14,600 in the UK, **55%** of which are rural⁴.

Our argument is that **Church buildings connect us with the skills, faith and continuing values of our country, have shaped our environment, are a quintessential part of our landscape and the focal point of communities in city, town and country. Previous generations have invested in them. This generation must too.**

3.2 Heritage and tourism

Church buildings and cathedrals are consistently in the list of most visited tourist attractions – in 2003/4 Canterbury Cathedral, Westminster Abbey and St Paul's Cathedral were in the top 20 of the most visited major attractions with paid admission⁵. But visits to places of worship go much wider than the major set piece tourist attraction: and benefit the national and local economy as well as enhancing the quality of life of those visitors. Cathedrals and historic churches are a quintessential

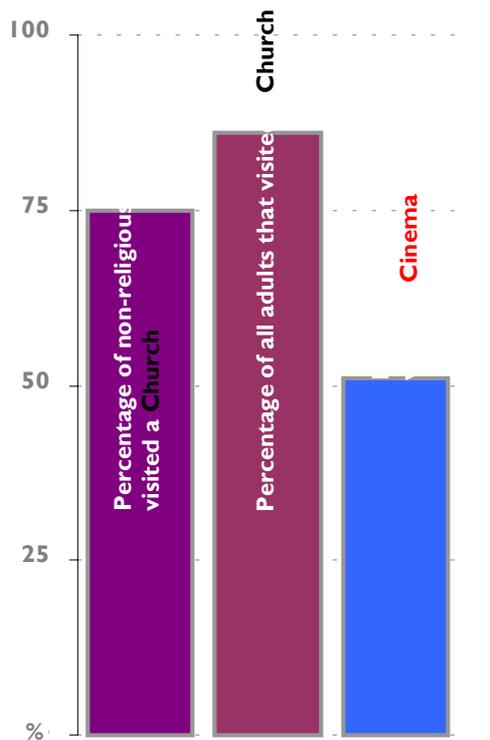
¹ Opinion Research Business (ORB), *Annual Religious Survey of Affiliation and Practice including Perceptions of the Role of Local Churches/Chapels*, on behalf of the Church of England and English Heritage, Dec 2001, Oct 2003 and Nov 2005

² ORB Survey 2005

³ Government Rural and Urban Area Classifications 2004

⁴ Postcomm 5th Annual Report 2004-5

⁵ Visitor Attraction Trends England 2004, VisitBritain



Cultural Activities 2003: Church versus Cinema ^{1,2}

over 200,000 in 2004/5.

feature of our landscape and they are part of the historic narrative of our national identity which has a strong appeal for domestic and foreign visitors alike.

- VisitBritain’s 2006 estimate for day trip spending is £27.70 per person. Evidence in the SW shows that cultural based tourism is the fastest growing element in that sector of economic activity.
- An independent survey commissioned by the Association of English Cathedrals and English Heritage³ found that visitors to cathedrals generated £91m for their local cities in terms of direct spend by visitors. Adding the effects of indirect spend and the cathedrals’ own procurement increased this to £150m.
- The effect of visitors to parish churches is more difficult to quantify. But it has been estimated that at least 10 million visits, and maybe as many as 50 million, are made to parish churches each year.⁴
- Initiatives based on encouraging church tourism have been shown to increase numbers of visitors. The North Yorkshire Church Tourism initiative increased by 120% the number of visitors to the 285 places of worship which participated - with total visitors recorded of

3.3 Churches and their communities

While many visitors may be drawn to visit churches and cathedrals for their historic and artistic value, they are living buildings used by their communities for a whole range of positive cultural and social activities. Indeed, the numbers using them for those activities are notably increasing, as the recent surveys show.

In rural areas, the church building is frequently the focus of village life. The Review of the Rural Churches in Community Service Programme under which 99 rural churches received Millennium grants to adapt their buildings showed the beneficial impact this had on their communities⁵. In urban areas, it can be the centre of neighbourhood involvement, and in deprived areas often a presence when other institutions have gone away.

The ORB survey 2005 showed that:

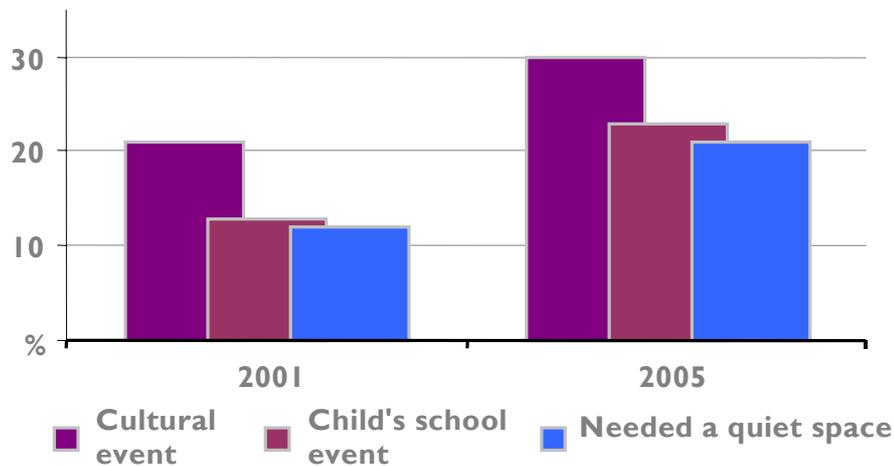
- 30% of those surveyed had been to a cultural event within a church building in the previous 12 months (this was 17% and 21% in 2003 and 2001 respectively);
- 23% had been for purposes connected with their children’s school (this was 16% and 13% in 2003 and 2001 respectively);

¹ Public Attitudes towards Heritage Research survey conducted for English Heritage by MORI (October 2003)
² Opinion Research Business (ORB), Annual Religious Survey of Affiliation and Practice including Perceptions of the Role of Local Churches/Chapels, on behalf of the Church of England and English Heritage, October 2003
³ ECOTEC 2004
⁴ Trevor Cooper, *How do we keep our Parish Churches?* Ecclesiological Society 2004
⁵ Susan Rowe, *A Review of the Rural Churches in Community Service Programme*, February 2004

- 38% had been for a social or community event (this was not asked in 2003 and 2001).

The increases in these figures since the previous surveys of 2003 and 2001 indicate how much the church buildings have been increasing their presence and impact in recent years.

Percentage of people visiting a church/place of worship in the last year and their reasons for doing so¹



The same survey in 2005 revealed that:

- 58% agreed with the statement 'places of worship make our neighbourhood a better place to live' while 11% disagreed.
- 72% agreed with the statement 'a place of worship is an important part of the local community' while 11% disagreed.
- 72% agreed with the statement 'places of worship provide valuable social and community facilities' while 11% disagreed.
- Among respondents who claimed no religious allegiance, 38%, 46% and 56%, respectively, agreed with the statements.

