

I am grateful to the Bishop of Wakefield who volunteered to support this. I liked that phrase about being 'over-generous in their verbosity'. I know a lot of barristers like that. I am grateful to Michael Perham because his experience is immense. I think we hope, as I hope they do, that if the Liturgical Commission get down to this work they will feel able not simply to try to find another 10 or 15 alternatives in the most obvious cases but to do a thorough-going job. I was grateful for what Dr Roberts said and I hope that the instructions, if the Synod persuades the House of Bishops, will be clear about what we are looking for.

The final speaker in the debate was the Bishop of Salisbury and I am very grateful for what he said, not least in expressing the hope that we might not have to go through the full liturgical procedure to authorize further collects. The only thing I was upset about was that I was not quite sure how far he was with us and how far he was against us. I had hoped that it would be clearer, so that I could summarize his speech in this way: Wakefield wrong, Sarum rite!

The motion was put and carried.

(Adjournment)

THE CHAIR *Mrs Margaret Swinson (Liverpool)* took the Chair at 8.30 p.m.

Church Commissioners' Annual Report for 2000

The Chairman: We will begin with a presentation under SO 112 by the Viscountess Brentford, the Third Church Estates Commissioner, and Mr Howell Harris Hughes, Secretary to the Commissioners.

Mr Howell Harris Hughes: The task of the Church Commissioners is set out on the slide behind me, which speaks of the support given by the Commissioners to the Church of England's ministry nationwide, particularly in the areas of need and opportunity. My job tonight is to talk about the assets which support that task: the performance of the assets, the way that they are invested, and some of the issues relating to their liabilities.

In the year 2000 these assets, which comprise shares and bonds and real property, gave a total return of 3.1 per cent, 'total return' being the movement in the capital value, up or down, with the income generated by the assets themselves: dividends from shares, interest from bonds, and rent from farms, houses and commercial property. We measure that return against a very broad survey of comparable funds, the WM All-Funds universe. The average return from those funds last year was a minus figure, -1.3. In that year, therefore, the Commissioners did very well in relative terms, although in absolute terms it was a return a little higher than inflation.

The second slide makes the same measure of performance, not only for the one-year period but for five and ten years. You will see that over the five-year period the performance of the Commissioners' assets has also been excellent. Over the ten-year period we have not done as well as our comparator, because at the very beginning of that period the Commissioners held much more in property than they did in securities and property was an underperforming asset class.

It was at that time that the Assets Committee, under the chairmanship of Sir Michael Colman, took a very important decision to change the pattern of our investments, to reverse the proportions, and to put more into shares in Britain and overseas. The performance of the last seven years is an enormous tribute to the wisdom and the courage of the decision which they took then. Sir Michael at that point said, I think to Synod, that the aim was to provide the Church with a diversified and prospering asset base by the year 2000. I think we may see from those figures that they achieved their goal.

The third slide shows you how those assets are invested today. Fifty-five per cent of the assets at the end of last year were in UK shares; 16 per cent or so in the shares of foreign companies; 4½ per cent in cash and bonds, and the balance in property, 12 per cent in commercial property – offices, factory space – and about 5 or 6 per cent in both farmland and residential property in London.

At the end of 2000 the Commissioners did the normal three-yearly valuation of their assets and liabilities, carried out by Watson Wyatt, their consulting actuaries. The actuaries do two things. First, they tell the Commissioners what proportion of their assets must be earmarked to support the pensions earned by the clergy up to 1998 and, second, how much income the Commissioners may pay out from the rest of the fund to serve their other purposes on a sustainable basis.

The fourth slide shows that when they measured how much of our fund was needed to support the pension liability, they found it to be 46.4 per cent. Three years earlier, the figure had been 50.6 per cent. What that means is that the part of the fund free to support our other mission has grown materially. That welcome outcome is almost entirely due to the outperformance which you saw on those other slides. Had there been no outperformance by our various investment managers, the position would have been barely changed; it might even have got worse because, like everybody else, we have to contend with the fact that the pensioner lives much longer. However, the actuaries were able to tell us that we could distribute in 2002 almost £59 million – a genuine increase of almost £3 million, available to support those other activities, some statutory and others discretionary, which form part of our mission.

After that decision was taken, the Pensions Board did its actuarial valuation and there was an increase in the pension contribution rate for the serving clergy of today, and the Commissioners immediately voted £10 million from their capital, as transitional help to the dioceses as they assume this burden. That of course means that our capital is shrinking; therefore we have a smaller base to support the income distribution. The

figure that we first voted was therefore slightly reduced, by about £300,000 to about £58½ million. Lady Brentford will say something in a moment about the way in which that money is deployed.

That is all statistics, and I think they are very good statistics, but beneath them is the real day-to-day job of allocating assets between the different classes, and running them on a day-to-day basis. Last year, the Assets Committee was called on to tackle two rather different problems, both, as it happens, in the property area.

The farming industry has been under enormous pressure for some time. That, of course, has affected the returns which we have earned. The Commissioners have been very anxious, through their agents, to communicate to our tenants that we wish to stand by them and help them through this extraordinarily difficult period. We cannot subsidize them, but we have the strongest mutual interest in the long-term viability of their farms and our business. If that means, as it does in some cases, that we need to defer rents, we have done so.

