

## **How is the Church of England Funded?**

Historically, clerics lived off the income from benefactors, private means or parish land, and the more well-off clerics paid a tenth of their income to the Pope and then, after the Reformation, to the Crown. The significant variation in the wealth and living standards of 'livings', and therefore of clerics, was seen as something of a national scandal, and the first step towards greater equity in clerical income was taken by an Act of Parliament in 1703. Known as the Queen Anne's Bounty Act, it established an endowment that used the money collected by the Crown to augment the incomes of the poorest livings.

In the 1830s, the Ecclesiastical Commissioners took over the historic land endowments of bishops and cathedrals to create a fund to pay for bishops and cathedrals and help towards greater equity. In 1948, the functions and assets of Queen Anne's Bounty were merged with the Ecclesiastical Commissioners to form the Church Commissioners.

The investment from this endowment is now used to pay for all bishops and to contribute to other C of E costs, such as new ministry initiatives, all clergy pensions accrued before 1998, its 43 cathedrals, and national support structures (such as the Parish Buying and Parish Giving schemes).

In 2020, the Church Commissioners spent nearly £100m supporting dioceses and their 13,000 parish churches, nearly £38m on episcopal ministry, and £20m on cathedrals.

Diocesan common funds mostly emerged after World War II as the means for harmonising and paying stipends, although this process took until the 1970s. The Endowments and Glebe Measure of 1976 took all parish endowments into diocesan ownership across the Church of England, as a portfolio of restricted investment for dioceses to manage centrally as one portfolio to support stipendiary ministry.

The Church of England receives no income from the government other than VAT relief on repairs to its 13,000 listed buildings. This grant scheme is worth up to £42m a year to listed places of worship. In 2020, PCCs in the Diocese of Hereford contributed around £3.5 million through Parish Offers, while the cost of parish ministry and mission was £4.53 million. The shortfall of just over a million pounds had to be covered by other sources of diocesan income and left the Hereford Diocesan Board of Finance with an overall deficit of £0.41 million. A similar level of deficit is projected for 2021-2022.

Such deficits are not sustainable in the long term, as once assets are sold, they no longer generate income to help cover the gap between Parish Offers and the costs of parish ministry. The Hereford DBF invests every pound of Parish Offer in parish ministry. In effect, those groups of parishes whose Offer does not cover the costs of ministry are subsidised by other PCCs which pay more than their own ministry costs, as well as by DBF income derived from investments or asset sales. This principle of sharing the resources which God has given us, and the ongoing costs associated with providing and supporting ministry, are also why it's important for financial contributions from parishes to continue during a vacancy.