3.4 Helping to deliver the Government's social reform agenda

The Church of England is unique in that it has a physical presence covering every community in the country. Increasingly its buildings are being used to deliver a social service to the whole community.

- The Church is playing a crucial role in the Government's Prevention and Early Intervention agenda in its provision of playgroups and crèches for mothers and pre nursery school children. It offers peer support for isolated young mothers and contribute to safeguarding children. Social Services Departments may be able to offer grants for some costs, but the provision of free space by churches, especially in inner city areas, is a vital link in the provider chain.

e.g. St John the Evangelist's, Angell Town, London is in one of the poorest neighbourhoods in Southwark and surrounded by council and housing association estates. Having worked to repair their Grade II building, the church identified a community need for a pre-school nursery which was opened in 2005 providing 49 affordable places for 0-5 year olds. This project is a three-way partnership between the Parochial Church Council, Christian Victory Group (a West African Christian Group) and St John's Church of England Primary School.

¹ Opinion Research Business (ORB), *Annual Religious Survey of Affiliation and Practice including Perceptions of the Role of Local Churches/Chapels*, on behalf of the Church of England and English Heritage, December 2001 and November 2005

- Church buildings, as safe and neutral spaces, are also frequently used as contact centres for parents who only have supervised access to their children.

e.g. St James and St Bede Family Centre in Gateshead shares the church premises, and offers many family-focused facilities including a pre-school nursery, training courses for parents, family fun days, parental support, and family play sessions. It is the only provider within its designated area and is increasingly focusing on children at risk of discrimination on grounds of race, poverty, disability, or other family circumstances.

- Church buildings are providing support in old age through social activities which are helping to counter loneliness and deprivation in an ageing population and encourage the active ageing approach. As the recent White Paper on Community Services (CM 6737) 'Our health, our care, our say' pointed out 'Well-being is about more than your inside. If you are depressed you don't look after your body. People don't go out when they feel this way'.

e.g. St Leonard's Church, Bilston, West Midlands In 1995 in a town hit badly by the closure of nearby heavy industry, the congregation researched the needs of the local community and found that the needs of vulnerable local older people were not being met. **Senior Citizens Link Line** is a support service that now phones 1500 elderly people every week. It employs seven staff and 40+ volunteers funded by Lottery Funding of £100,000 pa. It is now extending its service to the Wolverhampton and Bradford areas and the Primary Care Trust now wishes to make use of it. It is a project that makes use of the resources provided by the church: people and building.

- Most of these services for mothers and young children and for the elderly are provided by volunteers. Churches have access to a network of volunteers which it is difficult, if not impossible, for the statutory sector to access. But they need suitable and adequate buildings within which to operate.

e.g. Diocese of Southwell and Nottingham¹ In this area, 21 parishes (8%) are in the top 10% of the most deprived in England. Support is offered to toddlers and their carers with 2,550 people attending groups each month in 85 different churches (not church halls). More than 1,343 elderly people attend clubs at 79 different churches each month. At least 2,366 children and young people attend holiday clubs at churches each year. 103 churches offer support to the housebound across the county, with 26 churches offering help to the homeless.

- The Government agenda to close the health inequality gap, and the poverty gap, can only be delivered by local partnerships. Julie Jones, the President of the Association of Directors of Social Services, points out these partnerships 'are often desperately looking for spaces to use as a hub. Church buildings, especially in the most deprived areas, often present the best opportunity'.

e.g. SS Peter and Paul, Fakenham, Norfolk is a Grade I listed church right in the centre of this market town. In 2005, the church completed a project to provide lavatories, a kitchen, and an additional meeting area. This has opened up the church to the community and provided a suitable place for groups to meet. On market days, there is now a community space right in the centre of the market place providing coffee, lunches and (most importantly) a baby-changing area. With these facilities, the church has become central to the life of a town previously lacking an indoor public space.

- Churches in urban areas are also working actively with other faiths to encourage better understanding between different faith groups and to help bring about social cohesion in multi-cultural areas. Church buildings are the focus for these activities.

e.g. St Philip's in Leicester, which is the most multi-religious city in Britain outside London, now includes flexible space for community and multi-cultural activity as well as Christian

¹ Archdeacons' Visitation in the Diocese of Southwell and Nottingham: statistics collected in 2005:

worship. In June 2006, it was launched as the **St Philip's Centre for Study and Engagement in a Multi-faith Society** and is one of two national centres for training Christian ministers and those of other faiths who are working in multi-faith areas, and as well as preparing secular agencies for working in such areas.

The proposal outlined in this plan is for targeted government funding for listed churches which would be weighted in favour of churches demonstrating community use. We realise of course that, as *'Faithful Cities'*¹, a report of the independent Commission on Urban Life and Faith pointed out, social and community use is not restricted to listed church buildings and that report suggested ways of accessing public grants for these. But making listed buildings fit for extended use with high quality DDA compliance, and the provision of kitchen and lavatories, is, for obvious reasons, a great deal more expensive than converting ordinary buildings.

e.g. Priory Church at Binham, a small village in North Norfolk, which is a Grade I listed building, will need to find £250,000 for a project to enhance access and provide toilets plus a further £250,000 for the costs associated with carrying out this work on a historic site of special nature and sensitivity.

Our argument is that a relatively small investment by Government in grants for architecturally sympathetic conversions, and for keeping buildings which currently provide a resource for the community in a good state of repair, would unlock a major resource for the nation as a whole.

3.5 Civil society and the 'ministry of presence'

As the previous section indicates, the church is very often a presence remaining (physically, spiritually and symbolically) in deprived communities where other institutions are no longer present. The vicar may be the last professional person living in a deprived community and, in rural areas, the church frequently remains in use when school, post office, village shop, pub and public transport links have ceased. Indeed the church is able to help counteract this trend: some rural churches have taken on the role of hosting farmers' markets or village shops, and there may be scope to extend this role in the future.