The other problem of which the Synod has also heard much is to do with our residential estates, mainly in south London – the Octavia Hill estates. There the Assets Committee has become aware that the gap between the rents which we charge our tenants and those which are available in the open market is now unprecedentedly wide. Open market rents may be up to three times the rents which we charge. Knowing this poses a problem, in the sense that the Commissioners know that if they let properties as they became vacant, let them on the open market, within 15 years they would add £10 million, in today's money, to their rent roll. That is money which they would distribute to the areas of need and opportunity throughout the country, in accordance with their trusts' statutes and mission. Yet they recognize the sensitivity of any decision which would take them in that direction. They do not believe that they have any statutory duty, no general duty under their trusts, to provide social housing in south London. They believe that they do have a duty to make available as much as they can to support their other tasks. They have to consider what they should do. They consult widely, because they recognize the sensitivity of the decision. We have, at this Synod, discussed the issues with many of you who are interested in that outcome. However, it is a matter of ongoing concern to them.

I am approaching the point when Lady Brentford must talk about what we shall do with our money but, before I do so, may I just note that I only speak to you tonight because we have no First Church Estates Commissioner in post. On behalf of the Assets Committee, I must thank Lady Brentford for the fact that she has made it possible for us to carry on with our day-to-day management and that she has taken on many duties, including answering Questions at this Synod about matters which are no part of her normal duty. She is not a member of the Assets Committee and we are, and I think you would be, very grateful to her for that. (*Applause*)

Lady Brentford (Third Estates Commissioner): I would like to look in particular this

evening at some of the ideas that we are sharing with the Archbishops' Council about the possible future shape of our support for the Church's ministry, in the context of our overall obligations.

I am sure that those purposes will be familiar, with spending upon them totalling £160 million in 2000. Pensions are still our largest expense, with £92.4 million paid last year and a further £11.3 million in transitional relief to dioceses. Support for bishops, for cathedral clergy, and lay staff remains vital. With the publication of the review by Professor Mellows of bishops' needs and resources now upon us, we owe a real debt of gratitude to all involved and to those helping to take its recommendations forward.

There is one important conclusion of Professor Mellows's review, however, and that is that he found no evidence of extravagance or excess. I do hope that you will really take that on board. I welcome this opportunity of underlining that finding. The working costs of bishops, as shown in our annual report, are largely influenced by the salary and pension costs of their office staff, but the grand total will always include those hard-to-forecast items, such as legal costs and one-off things like Lord Hurd's review of the See of Canterbury. The press well knows this. The bishops' own costs are tightly managed. There is indeed no extravagance or excess.

Turning to the Commissioners' Pastoral Measure role, this brings funding responsibilities for the work of the Churches Conservation Trust and for chancel repairs. The Pastoral Measure review has begun in earnest this year, and we look forward to its playing a key part in providing for the Church's future ministry. We have heard much about that already in this Synod.

There is then our support through dioceses for serving parish clergy. That support has fallen, while pension costs have climbed in recent years. Through the cost-sharing arrangement of the 1997 Pensions Measure, however, the Church has risen to the challenge of accepting pensions as a current cost of ministry and, in so doing, has preserved for the Commissioners' fund the capacity not only to meet their other commitments but to provide worthwhile help for the Church in areas of need.

In response, the key objective we set ourselves from 1999 onwards was 'to increase the sustainable amount of our support for parish ministry in areas of need and opportunity, subject to the financial constraints upon us'. To that end, we continue to look hard at prioritizing between current spending commitments. In 2002 we will hold grants to cathedrals and funding for bishops' working costs at 2001 levels, and we share the Council's commitment to the discipline of holding our administrative costs steady. We are consulting further over proposals to restructure part of our share of the clergy stipend bill, which could result in some £5 million being better targeted for the support of the Church's mission in areas of need.

You will know that we have agreed to provide £10 million transitional relief to dioceses for pensions contributions. Alongside that, I am pleased to report that,

through cost control and the encouraging results of the present actuarial review, we can plan to make available in addition some £10 million extra during the three-year period 2002 to 2004, as a one-off sum for the support of parish ministry. We are talking to the Archbishops' Council, the House of Bishops and dioceses over how this new money can best be spent during the three-year period.

Some of you will have seen our note headed *Additional Provision for the Cure of Souls*. If you have not already done so, please do pick up a copy. What I am going to say now ties in with it closely. These discussions about our funding duties have taken us back in a fundamental way to the National Institutions Measure of 1998, to all that it means for the Church today, working as one body, and the theology of gracious gift.

Affirming the Commissioners' duty to support parish ministry, the Measure says that we 'shall have particular regard to the requirements of section 67 of the Ecclesiastical Commissioners Act 1840 relating to the making of additional provision for the cure of souls in parishes where such assistance is most required'. This key provision underlay much of the work of the Ecclesiastical Commissioners – one of the Church Commissioners' parent bodies. I hope that at this moment Synod will allow me a brief, but I think important, historical detour.

The Ecclesiastical Commissioners were set up in 1836 by Parliament, financed through surplus episcopal and cathedral estate revenues – which was not an uncontentious move, as you can imagine – primarily to fund the extension of the Church's ministry to the new population centres of the industrial revolution, through the support of clergy stipends and the provision – 'additional provision', in the words of the Measure – of new church buildings in those areas. Their role developed and, by the time of the First World War, they also helped, through grants, to fund lay ministry as well as clergy.

After their establishment in 1948, the Church Commissioners looked afresh at how to meet their inherited trustee duties. Vigorous debate ensued, with Archbishop Geoffrey Fisher seeking to challenge the by then firmly rooted orthodoxy that their funds were committed solely to the augmentation of clergy stipends. 'The 1840 Act does not mention clergy at all', he protested. His interventions were decisive in gaining the Commissioners the legal power to help with funding the development of Church schools in the 1950s, and church buildings in new housing areas to extend the Church's ministry. Continuing in this vein, the Commissioners started to support the Church Urban Fund in the late 1980s, while at the same time working towards much-needed improvements in clergy stipends, housing and pensions.