- The church at Sheepy Magna, Leicestershire, opened a post office within the building: additional services are now being offered by the local authority, and it has become a thriving hub of social activity, appreciated by the local authority as well as the community.
- St Mark's Church, Bedford is now the base for the local police constable and police community support officers. Many rural churches are also actively exploring these and other options.
- Cathedrals and major churches within towns often host services and events at times of national or local celebration, mourning, or commemoration. The role of Remembrance Sunday has revived in recent years. 27% of those questioned in the 2005 ORB Survey had attended a service of remembrance (compared to 19% in 2003 and 21% in 2001).
- In recent years national or international tragedies have drawn people to the churches; for example the tragedy at Soham, and the events of 9/11. On 7th July 2005, the churches near to where the bombs went off were immediately opened to refresh the emergency services and care for the bereaved. In the days that followed, they attracted a huge wave of visitors needing a place to reflect on those events.
- Churches increasingly provide quiet oases for busy lives in modern day Britain. The ORB survey of 2005 showed that 21% (in both rural and urban areas) went into a church seeking a quiet space. This has steadily grown from 2003 (19%) and 2001 (12%). (See graph on page 6)

¹ *Faithful Cities, a call for celebration, vision and justice*: Church House Publishing, 2006

A Presence in Communities

Surveys have been carried out in eight of the nine English Regions surveys, many supported by the Regional Development Agency, to map the size and range of the contribution of faith groups to their communities¹.

A 2005 study of the economic impact of faith communities in the **North West** estimated that they contributed over £90m a year. This includes the estimated economic value of 45,667 faith volunteers contributing c.8.1m hours of social and health care and working in regeneration initiatives (equivalent to 4,815 FTE jobs) at a wage rate of £7.50 per hour; premises made available by faith groups for use of local community groups; and day visitor expenditure generated by faith tourism which also supported 215 FTE jobs.

In 2005, 13,439 volunteers from faith communities in the **North East** contributed hours worth over £1m a week (if paid at £12.50 an hour), to their local community.

In **Yorkshire and the Humber** in 2002, the economic value of church social action to the region was estimated to be between £55 and £75m a year.

In 2004, nearly 250 faith groups across 14 faiths operating in **Leicester** supported just under 450 different social projects.

In 2005, within a very rural area of **East Northamptonshire**, 370 church volunteers were actively volunteering in their local communities to the value of £600k per year if they were to be paid the minimum wage.

In 2006, in **Derbyshire**, responding churches contribute more than £1.4m pa in church run and individual community activities.

A 2005 survey in the **East of England** estimated that c.180,000 people are actively benefiting from the presence of faith groups every week.

A 2004 survey in the **South West** revealed that 50% of those faith groups contacted were involved in community social welfare activities.

A 2004 survey in the **South East** found that on average at least two projects of social action were carried out from the premises of each faith building in the region.

A study carried out in 2004 in **Brighton and Hove** found that of the 55 community buildings identified by the survey as essential to the provision of services and facilities, 47 were provided by the churches.

A 2002 survey in **London** found that there were 2,200 church buildings available for community use, and that they were in many neighbourhoods, the only community building available.

¹ Sources: DTZ Pleda Consulting, *Faith in England's Northwest: Economic Impact Assessment*, Feb 2005 produced on behalf of the Northwest Regional Development Agency and the Churches' Officer for the Northwest. *Faith in the North East: Social action by faith communities in the region*, Sep 2004 on behalf of the Churches' Regional Commission NE and supported by the Government Office NE/Home Office, the Church Urban Fund and in partnership with One NorthEast and the North East Regional Assembly. Churches Regional Commission for Yorkshire and the Humber, *Angels and Advocates: Church Social Action in Yorkshire and Humberside*, Nov 2002. *Embracing the present, planning the future: Social action by the faith communities of Leicester*, Jul 2004. Report written by Riaz Ravat, Regeneration Development Officer for Leicester's faith communities on behalf of the Diocese of Leicester, Leicester Council of Faiths and Voluntary Action Leicester through the Neighbourhood Renewal Unit. Supported by the Government Office for the East Midlands. *Faith Group Community Audit: audit on contribution to community in East Northamptonshire* Dec 2005, commissioned by the East Northamptonshire Faith Group, sponsored by the Welland Catalyst Fund and the East Northamptonshire Council; supported by EMDA and the East Northamptonshire Local Strategic Partnership (Enable). *Faith in Derbyshire: Working towards a better Derbyshire; faith based contribution*, May 2006. Funded by ChangeUp and commissioned, administered and partly funded by the Diocese of Derby's Council for Social Responsibility. *Faith in the East of England: a research study on the vital role played by faith communities in the social, economic and spiritual life of a region*, Jul 2005 undertaken by the East of England Faiths Council (EEFC) and Cambridge University on behalf of the East of England Development Agency (EEDA). *Daily Service: How faith communities contribute to neighbourhood renewal and regeneration in the South West of England*, Sep 2004 commissioned by the Government Office for the South West, from a team at the University of the West of England in Jul 2003, in partnership with the South West Council of Faiths and the South West Churches Regional Forum. "Beyond Belief?" research report from the South East England Faith Forum, Mar 2004, jointly funded by SEEDA and churches in the South East. Additional support from RAISE. and the Regional Assembly SEERA. Tim Lawrence, Engage, *Being Here: How the Church is Engaging with the Communities of Brighton and Hove*, Apr 2004.

4. For the want of a nail

The sheer significance, complexity, age and sensitivity of this huge stock of historic buildings impose significant and continuing burdens. Half the Church of England’s buildings are more than 500 years old. Like any building, historic churches will only continue to fulfil their function if they are repaired and maintained, to appropriate standards and with materials and techniques which will last.

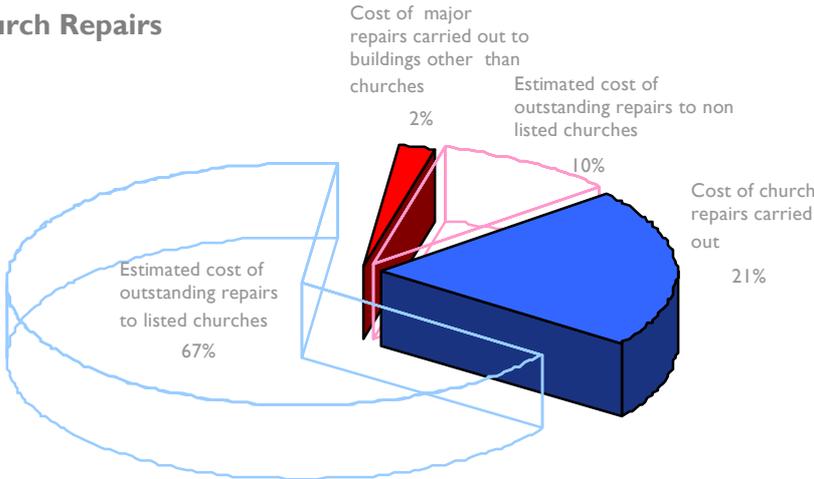
We strongly endorse the English Heritage proposals in the ‘*Inspired!*’ document for a new maintenance grant scheme, and support the initiatives in three dioceses to set up a more co-ordinated system of organised maintenance.