Against that background, it falls to us in turn to look, in partnership with the Council, at the significance of that 'additional provision for the cure of souls'. Today, that provision is made via the selective allocation of grants to dioceses for clergy stipends, and we know from our discussions this morning how important that is. Yet the availability of new funding over this three-year period, 2002–04, provides a practical

opportunity to look, together with this Synod and the wider Church, at whether new, complementary options might also exist.

Is it possible that not all needs are equally caught? Might there be other ways of actively investing in opportunity? Are there parishes keen to invest in local outreach, in children's or youth work, only to find that block allocations favour the more evident financial need of others over their own impetus towards mission and growth? There may be alternative needs to address, whether in new housing areas with no church, or in recognizing that a newly mobile population argues for the Church to engage afresh with people where they are, at work and in their leisure time.

In raising these questions with the Council, we are encouraged, in turn, by its thinking about new areas of support for the Church's mission including, to name but some, options such as Church schools, youth evangelism, and the Church Urban Fund.

There is much work to be done in developing new practical proposals. All our partners – bishops, dioceses, deaneries and parishes – will have an important share in helping to take that work forward. Our aim as trustees is to raise the key questions. How can the Commissioners' funds be used in a way that will make most difference to the work and mission of the Church nationwide? How, in the words of the Measure, do we make best 'additional provision for the cure of souls'?

Before I close, I would like to mention the staff at the Commissioners. I want to thank them. From my personal perspective, they have been completely brilliant since I have been trying to do this extra work. They are enormously able and committed, and I am immensely proud to be part of such a team, which works so hard to serve God in a very specific way in this part of his Church.

Lady Brentford: I beg to move:

'That the Synod do take note of this Report.'

The Chairman imposed a speech limit of five minutes.

Mr Peter Bruinvels (Guildford): In thanking Lady Brentford for her presentation, I want to talk a little more about the allocations of resources from the Commissioners' funds, which I know are held in trust. I realize that any decision to vary the way that they are being spent must be conducive to the efficiency of the established Church. Certainly it needs to benefit the ministry in the local parishes. It needs, I think, to look at the present provision of Church schools, as we have them at the moment, particularly in the light of the Dearing review, *The Way Ahead*.

I was very pleased that Lady Brentford mentioned Church schools, because we have good news as Commissioners. In the past, as we know, we have supported a number of Church schools. I want to support Dearing and to urge the Commissioners, of which I

am a member, now to support those Church schools. We did it in 1958. We gave grants; we gave loans and provisions for sites and buildings. The last grant we gave was in 1985. I do not believe that we need new legislation for these schools. I have raised it with both Archbishops; I have raised it at the Annual General Meeting and at Board meetings. It seems to me that if we are helping schools to convert and to become Church schools, new legislation will not be needed. We could give soft loans; we could give pump-priming grants. I strongly believe that mission starts in our schools for most people. It is the first time that they come across worship and parish activities. As the Bishop of Durham said this morning, we need to be an effective missionary Church.

Legislation is in place for assistance in priority areas. The Commissioners can make grants in areas where need arises from social and economic change, which would be the case in a number of Church schools. We also need those schools for parish growth. The children need to be educated. Why can we not have Church schools for that?

It is very important to celebrate the close links that we have between Church schools and the local parish church. We can have new schools built on green or brown field sites in those new housing areas. We need to look at the purposes of Church schools, at the provision for the cure of souls – plus. That is what it is: the extra bit, the add-on that means so much. We can use those funds strategically. We are told that there could be as much as £2.9 million available. We can be efficient; we can be responsible and, most importantly, we can further the gospel in those schools.

The present provision of Church schools does not reflect the needs of a Church that sees its schools at the centre of its mission to the nation. We know that the Archbishops' Council has been called upon by Lord Dearing's committee to launch a £25 million appeal over seven years to support the dioceses for the proposed expansion of Church secondary school provision. At the moment we offer 775,000 primary school places at 4,540 schools. Yet on the secondary side we are offering only 150,000 places for 204 schools. The mathematicians will already know that means there are 625,000 places lost. That imbalance needs to be rectified, and we can do that. It means that only one in five children in primary schools can be offered a place in a secondary school.

The State has done quite a lot to provide finance for education and, with the aided system coming in next year, something like £4.5 million will come to us. We were at the heart of it, however. It is really important that the Commissioners give a lead now, but I think that our strength is in converting schools rather than in acquiring new ones. I would urge members of Synod to support me and those of the Commissioners who believe that Church schools are our future. I am not trying to deny the stipends allocations, or anything like that. What I want to do is ensure that we are at the forefront in Church school provision and in education.

Mr Alan Cooper (Manchester): This sounds like a put-up job but it is not. I am a

Church Commissioner. It was not arranged! Will my friends stop saying 'Sshh' to me?
(Laughter)

I would ask colleagues to look on the back cover because, at dinner, someone asked me, 'Who are the Church Commissioners?' I said, 'I'm one.' 'Who appointed you?' I said, 'I was elected on to this by the House of Laity.' I think that it is as well to know – and this is what I want to underline tonight – who are the working Commissioners. If you look at the back, there are some bishops, two deans, some priests, and four laity. It is as well that colleagues know who we are. We are not in ivory palaces – well, not in Eccles anyhow! We are here to do our best with the historic wealth of the Church, as represented by the Commissioners. There is a grave danger today that we will just talk about money, and I would ask you to think about page 18. There is a link here, given our great debate earlier on, with the countryside and agriculture.

We were asked to look at our living buildings – the churches in the countryside, in the cities and in suburbia – where we might use part of them for the good of the communities, and there are all kinds of exciting ideas. I ask members of Synod, however, to look at how we have done that with redundant churches. At one time I used to be terribly worried when a church had to be declared redundant. Now I have moved on to reality. If you look at the list on the left-hand side, what has happened to redundant churches? You find that 220 in 30 years have been put to civic or community use. This is a tremendous record.

Lady Brentford has paid tribute to her colleagues on the staff, and it is right to pay tribute to a very efficient, dedicated and highly professional staff who look after this particular division. This is often forgotten: that redundant churches are not dead churches. They are being constructed into a new dimension. There is therefore a link between the new ideas for the countryside in general, how we use the living, active churches, and how we use redundant churches.

We have to consider what we do in the future. There is a great responsibility placed upon the Commissioners. What advice do they give to their Graces and the Archbishops' Council if new money becomes available? Peter has brought up his favourite idea, which I do not disagree with; but for one idea brought up on the left, there will be another brought up on the right regarding how we should deal with this money. Goodness knows what will come up in the centre! That is what we need, however – for people to nobble us, to lobby us, to say what you think – so that we do not stay in ivory palaces. At the end of the day, the Commissioners, taking advice from their staff, must make the decisions. That is their trustee duty. We also have a duty to listen to what you want to say. The next time we are at breakfast or dinner together, therefore, I hope that people will at least talk to this Commissioner about their ideas.

Revd Benny Hazlehurst (Southwark): Members of Synod will not be surprised to hear that I am intending to talk about the Octavia Hill estates. Set up by the Commissioners about 100 years ago, they were an expression of the balance of profit and social

responsibility which the Commissioners of that time were willing to embrace. For 100 years these estates have been a credit to the Church Commissioners and to the Church, providing good-quality social housing and a financial return which has contributed quite literally millions of pounds to the finances of the Church of England.

That is all about to change, however, if current proposals go ahead. Contrary to what is said on page 11 of the annual report, not 'some' but over 1,000 of the 1,600 homes will be removed from social housing and will go to market rents of up to £1,500 a month, as vacancies occur. The effect of this will be profound. The removal of 1,000 homes from social housing in hard-pressed London will increase poverty and social exclusion – the very thing we voted to fight against this afternoon. The removal of those homes will push thousands of future tenants one step closer to the slum landlords that still exist today, where people have no choice and no alternative. The removal of those homes from social housing will be paid for in the lives of real people. Not statistics, not numbers, but real people.

I have something even more important to bring to the Synod today, however, and I hope you will allow me to do that. Earlier this year, I found myself reading the account of the prophet Nathan, challenging David after his affair with Bathsheba, and it disturbed me. You will recall the story. Nathan told the story of a rich man and a poor man. The rich man had many sheep and cattle; the poor man had just one lamb. When a visitor came to stay, the rich man, rather than take one of his own flock, took the poor man's lamb and killed it to prepare a feast. When David's anger burned against the injustice that he heard, Nathan confronted him. 'You are the man', he said.

As I reflected on the story, I began to see the reason for my disquiet. The Octavia Hill estates were created for the poor. Contrary to what some have suggested, they are still, in the vast majority, inhabited by those on low incomes. Out of £4.3 billion-worth of investments that the Church Commissioners hold, they are the only example of proactive concern for poverty in that portfolio. They are, if you like, the single lamb belonging to the poor in the flocks of the rich man. My unease came from the realization that if we allow that lamb to be killed, we run the risk of God saying to us, 'You are the man'.

As I reflected further, the parallels became more striking. David was walking on the roof of his palace when he first saw Bathsheba and, if you stand on the roof of the Commissioners' headquarters in Elizabeth House, you can see some of the Octavia Hill estates. David was allured by her beauty and he wanted to possess her. We could be allured by the potential profit and riches which these estates could bring. There was one thing that stood in David's way, however: she belonged to another. These estates belong to another. They belong to the Christian vision of a great housing reformer, for healthy homes at affordable rents to people on low incomes. David's solution was to have Uriah killed. Is that what we will do? Kill the Christian vision which created these estates? Take what was created for the poor and give it to the rich, and line our own pockets in the process? That, I believe, is the decision we face.

You may be puzzled though as to why I talk about the dilemma which faces us. After all, it is the Assets Committee alone who will decide. The Assets Committee, however, will not gain financially from the decision they make. It is we, the Church, who will gain. It is not the Assets Committee that will pay the price when the Church is accused of greed or hypocrisy if these proposals are implemented. It is we, the Church, who will pay that price. If we allow these proposals to go ahead, then I fear it is all of us who face the possibility of God saying to us, 'You are the man'.

Ms Patricia Dyer (Southwark): If you live in London, you are constantly reminded of the number of people who are homeless. I know that this is the case in most big cities and not just particular parts of London. I am often told that the issues relating to homelessness cannot be tackled unless more affordable housing is available. I believe that the same need for affordable housing existed 100 years ago, when Octavia Hill negotiated and created affordable housing for people with low income. The Church walked alongside the poor, as Jesus did.

The housing situation has remained virtually unchanged in many parts of London, including Octavia Hill, and is becoming more acute. One aspect of my work in human resources includes resolving pay issues. I use this as an example to illustrate the impossible demands on low income. A few weeks ago, whilst trying to resolve an error in payment, I discovered from the employee that, from his four-weekly wage of £592 before tax and insurance, he has to pay £70 a week for his rent, amounting to between £280 to £350 and, in addition, maintenance for his ex-wife and two children. It brought a lump to my throat, as he became very tearful while explaining that his financial difficulties had led him into two months' arrears with payment of maintenance and, as a result, he had not seen his children for that length of time. He is just one more person, added to an already long list of people looking for affordable housing.

Many of us are concerned about the declining numbers in our churches. If the Church is seen to be responsible for people losing the opportunity to secure affordable housing, we as a Church could be harshly judged, and efforts to encourage growth in our churches could be seriously hindered.