The simplest steps can help. Cleaning the gutters regularly may not be the most exciting of tasks but it avoids blockages, and plant growth and thus enables gutters and downpipes to do their job – taking the water away from the building. Mending a slipped slate promptly avoids the rain coming in. Climate change and increases in heavy rainfall make this a particularly pressing issue for the future.

So good maintenance, underpinned by the Church’s well-respected system of Quinquennial Inspections by architects or surveyors¹, is a crucial plank in safeguarding our buildings. But even the most comprehensive programme cannot entirely stave off decay. Materials will eventually reach the end of their natural life. The thousands of churches built, extended or restored in the Victorian era have now reached the point where the roofs are past their life – often because the nails have failed. Many of these projects have been tackled: those which have not are frequently urgent because the churches are facing costs of hundreds of thousands of pounds. Stonework will gradually erode, split or otherwise decay. Pointing will need replacement on a regular cycle. Wood will rot, or be subject to beetle attack. Fragile wall paintings and monuments will show the effects of damp, condensation or excessive heat. Putting off any of these works, once the need for them becomes apparent, is only to store up a bigger bill for our successors.

Our argument is that failure to carry out these essential tasks, when parishes are under financial pressure, only leads to more expensive problems later. The pie chart below shows the huge proportion of church repairs outstanding in 2003 when parishes were asked to estimate the extent of the problem. (See also under 5.1)

Major Church Repairs 2003²



¹ 5 yearly condition reports undertaken for each church detailing repair and maintenance needs
² 2003 Parochial Returns, Church of England

5. The current financial position

5.1 The cost of repairs

'Church of England Finances 2000-04' ('CofE Finances') recorded the overall cost of church building repairs undertaken over the past five years as follows¹:

	2000 £m	2001 £m	2002 £m	2003 £m	2004 £m
Major parish church repairs ²	87.9	86.4	93.4	100.7	105.6
Major cathedral repairs	18.2	12.6	15.3	18.4	18.8
Cost of repairs	106.1	99.0	108.7	119.1	124.4

The above table reflects the actual cost of works undertaken. What it does not include is the cost of works that should have been undertaken but were not.

The only overall estimate available for work required, rather than that actually undertaken, is based on the parish returns for 2003, which asked what level of church repairs was outstanding based on the latest five year inspection reports. The value churches estimated for outstanding repairs at this time was £378.7m, which represents an indicative minimum snapshot,³ but none the less illustrates the scale of current under-funding.

Assuming the rolling programme of five-year inspections is spread evenly this would imply an estimated annual requirement of £151.5m for 2004 to mid-2006. This compares with an actual spend in 2004 of £105.6m, an implied under-spend of 30.3%. Applying this same percentage of under-spend to cathedrals would imply a total repairs requirement for churches and cathedrals in 2004 of £178.5m (excluding the Listed Places of Worship Grants Scheme (LPWGS)).

Repairs to Church Buildings and Cathedrals 2004: spend vs. requirement



¹ This information was collated in 'Church of England Finances 2000-04' based on parish statistical returns and the financial statements of the cathedrals, Diocesan Boards of Finance and National Church Institutions. For further detail of the Church of England's finances please see Appendix I, and the full report.

² Costs exclude what is termed in the parish returns "Church maintenance: including minor repairs, routine maintenance, organ and piano tuning" which is incorporated for the purposes of the returns within an overall categorisation "Church running costs". They are therefore only reflective of major works. They exclude extensions and major new developments. Costs are stated nett of Listed Places of Worship Grant Scheme (LPWGS), i.e. 'VAT refund' income.

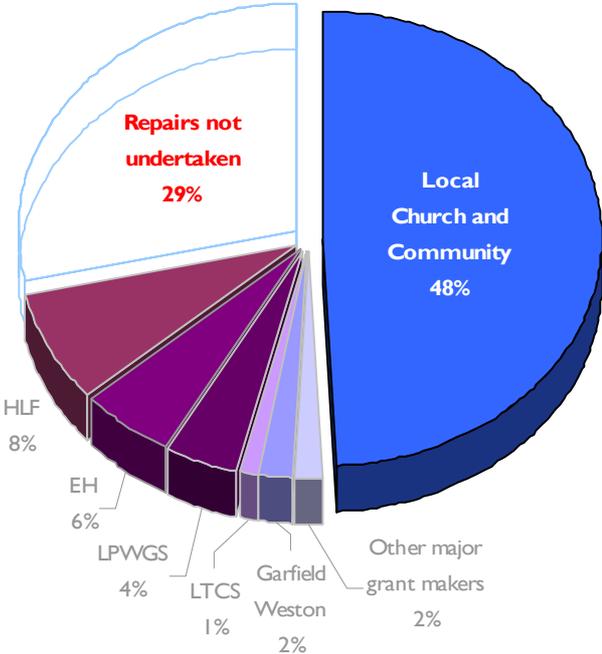
³ Only around 60% of parishes responded, and not all who responded were able to put a figure on their repair needs. Some figures taken from the quinquennial inspection will already have been a couple of years out of date when the questionnaire was answered and there may be some confusion over the treatment of VAT for estimate purposes. The quoted figure therefore represents a minimum and a snapshot, rather than a definitive value.

Further research undertaken by English Heritage and the Church of England in 2005 as part of the Fabric Needs Survey looked in more detail at outstanding repairs in five deaneries, covering 128 churches (less than 1% of the Church of England total building stock). This estimated that if the costs of overall necessary repairs to England’s listed places of worship were professionally assessed comprehensively, the estimated cost would be £925m over the next five years, or £185m each year¹. This is based on a different methodology to our internal estimate but the two are sufficiently close to indicate the scale of the serious shortfall.

5.2 Sources of funding

Sources of funding are various and the parish returns do not contain sufficient detail for a comprehensive analysis. The best information currently available gives the following breakdown for 2004, including the above £54.1m estimate of repairs not undertaken².

Sources of funding 2004¹



This pie chart illustrates that the total contribution from public funds makes up less than one-fifth of required spend. Even with contributions from other grant givers, the money available from major grant sources is only 23% - less than one quarter.

Local churchgoers, with the support of their communities contributed almost 70% of the funds actually spent. This huge local achievement covered just under half of the required spend. This shortfall can have obvious long-term consequences, as outlined in section 4 and the recent English Heritage ‘Inspired!’ booklet.

The proportion of funding actually being obtained through the Listed Places of Worship Grants Scheme

(LPWGS) is below what one might expect. LPWGS is intended to enable parishes to reclaim VAT on repairs to listed churches. If all repairs had qualified for and received LPWGS funding in 2004, this source would have raised £16.5m, or 8.9% of the requirement (vs. the actual £7.9m/4.2%). The changes in the 2005 budget which enable a full rate of reclaim and the increasing take up of the scheme have seen a step increase in LPWGS funding in 2005/06 when £12.5m was claimed, a very welcome development. We also welcome the extensions to the scheme introduced this year, which will increase the support this scheme offers in future particularly with the inclusion of VAT on professional fees.

¹ These figures do not include estimations of VAT or fees.
² Acronyms used: EH = English Heritage, HLF = Heritage Lottery Fund, LPWGS = Listed Places of Worship Grants Scheme, LTCS: Landfill Tax Credit Scheme. Garfield Weston is an independent trust that provides around £3-4m a year to the Church in grant funding, mainly in small grants for building repairs. Where accounting year-ends do not match the calendar year grants have been apportioned on a straight-line basis. “Other Major Grant Makers” has been indexed from 2002 using RPI.

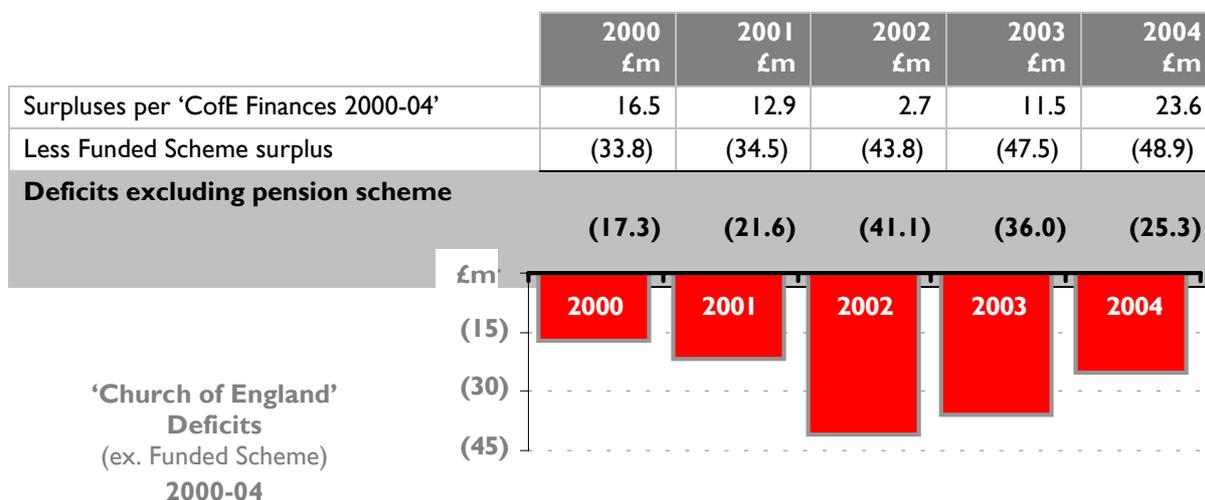
5.3 Financial constraints within the Church of England

Financial Performance 2000-04

The recent 'CofE Finances' reported small surpluses of income over expenditure for the five years 2000-04, varying between 0.3% and 2.2% of income. These surpluses are uncomfortably close to break-even overall. In addition, they do not represent funds under a single control. To the extent that they occurred in parishes the 2004 surpluses represent an average parish surplus of just £2,500 and there are wide variations across the country in parish finances. In terms of sustaining reserves to cover a few weeks' cash flow, in accordance with general Charity Commission's good practice, this is operating close to the margin.

More significantly the surpluses include 'restricted' funds, which are legally obliged to be spent on specific purposes. Whilst there is no detailed work distinguishing the restricted and general use funds in all the organisations included in the CofE Finances aggregation there is one element within the total that is wholly restricted to a specific use –the Funded Scheme for Clergy.

Removing this scheme from the surpluses reported in the 'CofE Finances' report paints a bleaker picture:



Over the last 15 years there has been a massive shift of funding between the national level of the Church and the parishes. Over that period parishes have taken on additional financial obligations that now exceed £100m p.a. This arises because of two factors:

- a significant reduction in the amount of financial support available from the historic assets managed at national level by the Church Commissioners
- the need to introduce, with effect from 1998, a funded scheme to meet future clergy pension benefits.

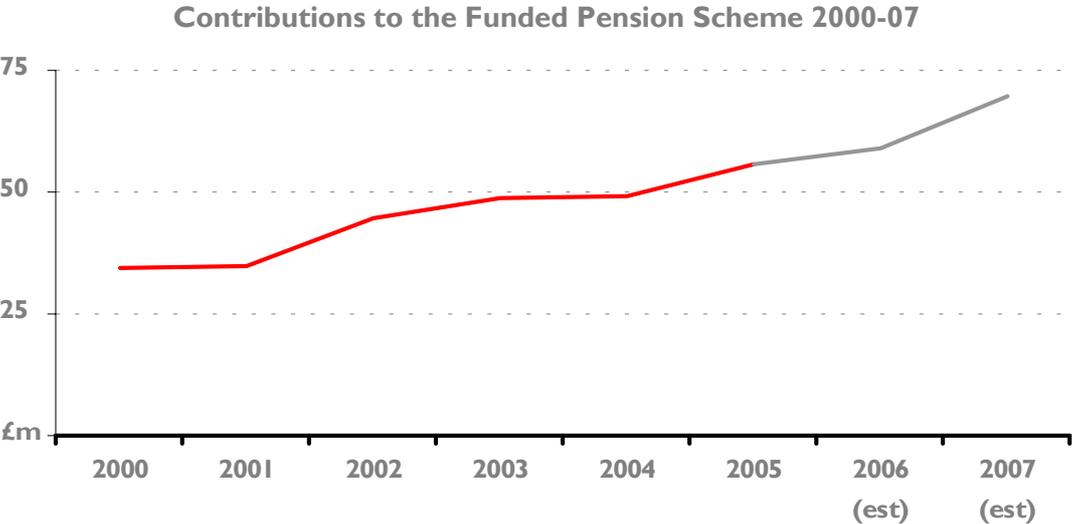
Parishes have responded magnificently to the challenge which this has presented; total giving by Church members rose by an average of 5.3% p.a. over the five-year period 2000-04 compared to an increase in average earnings of 3.8% p.a. over the same period. It is unrealistic to assume that this kind of pattern can be sustained year on year.

Looking forward - the pensions issue

The financial burden of funding clergy pensions continues to grow significantly. All pensionable service earned up to the end of 1997 remains the responsibility of the Church Commissioners and this will continue to represent their largest single item of expenditure for many years to come (£100.3m in 2005).

In parallel with this the funded scheme is responsible for pensions earned in service from 1 January 1998. However, like all defined benefit schemes, it has suffered from the effects of lower investment returns and increases in life expectancy. More recently the new scheme funding requirements introduced by the Pensions Act 2004 will mean that the scheme trustees (the Church of England Pensions Board) will need to make even more prudent assumptions in setting future contribution rates.