I am aware that the Church Commissioners need to make the best of their investments. Nevertheless, I urge Synod to encourage them to rethink their strategy and change the policy of charging market rents for Octavia Hill housing as it becomes available, thereby progressively reducing the stock of affordable housing for those of low income, and creating increased stresses for the poor in that community. I urge the Church Commissioners to be seen to continue to walk alongside the poor, and to continue the visible mission of the Church in that community.

Revd Stephen Trott (Peterborough): I am a Church Commissioner elected by the House of Clergy from this Synod. I am not a member of the Assets Committee, so I will not be making the decision, when the decision is made. We have worked very hard to hear

the concerns that have been put to us. We have received a lot of correspondence and a lot of analysis of the problems surrounding the Octavia Hill decision. Here we are tonight, to hear views before a decision is taken.

I feel I ought to say something, however, about the dilemma in which we find ourselves as Commissioners. The world at large thinks that the Church is very wealthy, that the Church Commissioners hold an enormous pot of gold, and it is easy to portray us as greedy landlords because we are so fabulously rich already. As the Synod has seen, however, the funds that the Commissioners hold are committed – over-committed. There is constant pressure on us to find more money. It is very difficult to find more money when the pot is already seriously, heavily committed.

I have a particular awareness, as a member of the clergy serving on the Church Commissioners, of the needs of my colleagues – the many stipendiary and retired clergy of the Church of England, for whom the Commissioners have direct responsibility.

We are faced in the next few years with the possibility that we will be asked to provide a real increase in the level of stipend for clergy, an above-inflation increase to meet the perceived need for an improvement in basic stipends. Pensions are linked to stipends, and it is well known that our funds as Commissioners are the basis of our ability to pay much of the pension liabilities for the future. We need to make improvements to the retirement housing scheme for clergy, many of whom leave the ministry as first-time buyers at the age of 65 or older, or needing to rent a property from the Pensions Board. The current housing market is making it more and more difficult to find a home within the present limited budget. I have to think of my colleagues as I consider these issues. I hope that the Synod will understand, therefore, that we do need to look carefully at all of our assets to see whether we can fulfil our responsibilities to provide for the Church and its ordained ministry to the best of our ability.

As I understand it, there is at present no system at the Octavia Hill estates of ensuring that the tenancies of these properties are actually held as social housing. You or I, or anybody here, could apply to go on to the waiting list. I would be very sympathetic to the suggestion that we keep at least part of these estates for those who are genuinely homeless, for asylum seekers, for those who have been made homeless, for whatever reason, in a very large capital city which has very little practical concern for the poorest of the poor. I would be very interested to hear proposals to that effect.

In the present state of the Church's finances, however, we cannot afford the luxury of doing nothing: of continuing the status quo without examining what happens at present. We have to ensure that the social housing component of our asset portfolio is genuinely used for social housing, if it is the desire of the Church that it be used for that purpose. We cannot afford the luxury of indiscriminate subsidy for our tenants. Our responsibilities as trustees in an age of close scrutiny demand that we match the

need for considerable investment in these estates with a careful scrutiny of the way the assets are managed.

As a trustee, I have to think of clergy, their stipends, their pensions, and the wider needs of the Church to provide its ministry throughout the whole country, especially in areas of particular need. In deciding how to proceed with these proposals, therefore, I will be asking the Assets Committee to consider the needs both of those who are genuinely homeless in London but also of those whose ministry forms the backbone of our responsibilities as Commissioners – which, in the final analysis, sadly and perhaps even cruelly, must be set against any subsidies which we provide to those who occupy any of our properties.

We have to balance their needs against those of the clergy, clergy pensioners, hard-pressed parishes and diocesan boards of finance, who are struggling to maintain the ministry of the Church in very difficult circumstances.

The Bishop of Ripon and Leeds (Rt Revd John Packer): We have had today a series of debates on various different aspects of the finances of the Church of England. I remain concerned, however, at what seems to me to be a failure to see those finances as a single entity and to put our debates together.

We were able to talk this morning about the pressures which there are on Church House, on its staff and on the work which is being done there. We were able to observe, with some horror, the possibility that some dioceses might not be able to employ the clergy that they wish to do. Then, tonight in our discussion, we come to look at new opportunities, new ways forward. I want to try to bring those together.

When we decided some years ago that dioceses and parishes needed to take on pension provision for clergy for the future, we did so in the knowledge that it was impossible for the Church Commissioners to continue to meet that obligation. Now we find in the actuarial reviews that the dioceses and parishes need to take on extra responsibilities, while the Commissioners have a small surplus. I am delighted and grateful that the Commissioners have moved so quickly to make their £10 million contribution to help parishes to take on this extra task. That is the result of working together and is absolutely right.

I am disturbed, however, by the continued suggestion that the Commissioners may have additional funds which they in some way will distribute to needy parishes. The Church's finances today speak of a figure of something like £2½ million a year additional for parish support. When Shaun Farrell talked to us this morning, he was using a figure of something like £3 million. I am still not clear as to who now makes decisions about how that money is to be distributed, and whether that lies with the Archbishops' Council or the Commissioners themselves. I am very worried at the idea that there might be almost a separate system of bids to the Commissioners, who would decide how to distribute to the parishes which apply.

I believe that the system of allocations to dioceses for stipends purposes is of immense benefit to parishes in most need. The importance of that was shown by the passion which there was in the debate this morning about how those allocations were to be worked out. That fits totally with the much-quoted obligation to make additional provision for the cure of souls in parishes where such assistance is most required.

Some discussions and some of the questions seem to suggest that no one quite knows where block grants to dioceses go: they go to fund the stipends of clergy in needy parishes. Every diocese which receives an allocation has parishes which cannot afford to pay for their own clergy. We do not need an allocation for Harrogate; we do need one in order to preserve and develop mission and ministry in Armley and south Leeds. If we are going to keep clergy in inner urban and remote rural areas, then those allocations are a lifeline. They are a way of developing ministry and mission – the cure of souls – in exactly the areas where assistance is required.

The Bishop of Guildford told us this morning that distributing to parishes was in danger of becoming a mantra that needed to be resisted because there was money already there in the parishes. That might have some justification if we had a system of mutual support between dioceses; but we do not. All the money in the allocations goes to parishes which cannot afford to pay for their clergy, in dioceses which cannot afford to subsidize them without help. Every diocese has a system of share which redistributes from the wealthy to the poor, even if we do have 43 different ways of doing it. That system is under pressure. Mutual support within dioceses is well understood, but there are concerns that it will crack.

The best way of relieving that pressure is through the allocation system. I urge the Archbishops' Council and the Commissioners together to ensure that the maximum possible amount is allocated. That is how you will help those in most need. Adding £2.5 million, 17 per cent, to those allocations would help greatly. We have an opportunity to provide relief which will benefit our poorer parishes by increasing the allocations. Let us seize it and support mission in our poorest areas through the lifeline of the allocation system, and show that we do mean to act as one body.

Mrs April Alexander (Southwark): I would like to put a question to the Commissioners. Would they consider devising a process of full and open consultation in situations where a major change in policy or practice is being considered, if that change is likely to affect the lives and welfare of Church members, or indeed others, and where the purpose is to increase the income or accelerate growth in investments?

I am not talking here about the investments described on pages 6–9 of the report, but rather those described on pages 10–11. These involve commercial property, agricultural property, residential property, and value-linked loans. My question, of course, has been occasioned by the issue of subsidized rents in residential property, but I would be asking the same question in relation to commercial or agricultural property if the issues were equivalent.

The other evening, at the fringe meeting on the Octavia Hill estates' issue, Andrew Brown made it clear that meeting Synod members was the last stage in an extensive consultation process and that he would welcome the views of Synod members. There is very good reason for him to say this. Synod members are directly affected by the outcome in their parishes and dioceses. Second, Synod members also have an acute awareness of the problems of the poor in inner city areas and a passionate desire to do what is possible for their welfare, as expressed in this afternoon's debate. Third, this house has among its members many whose insights and professional expertise could be of enormous value in the decision-making process, and I saw this happening in the margins of Saturday's meeting. Fourth, the Commissioners could well find that they have the support of the majority of this house if all the facts were known. If we are all one body in Christ, this must be of value.

I am not aware, however, that a note of the meeting on Saturday was taken. For such meetings to be of value, an agreed note is normally standard practice. Furthermore, the consultation process has been clearly in progress for many months and only now have we received a very short document with scant information.

If Synod members are to come to an informed view, they will need to see a much more highly developed document, as they would for any other matter under consideration by this house: for example, the allocations review which we considered this morning. In the case in question, however, I would suggest that such a document would answer large numbers of outstanding questions. These might include what is the prime objective here. Is it to raise income? Is it to carry out essential refurbishment, or is it to avoid the difficulties and costs involved in housing benefit income? How are the estates run? What is the letting policy? Is it right that means tests have not been carried out or that indeed they are impossible? What is the social and ethnic minority mix? What is the average income of tenants? What is the length of tenancy? How accurate is the picture of stability and social cohesion, and what are the risks to it?

What is the current financial position? What is the current value of these particular estates and how is it arrived at? What is the percentage income stream from these estates? How does it compare with those of other investments? For example, agricultural land at 3.9 per cent last year; commercial property at 11.2 per cent and UK equities at -0.8 per cent. What would be the implication of disinvestment in some of these areas instead?

What are the results of the market research, and who conducted it? Has there been independent research on the desirability of those properties, particularly in the early years of refurbishment? Who has conducted it, and might they have any interest in future business from the estates?

How were the figures for the costs and returns arrived at? There must be a cash flow forecast, showing expenses and returns year by year. What are the assumptions lying behind these figures? What is the margin of error? Who provided the figures?

Finally, I cannot believe that there has not been an extensive risk analysis. What are the risks to the reputation of the Commissioners and of the Church, both locally and nationally? What are the risks to the current tenants? What are the risks to social cohesion? What are the financial risks, should there be swings in the property market or, indeed, the values of alternative investments? I could continue, but I think that I have made my point.

Mr Robert Leach (Guildford): I thank you for that rapturous applause, before I have said a word! I might not get much more, because I believe that the Commissioners have got it right over Octavia Hill estates and what the Southwark members have said has not persuaded me otherwise.

Let me suggest that you think of it like this. If the realistic rent of a property is three times the actual rent, it is like saying that if we charge £1,000, and that is what we actually get, it is the same as having £3,000 worth of income from a tenant but paying £2,000 to them as a subsidy. Yes, of course I appreciate the value of social housing, but I believe that we should look at it on the basis of saying can that £2,000 subsidy to that tenant be given priority over something else that we could spend that £2,000 on?

Why do we need social housing at all? I do know: I am vice-chairman of our local borough council's planning committee, so I do have a little experience. It is because income, housing benefit, and social security payments are low – the very things we talked about this afternoon. Can I remind members that, through the tax system, we are subsidizing the Government through VAT, through all the taxes we pay, and I am sure that I do not have to give the whole sad catalogue again. Also, as came up in a question on Saturday, we have all these Church schools for which we receive no rent from the Government. Do we have to keep on subsidizing the Government yet again?

I am not persuaded by the arguments from our Southwark members. I think that the Commissioners have got it right on this.