As the chart below shows, the annual cost of contributions to the funded scheme, largely met by parishes through their dioceses, has risen from £34.4m in 2000 to £55.9m in 2005. Over that period total payments into the fund were £333.6m. Current estimates¹ indicate that by 2007 the level of contributions will increase to £69.6m, just over twice the contributions made in 2000.



Discussions are currently taking place within the Church about the future of the scheme but the obligation to fund pensions already earned will continue to have a significant impact on parishes' finances and their ability to raise money for other purposes.

Our argument is that, without extra financial support, there is a real danger that these constraints will mean that parishes will have to cut back on routine repairs and maintenance projects. This will lead to earlier deterioration of the buildings and much greater bills in the future.

¹ Estimates based on figures supplied by the Church of England Pensions Board

6. Addressing the problem: a proposal

We should be clear that we are not asking for public money for the Church of England's mission, but for its buildings which, as Section 3 illustrates, are a national asset with the potential for wide community use.

The preceding section has sought to outline the financial issues surrounding the funding of church repairs: **in essence a funding shortfall in 2004 of around £54m with no prospect of the Church, as default funders, being able to plug the gap.** This shortfall presents a serious risk to the preservation of the important national assets outlined in section 3 of this report and elsewhere in documents such as English Heritage's *'Inspired!'* and the Church of England's *'Building Faith in our Future'*.

The purpose of this section is to propose in outline how the Government can help to allay this risk through limited, targeted funding directed straight to the heart of the local churches and communities which bear the responsibility for each of these buildings.

6.1 Recent developments

We have described above, and here note again, two notable, recent developments that have sought to help with funding church buildings. In financial terms these are:

- The English Heritage *'Inspired!'* campaign is asking for government funding for a number of initiatives, including £6m in grant aid for each of three years through English Heritage. If accepted, this would have an impact on the shortfall noted above of around £5.4m, based on around 90% of listed places of worship belonging to the Church of England.
- The latest figures for LPWGS (2005/06) illustrate funding levels closer to £12.5m than the £7.9m received in 2004, due primarily to the increase in the amount reclaimable from 12.5% to 17.5%. The effect of extensions to the scheme from 2006 is more difficult to assess but using an estimated professional fees rate of around 12.5% this should have an impact of around £1.6m. Overall therefore we are expecting around £14.1m from the LPWGS, £6.2m more than in 2004.

These two major and very welcome developments would, if the English Heritage scheme is agreed, only make an impact of just under £12m on the gap of £54m – useful, but it will leave over three quarters still to bridge. Total government funding of the repair needs of these assets would rise from 18% to around 24%.

Our argument is that, given the importance of churches to local communities and economies and the inability of the Church to contribute more, this level of funding is still too low.

6.2 System for delivering additional funding

Grant making versus (re)claim systems

The current grant scheme administered through English Heritage/Heritage Lottery Fund has brought benefits to many churches and enabled high percentages of grant for those with the greatest financial need. This targeting remains vital and we would like to see it retained and extended to more than the 2% of churches covered by the present scheme. To complement that, and to enable the heritage funds to go further, we propose that to support the wide range of spiritual and community activities

carried out by churches today, there are significant advantages of a claim or (reclaim) system similar to the LPWGS.

- **Simplicity:** The LPWGS is a scheme that is operable by the volunteer staff of most churches. This stands in contrast with the administrative requirements of many grant makers that are onerous on volunteers and often lead to the need for professional assistance.
- **Cost:** Extending the LPWGS would require minimal additional administrative costs. Most LPWGS claims are made by volunteers and therefore place no cost burden on the grant. English Heritage in its accounts for 2005 report a 'Regional Conservation and Administration of Grants' cost of £10.9m, 31% of its £35.0m grant spend. It also incurred a resources cost percentage of just over 8%. This is not a criticism of English Heritage, but a simple illustration of the contrast to the extremely cheap system available through an extension of LPWGS.
- **Accountability:** The Church already has, through the five-yearly inspection and faculty systems, high quality control mechanisms on works to Church buildings which the Government has accepted as a comprehensive system, parallel to and independent from the secular listed building control system, providing the necessary safeguards for historic buildings and assurance of standards. The LPWGS offers a direct route from the source funder to the parochial church councils responsible for the works and buildings. This direct, transparent funding route ensures that accountability is clearly defined. The Church would be happy to discuss any further mechanisms that the Government may require to ensure it is entirely satisfied with the accounting for its contributions.

Our proposal

We propose that the agreed additional government funding is provided through an extension of the LPWGS claim system – a claim by Parochial Church Councils direct to the Treasury on the basis of invoices paid for works done. This would be additional to the VAT reclaim made as part of the existing system, as outlined below. The proposed additional funding would be made available from the Treasury but, in order to minimise administrative costs, would be administered by DCMS, who currently process the LPWGS.

At a local level, the Diocesan Boards of Finance (DBFs) might be able to assist in easing cash flow pressures for parishes that have to meet the builders' bills, while the claim for funding is processed. DBFs have provided this function in the past and initial discussions with some DBFs suggest there will be broad support for this measure.

The Church would be willing to discuss how any other government criteria might be met prior to applications being submitted to the Treasury in order to minimise the administrative burden on government (as well as parishes). Any system would of course be open for audit, possibly through a simple incorporation into the system of procedure checks undertaken as part of the existing statutory audits of Diocesan Boards of Finance and parishes or in conjunction with the Faculty System.

6.3 Targeted funding

Objects of additional funding

In this document and elsewhere we have outlined what we believe are the core reasons why the Government should consider additional funding for church buildings. In summary these reasons are:

- The importance to the national **heritage** of churches – which include 45% of all grade I listed buildings – and the related **economic benefits** of tourism.
- The vital role that these buildings play in developing and sustaining society, both through specific **community activities** and often by simply being the **only public building** in many communities.
- The potential role of church buildings in helping to deliver the Government’s **social reform** agenda.
- As emphasised in recent reports on rural community development, the importance of developing community assets, and the value of moving from a needs based to an assets based assessment of criteria for grant funding.

We recognise that it is important that any additional government funding should be targeted at these reasons to ensure maximum value is obtained for the nation.

Our proposal

We therefore propose that listed churches are able to claim varying amounts on the cost of repairs through the new reclaim system according to the following criteria:

	Percentage
Grade II or II* churches	20
Grade I churches, an additional	10
Churches demonstrating community use, or proposed conversion to community use	20
Churches that are the sole public building in an area, an additional	10
Maximum reclaim percentage per church	50%

This weighting would not only ensure that the funding is targeted towards churches that are active in their local communities but would also provide a strong impetus for Parochial Church Councils to ensure these assets are genuinely and actively used by the whole local community, helping develop civil society. This is especially significant in many disadvantaged areas where the church is the last institution with an identifiable presence in the community and is providing a safe public space in the most deprived areas of the country.