Mrs Daphne Brotherton (Chichester): First of all, I would like to thank Lady Brentford and Mr Hughes for their very clear exposition. I do not think that anyone has thanked them. It is a very complicated subject, and we do appreciate the way they have presented it to us.

Having said that, I feel rather like David facing Goliath, except that my pebbles will not do any serious damage. I want to raise a couple of issues. First, the past ten years have, as others have said, been very testing ones for dioceses and parishes alike. The reduction in support from the Church Commissioners' introduction of contributory pensions has resulted, year after year, in very large percentage increases in parish Quotas, in most cases well above the rate of inflation or the increase in stipends. In the past couple of years we have read headline stories of dioceses in deficit, dioceses cutting the number of parochial clergy, and so on.

If you look at pages 42–43 of the Commissioners' accounts, you will find a ten-year record. This shows that over the period the Church Commissioners' assets have nearly doubled, from £2.3 billion to £4.4 billion while, over the same period, income actually fell by some 20 per cent. In reply to a question, I was told that the Commissioners' distribution aim is not linked to the level of income, so no purpose can be served by increasing the income level on their investments. I am sorry, I am a simple person, and it does not quite make sense to me. I am not suggesting that the Church Commissioners should invest rashly, but I am asking whether some adjustments might be made to increase their income.

Many of us have probably completed forms for financial advisers, indicating whether we are interested in capital growth, income or a mixture of the two. Doubling capital while reducing income suggests that the Commissioners have gone for capital growth and, given the situation in the early 1990s and the need to take on past service pensions and so on, I am sure they were right; but is it still the case? Perhaps the time has come to move to a mixture of capital growth and income. We do need an injection of money right now: money to enable the Church to move forward in mission.

This brings me to the second point I want to raise, the Octavia Hill estates. We have spent quite a bit of time at this Synod discussing our responsibilities as Christians to the poor, the excluded and the marginalized. In this afternoon's debate and background papers there was a recurring theme of the link between poor housing, poor health and social exclusion. We have already heard about the background to the creation of the Octavia Hill estates. I would like to emphasize that today the need is probably even greater than 100 years ago. Of course the Church does not have the resources to solve the housing problem. It can be argued that there is greater poverty, for example, in some of our rural areas; but I would remind you that we were told at Question time that there is some £200,000 of housing benefit money owed on these estates. I do believe that we can and should ask whether it is right as Christians to displace one family, let alone possibly 1,000, and maybe more, to destroy a community that we have created, in search for more profit.

The estates have always made a profit. Last year I believe it was nearly 5 per cent. Just because this area of London has become accessible, largely through the Jubilee Line, and therefore extremely valuable, is it right to maximize our return at such high human cost? If it is considered wrong to profit from the defence and other industries, is it not equally wrong to profit by making families homeless?

The Church Commissioners have duties as trustees, although I do not think that anyone has pointed out that, as I understand it, they are not required to act, and here I quote, 'in such a way as to bring the Church into disrepute'. I urgently ask them to refer this matter to the Ethical Investment Advisory Group.

I would like to close with a quotation from *The Times* of 1904. It reported the development of the Octavia Hill estates in the following way:

They [the Commissioners] could throw the land upon the market and take other steps that would lead to its earliest conversion into the largest possible amount of cash and securities. They are trustees, they might say, for the Church, and the Church in these hard times has a right to all the help she can get at the Commissioners' hands. However, nothing could have been more fatal to prestige as a Church than the present opportunity of illustrating the responsibilities of property, especially when it is vested in Christian men, nor could anything be worse than that the Church should be extended in one diocese at the cost of the demoralization of the people in another.

That was 1904.

Revd Jonathan Frais (Europe): I thank the speakers, along with others who have already done so, for the clarity of their presentation, and certainly want to applaud the restatement of commitment to supporting the parishes and keeping clergy in the business of ministry and preaching the gospel.

I was particularly intrigued by the amount of money that we are spending on cathedrals. If I can read numbers – and I do not always read them very clearly – I think the figure is £5.7 million a year, which seems a lot of money to me. The perspective of the Diocese in Europe is that we have a cathedral in Gibraltar and, because we like them so much, we have two others. We have a pro-cathedral in Brussels and a pro-cathedral in Malta. In the career of any clergyman going into the Diocese of Europe – I thoroughly recommend it, it is a great time! – you will find on average that none of us ever goes to any of those cathedrals!

My questions that now follow are a little impertinent, but I am trying to contribute to radical thinking. I would like to ask how many of our cathedrals are financially self-sufficient. I would like to ask what plans are there to help cathedrals cover their costs without imposing mandatory entrance charges. Having heard that very curious comment from a Church Commissioner – that in some sense it is good news that 220 churches which were redundant have been redesignated for other purposes – what equivalent good news, money-spinning good news, might lie ahead for our cathedrals?

The Bishop of Worcester (Rt Revd Peter Selby): I speak as one of the Church Commissioners elected by the House of Bishops and, before the Bishop of Woolwich points it out, I would like to confirm that the ratio of candidates to places in that election was exactly the same as the ratio of candidates to places at the capitular election for the Bishop of Worcester. I choose my elections carefully!

This is not an easy debate in which to take part as a Commissioner because of the numerous things that have been raised, and I want to pick up just one or two. The request for more and more information about something like the Octavia Hill estates matter is entirely understandable. I, for my part, have responded very sympathetically

to requests for information. However, April Alexander's remarks, as they went on and on and on, with the information that she was mentioning, raised the question whether we, as a body, will ever allow any of us to do anything on behalf of the rest of us, or whether we are all going to take all decisions on all matters. I am not saying that I know the answer to that balance, but I say it simply as a question.

Second, in relation to Benny Hazlehurst's very arresting biblical exposition, I hope that I may be allowed to say that no vision can go untranslated into a new situation and that that translation has to take account of the perceptions, interests and points of view of all those who might be affected by a particular exposition. That is, I dare to say, true of the exposition of Scripture. It is certainly true of the more recent vision of Octavia Hill.

As the Secretary to the Commissioners said, we have reached a position where we cannot avoid the knowledge that the gap between the market rent available from those estates and the rent currently achieved is vastly wider than anything Octavia Hill could possibly have contemplated. That does, at a certain point, raise a question about the poor elsewhere, and whose our assets are. Have we all forgotten that the Church Commissioners once had to promise £1 million to the Church Urban Fund every year, and had to cease making those gifts because they did not have the money to continue? That directly affected the livelihoods of particular people who are engaged in some of our most imaginative Church Urban Fund projects. We are faced with major and difficult choices of priorities.

Having said that, I also want to clarify, in response to another speaker, that the reason we cannot go for income and push the balance in that direction is because part of the Commissioners' difficulties is precisely that we went through a period of describing as income, and therefore as expendable, resources which are needed if we are to be able to continue to exercise the function which you expect of us. That is also a fact which cannot be avoided.

The policy of the Assets Committee and its practice is to consult, in every case where a major property transaction is likely, with the diocese and the bishop concerned, so that our intentions are known and the implications can be heard. Octavia Hill is not an exception. We shall continue to listen. We have spent a good deal of time on that matter, and we shall continue to spend more time.

I need the Synod also to understand something crucial about working as one body, however. It is nice to imagine that there might be a brain somewhere which would co-ordinate all the limbs into smooth co-ordination. Actually working as one body is mostly the introduction into the same room of the conflicting perspectives, demands and needs of different parts of the body, and coping with the abrasion that results, offering it to God, praying together for wisdom, coming to a conclusion, and doing so with the kind of patience which working as one body actually requires.

Mr Alan King (Bath and Wells): I would like to start by congratulating the Church Commissioners on the results of their recent actuarial review. I would hope that the figures we have been shown could finally lay the myths of the 1980s, so that we can move on and say what has been achieved. I think that should be recognized.

I would also like to support the Bishop of Ripon and Leeds in his approach on how this money might be spent in the future. We agonized long and hard over a number of years on an apportionment system. Now we have it in place and now that it has been accepted, surely it is a way that we should use this money?

I would also raise for consideration that there might be a second way, which is that the £2.5 million extra per year could be channelled into the pensions fund, not just for a three-year period but permanently while it exists, in such a way that it would reduce the contribution rate which has recently gone up so high. That would have the effect overall of benefiting every diocese, and could bring mutual support a lot closer a lot quicker. I would ask that that too is added into the discussion of what this money might be used for in the future.

Mrs Anne Williams (Durham): I beg to move:

‘That the question be now put.’

This motion was put and carried.

Lady Brentford, in reply: So much for the ‘death slot’! Can I say how much we welcome this debate and the robust contributions that have taken place. I cannot tell you how marvellous it is to have this kind of discussion. We welcome it and we thank every single person who has taken part.

I would like to say a word to all those who have spoken about Octavia Hill. I was particularly grateful for the Bishop of Worcester’s contribution. There are many other members of the Board and the Assets Committee who are here, who have heard the messages conveyed not just by the speakers but by the Synod’s reaction to them, and I am grateful. To gain these perspectives is exactly why we set up the consultation process and why it has been so invaluable. Please be reassured that no existing tenant will be asked to leave. All these matters are within the scope of the Assets Committee, and I am sure you will forgive me if I do not go into detail. It is worth saying one thing, however. You should know that the Ethical Investment Advisory Group have been kept informed of these proposals the whole way along.

Mr Jonathan Frai’s interest in cathedrals is a little beyond me at this point, and I wonder if you could write to me? It was very interesting.

In reply to Mrs Brotherton, yield fell because we moved from property to shares, and it worked. As we already pay out as much as the actuaries recommend, we have been able to increase that amount because of the switch into equities.

I am very grateful to Mr Bruinvels for reiterating that all of us have an interest in Church schools. We are watching with considerable interest the follow-up to the Dearing report. As I said earlier, the support of Church schools is one of the options under consideration in regard to how to spend the extra money we have available.

I am really grateful to the Bishop of Ripon and Leeds and to Alan King, because they have highlighted an agonizing debate we have had within the Commissioners and the Archbishops' Council on just these issues. Where do the decision-making powers lie? I promise you that we have crawled all over the legislation, to try to work that out. I believe that this is where the structure of working as one body becomes a reality. Anybody who would like to write to me about the legal situation, please do.

Under Turnbull, the bishops are tasked with spiritual leadership, the Archbishops' Council with strategic direction, and the Commissioners have some of the money. That is the fuel, or some of the fuel, which powers what I would call the mighty work of the Church. The Commissioners have, in this difficult time, by the wonderful generosity of God, done well in their investments. There is, in this rather specialized and slightly constrained fuel tank, a little more fuel. However, the Commissioners are also part of the engine room because, under its trusts, it is required to think through, with the Archbishops' Council and in consultation with the House of Bishops and this Synod, the decisions about how those resources are used. We have heard some very useful input in that respect tonight. We have to use it in a way that is consistent with our trusts.

I believe that this is a first great test of how we can work together in one body. I believe that we are. We are doing our best, both in process and in relationship, to help this happen. This money is a God-given gift and an opportunity for the Church – at a moment, I am so aware, of real pain in the dioceses. I ask you all to help us and to pray with us all that we can work together to get this right.

The motion was put and carried.

The Session was adjourned at 10 p.m.