The scheme would operate in parallel to the existing English Heritage/Heritage Lottery Fund grant schemes, which could continue to provide additional help for those churches which need more than the amounts available under this scheme to carry out works to listed buildings.

Listed buildings are a matter of public record. Identifying sole public building status would take some work in defining what area is involved and may require initial support and verification by local authorities in accurately assessing this criterion. In identifying community use we would suggest that churches satisfy the basic requirement of having public amenities, notably kitchen and lavatories, are able to provide evidence of community use within the last twelve months, and have provided a statement of community involvement setting a programme of activity and key performance indicators.

If this scheme were to be implemented a statement of community involvement could be prepared to accompany the Quinquennial Reports.

In preparing to meet these criteria, the ‘Churches Community Value Toolkit’ launched in May 2006, available from the Church Urban Fund and developed in conjunction with the Commission on Urban

Life and Faith, the Research and Statistics Department of the Archbishops’ Council, and the Churches Regional Commission for Yorkshire and the Humber, will provide a useful tool which will enable churches to measure their contribution to their community and estimate its financial value.

6.4 Cost estimates

We recognise that our proposal is a radical suggestion in value and approach, extending an already unique scheme in the LPWGS to a higher level of engagement. We also acknowledge that the funding constraints and priorities of the Government will need to ensure a controlled engagement with the issue of funding church buildings. Bearing this in mind we are not asking for an open-ended commitment from the Government but, because it comes at a time of ever increasing pressure on the spending round, it is all the more important for us to put the case urgently. We want our proposal to be considered as a five-year partnership project between Church and Government. The way forward could then be assessed further.

A five-year partnership is considered appropriate for the following reasons:

- It is a timescale that fits in with the Government’s public spending horizons.
- It is a timescale that should significantly reduce the backlog in the repair of churches prior to a permanent settlement.
- It is a timescale that would enable both Church and Government to establish the benefits and applicability of this scheme.

Our proposal

The following table represents our estimate of the potential cost of a five-year funding partnership based on the proposals outlined above and full take up of the scheme:¹

	Repairs Requirement £m	EH/HLF £m	Inspired Proposal £m	Other Grant Makers £m	Local Church & Com. £m	LPWGS £m	Our Proposal £m	Total Direct Govt. Support £m
2008	210.2	26.5	6.0	7.6	110.5	15.4	49.5	64.9
2009	216.5	27.3	6.0	7.9	115.8	15.8	51.5	67.3
2010	223.0	28.1	6.0	8.1	121.3	16.3	53.7	70.0
2011	229.7	29.0	-	8.3	127.0	16.8	54.0	70.8
2012	236.6	29.8	-	8.6	133.1	17.3	56.3	73.6
	1,115.9	140.7	18.0	40.5	607.7	81.6	265.0	346.6

This proposal if adopted and fully taken up would provide up to 24% of the estimated repairs requirement for the five years from 2008 and for this time would close the urgent gap in funding the repair of Church buildings.

¹ This estimation contains several assumptions and estimates as outlined in Appendix 2. The most significant estimate is the level of take up, which, as stated above, is included at 100%. This is unlikely to be the case in reality for a variety of reasons from inertia to *de-minimis* limits. However the above estimates are indicative of the amount potentially available and illustrate that full take up would close the funding gap for the project period. Actual take up of LPWGS is currently estimated at around 55%, which may be a more appropriate rate for government budgeting.

7. Conclusion

We believe the proposals outlined in this document will enable the Church of England to engage in a constructive dialogue with the Government which will lead to a more realistic direct partnership between the Church and the public sector for the care and maintenance of church buildings in the interests of the nation as a whole.

There are a range of factors which we have not touched on in this document, for example the contribution churches make to education, and the potential to forge new financial partnerships with regional and local government. We may want to return to these points as discussions go forward.

For the moment our case is that a relatively small investment in public spending terms by the Government:

- ✓ Will secure the future of the historic legacy of listed church buildings for future generations.
- ✓ Will safeguard the future of buildings which serve not just their regular congregations but their communities and the whole country.
- ✓ Will target funding particularly on those buildings being used, or wishing to be used in future, as assets for community use.
- ✓ Will, through the match-funding scheme proposed, lever considerable amounts of money from other independent sources.
- ✓ Will (as the figures in 3.1 indicate) meet with approval from a wide section of the population, not just regular churchgoers.
- ✓ Will be an investment that represents real value for money in delivering the best use of a massive resource of buildings, and the volunteer input that comes with them, in deprived rural and inner city areas alike.

Our proposal is limited to a carefully costed five-year plan. It is not a request for a blank cheque.

We commend this proposal to the Government and to all our stakeholders. We offer it as a basis for discussion and negotiation which, as the Archbishops say in their foreword, 'will lead to a new partnership and positive action'.

Appendix I: Accountants report

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Rt Revd and Rt Hon Richard Chartres
Bishop of London
Chair of the Church Heritage Forum

30 June 2006

Dear Bishop Richard

Thank you for providing us with a copy of your paper *Funding of Church Buildings: Next Steps*. As auditors to the Church Commissioners for England, the Archbishops' Council and St Paul's Cathedral we have the opportunity to see in a professional capacity the issues you refer to in your report. In particular we have first hand experience of the significant financial challenges facing the national Church in terms of pension liabilities, and the liabilities for the maintenance, restoration and renewal of so much of our nation's heritage, the responsibility for which resides with the bodies comprising the Church of England.

In this context, we consider that the case for the provision of additional financial resources is clearly set out in the paper and is consistent with our experience of the Church's financial position and commitments.

We very much hope that your paper finds favour with the Government, particularly in the context of the very significant contribution that Church of England churches and cathedrals make to the economy and to our communities.

Yours sincerely



Carl D. Hughes
Partner

Audit • Tax • Consulting • Corporate Finance •

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Appendix 2: Assumptions and estimates in the proposal

General assumptions

Where appropriate specific assumptions and estimates are recorded within the text of the report. The following general assumptions and estimates have also been used without specific reference:

Source data for Church of England finances

The historic financial information on the Church of England 2000-04 is based on the “Overview of Church of England Finances” published by the Archbishops’ Council in May 2006. The principal assumptions within this report are given in section 2 of that report and are as follows:

- The “Church of England” for the purposes of this report includes Diocesan Boards of Finance (“dioceses”), cathedrals, PCCs (“parishes”), the Archbishops’ Council, the Church Commissioners, the clergy Funded Pensions Scheme and the Church of England Pensions Board’s retirement housing charities. Notable exclusions are the funding of school grants by local education authorities and the lay staff pension funds managed by the Pensions Board.
- The inclusion of the Funded Pension Scheme has the impact of excluding pension contributions from dioceses from the combined figures, a category that under UK GAAP would ordinarily be a disclosed cost. We consider however that the inclusion both of pensions paid by the Church Commissioners as an unfunded scheme *and* of the pension contributions by dioceses to the Funded Scheme overstate the amount of Church resources used on pensions
- Profits from the sale of charitable assets have been excluded for dioceses. This presentation is not UK GAAP (SORP) compliant but we consider that the variety of treatment and valuations of assets by dioceses makes the profit figure on aggregation an inconsistent and potentially misleading item. This should not detract from the reality that many dioceses were reliant on asset sales to balance their books during the review period.

More detailed assumptions and estimates are given in appendix two of that report.

Indexation

In projecting certain categories Retail Price Index (RPI) and Average Earnings Index (AEI) have been used. The rates for 2003-05 are based on the rates published by the Office of National Statistics and are as follows:

	2003	2004	2005
AEI	3.8%	4.3%	3.8%
RPI	2.8%	3.5%	3.2%

The indexation rates for prices and earnings from 2006 onwards have been based on the long-term actuarial assumptions used in the Church Workers Pension Fund (not the clergy fund which is subject to more specific inflationary pressures). These are as follows:

Price inflation: 3.00%
 Earnings inflation: 4.75%

Assumptions within “Our Proposal”

Estimations in sources of funding

The following table summarises the technique used to estimate future sources of funding (price and earnings inflation are per CWPF estimates as noted above):

Funding Source	Estimation to 2008 level	Estimation from 2008
Local church and community	Contributions for 2004 taken as actual spent amount less other named sources, then indexed at AEI to 2005, thereafter at earnings inflation.	Earnings inflation
LPWGS	Reclaim level per 2005/06, (£12.5m) multiplied by 112.5% to reflect removal of exclusions in 2006 budget, then indexed at price inflation.	Price inflation
Other grants	Per 2004, indexed at RPI to the end of 2005, then indexed at CWPF price inflation.	Price inflation
EH/HLF	Grant giving level in 2004/05 (£25m for listed places of worship, estimated 90% Church of England, plus and additional £1m for cathedrals) indexed at price inflation.	Price inflation
'Inspired!'	Per 'Inspired!' booklet	Nil inflation

Estimation of repairs requirement

The repairs requirement used in 'Our Proposal' is estimated by taking the repairs requirement in 2004, gross of LPWGS contributions, indexed at RPI to the end of 2005, thereafter at price inflation.

Estimations in costing 'Our Proposal'

'Our proposal' requires the cost requirement to be apportioned between unlisted, Grade I listed and Grade II* and Grade II listed buildings. This has been estimated based on the parish statistics annual returns for 2003, which apportion 87% of outstanding costs to listed buildings and 13% to unlisted buildings. Listed buildings account for 76% of Church buildings (GII*/II:50%, GI:26%). Based on the 87% cost apportioned to all listed buildings a split between GI and GII*/GII categories has been estimated according to the number ratio (i.e. GI = 26/76x87). This gives the following estimated cost ratios for church buildings used in the proposal estimates:

Unlisted: 13% Grade II*/II listed: 57% Grade I listed: 30%

Community usage and sole public building usage is estimated from parish returns 2005 received by Gloucester Diocese as at 31 May 2006 (130, representing approximately 1% of parishes). These returns indicated 25% of churches having both kitchens and lavatories and, of that 25%, 20% being the only public building in the parish. These proportions, whilst based on a limited sample, appear reasonable and sensitivity analysis shows limited impact on the overall proposal cost estimates. Gloucester Diocese is relatively rural with one small city (Gloucester) and one large town (Cheltenham). It is neither an exceptional urban diocese (such as London) nor a very rural one (such as Carlisle) and therefore whilst a single diocese cannot be fully representative it should be within the 'normal' range of dioceses and therefore be reasonably reflective of the broader picture.

Appendix 3: Summary Church of England Accounts 2000-04

	2000	2001	2002	2003	2004
	£m	£m	£m	£m	£m
Incoming resources					
Voluntary income					
Regular giving	159.6	181.3	191.6	203.0	216.1
Other donations to parishes and cathedrals	208.5	206.2	217.4	219.8	230.9
Tax recovered	47.2	52.3	57.2	60.8	64.4
Grants (incl. donations to dioceses & NCIs)	83.9	75.5	77.4	94.0	93.3
Operating and trading income					
Fundraising	44.9	45.0	47.5	54.7	52.7
Trading/Operating Income	89.9	88.7	93.3	98.4	103.6
Fees	39.2	40.0	43.4	47.2	49.4
Investment income	234.7	226.7	223.0	227.2	238.5
Other incoming resources					
Disposal of charitable assets by parishes	12.6	18.9	16.1	16.2	17.2
Pension contributions received	3.5	3.3	4.5	4.3	4.4
Other income	12.1	13.1	12.8	11.7	12.2
Total incoming resources	936.1	950.9	984.0	1,037.2	1,082.9
Resources expended					
Cost of generating funds	82.9	80.5	91.6	100.7	105.6
Charitable expenditure					
Mission and ministry					
Clergy					
Stipends	170.8	174.4	180.1	179.8	182.0
Pension contributions	-	-	-	-	-
Housing	48.6	50.8	53.0	54.3	61.0
Working costs	53.4	53.7	55.6	57.1	58.5
Pensions paid	93.1	96.8	100.5	103.4	105.8
Support costs	52.6	55.3	59.9	64.3	69.4
Parish and cathedral operating costs	132.4	139.7	146.4	152.6	160.4
Ancillary costs					
Retired clergy housing	6.7	6.5	6.6	7.9	8.1
National training for ministry	8.3	8.7	8.8	8.8	8.9
Parish & cathedral administration	33.6	34.5	35.0	36.3	39.5
Church and other buildings					
Major church and cathedral repairs	107.3	100.5	110.3	120.2	125.5
Other major repairs	12.5	11.6	13.6	11.5	14.8
New building costs of parishes	44.3	46.3	40.9	48.9	37.2
Grants and donations to third parties	49.0	54.1	55.7	54.6	57.2
Management and administration (dioceses and NCIs)	24.1	24.7	23.4	25.4	25.4
Total resources expended	919.5	938.0	981.3	1,025.7	1,059.2
NET INCOMING/(OUTGOING) RESOURCES	16.5	12.9	2.7	11.5	23.6

