



The Archbishops' Council

Annual Report and Financial Statements
for the year ended 31 December 2016





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FOR THE YEAR ENDED 2016

Registered Charity Number 1074857

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Thanks to Keith Blundy, Church House Publishing, Diocese of Derby, Gary Duncan, Canterbury Cathedral, Chelmsford Cathedral, Coventry Cathedral, Gloucester Cathedral, Diocese of Guildford, Paul Hurst, Lambeth Palace, Leicester Cathedral, Lichfield Cathedral, Liverpool Cathedral, Ash Mills, David Robinson, Steve Russell Studios, Salisbury Cathedral, Southwark Cathedral, Peter Walker and The Office of the Archbishop of York.

Front cover images (from left to right, top to bottom):

Archbishop Justin Welby baptising at Glossop Market Place; Archbishop John Sentamu and Mrs Margaret Sentamu at Castle Howard on the Pilgrimage of Prayer Witness and Blessing outdoor service at Pentecost; Schools Advent Service at Leicester Cathedral; Star of Bethlehem art installation (by Jayson Haebich) at Salisbury Cathedral; 2016 Blessing of the River Thames with the Bishop of London, Rt Revd Richard Chartres.

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Presidents' foreword



We are pleased to present the Archbishops' Council seventeenth annual report, giving an overview of the work of staff and members during 2016. The Council worked in a number of areas from support for mission and ministry in dioceses and parishes to advising the bishops in the House of Lords on national and international affairs.

Key events included unanimous support from the General Synod for work to promote national reconciliation and

create a generous and forward-looking country following the EU Referendum result. The Council worked with the Home Office and other organisations to support the Community Sponsorship scheme for Syrian refugees and helped churches and dioceses engage with local authority resettlement schemes.

The Council continued to support projects in dioceses and parishes to help the poorest and most marginalised. 2016 also saw the roll-out of the next stage of work to develop

the Just Finance Foundation, a network made up of debt and money advice services in churches across the country, and LifeSavers, a programme of financial education for children in primary schools.

Within the Church, the Renewal and Reform programme gathered pace, with significant investment announced for projects to help the growth of the Church in numbers and depth of discipleship. We were pleased by the successful launch of Thy Kingdom Come, the global wave of prayer for more people to come to know Jesus Christ, and the start of an innovative programme of digital evangelism aimed at reaching new audiences online and in social media with the good news of the gospel. 2016 was also an important year for the Church as it sought to develop a stronger national approach to safeguarding and strengthen the consistency and quality of its responses to protecting the vulnerable.

We are grateful for the work of members of the Council and its staff over 2016 and we continue to seek your prayers and support for the work they do to support and encourage the Church's mission.

From the Secretary General

FROM THE SECRETARY GENERAL



It is gratifying to look back in this report at the work of the Archbishops' Council in 2016, which was my first full year. In 2015 the Council committed itself, together with the General Synod and the House of Bishops, and with the support of the Church Commissioners, to the work of Renewal and Reform. 2016 was the year in which the Council sought to give life to that commitment, and to begin in earnest the work of developing a hopeful future in which we can once again become a growing church.

Renewal and Reform has been the central emphasis of the Council's work, both in developing ideas for supporting the Church's mission, and also in embedding them. For much of this work we are now in the

implementation phase as this report spells out in greater detail. I have been greatly supported during 2016 by Mike Eastwood, the Liverpool Diocesan Secretary, who has also worked part-time at Church House as Director of Renewal and Reform.

Renewal and Reform comprises many strands. In 2016 we focused particularly on ministry, on discipleship, on making better use of the Church's money, on new channels for evangelism, and on seeking to involve the whole Church in the work. On ministry, the General Synod accepted in February 2016 the proposals to reform the funding of ministerial education, in order to give more power to dioceses to make the best use of this investment in the future of the Church. A new funding

mechanism will come into effect in the 2017-18 academic year. Alongside this, the Church has agreed an aspiration to increase vocations to the ordained ministry by 50% and to widen their diversity and range of backgrounds. An important element of this work has included supporting dioceses to strengthen vocations work and to prepare for the implications for discernment and training, for curacies, and for finances.

The Council devoted just as much attention to the laity. It endorsed strongly a report on lay leadership, *Setting God's People Free*, which was debated and warmly received at the General Synod in February 2017. This sets a challenging agenda for the whole Church to make the most of the gifts and commitment of lay Christians, and create a seven-days-a-week culture of discipleship. The Task Group which produced the report noted that many previous reports had had a similar ambition: the task for the Council in 2017 and beyond is to ensure that this one is implemented fully.

The Council agreed with the Church Commissioners how to apply the reforms proposed in *Resourcing the Future*, which envisages making much more deliberate use for evangelism and Church growth of the distributions made by

the Commissioners to the Council. The Commissioners and Council agreed transitional arrangements for additional time-limited funding to make the change easier for dioceses to adapt to. From 2017 the Council has agreed to establish a new sub-committee, a Strategic Investment Board, which will oversee the use of £24 million annually on projects for growth. This builds on the previous work – described in this report – of support for growth through grants by the Spending Plans Task Group.

The great bulk of the work of Renewal and Reform is about supporting the dioceses in their own local approaches to mission. But there are some aspects which are worth doing nationally. The Council has decided to put additional resources (£2 million over three years) into resources for digital evangelism and discipleship, recognising that this is something done best at a national level, in partnership with other Christian digital providers.

The Council also brought forward proposals to simplify aspects of Church law, in order to facilitate mission. These proposals have gone to General Synod in phases, reflecting the work of the Simplification Task Group. One example of this has been to reduce the burden on rural multi-parish benefices so as to free resources for mission.

Beyond Renewal and Reform, the Council has also been active in developing the Church's work on safeguarding – building a safer Church for the future, and also continuing to respond to grievous past failures on the part of some clergy and laity in the past.

The Council administered grants for cathedral repairs, supported national administration of grants for church roof repairs – a programme extended in the 2016 budget – and awarded funds to churches needing conservation and building repairs. The National Society, working closely with the Council through the joint Education Office, launched the Church of England Foundation for Educational Leadership to provide support for leaders from Church schools and non-Church schools, and thereby to strengthen and embed our national vision for Church schools.

Council staff support the other institutions of Church governance in numerous ways by working on behalf of the General Synod, the House of Bishops, and other bodies in the Church. During 2016 Council staff were particularly active in supporting the General Synod in its shared conversations on sexuality, the House and College of Bishops, and the Bishops' Reflection Group on Sexuality and subsequent work.

As part of its remit to support the mission of the Church across England, the Council has also spent some time considering how it can best support cathedrals and dioceses facing financial challenges. Working with the Church Commissioners, it has engaged with a number of cathedrals, on a partnership basis, in helping them address their governance and financial needs for the future.

During 2017 we will continue to embed the work of Renewal and Reform. I look forward to being able in next year's report to describe how this continues, and in particular to report on the mission projects being supported all across England by Strategic Development Funding.



William Nye LVO
Secretary General

The Archbishops' Council at a glance

The Council's statutory object is to 'coordinate, promote, aid and further the work and mission of the Church of England'

Set up in 1999 following 1994 report *Working as One Body*

One of eight National Church Institutions (NCIs)

Has 19 members, all of whom are members of General Synod (see pages 38 – 39 for details)

The Council continues to set its strategic aims and objectives against the three priorities reaffirmed at the start of the current quinquennium:

Contributing to the common good

Promoting the spiritual and numerical growth of the Church

Seeking to reimagine, reshape and re-energise lay and ordained ministry

The work is principally resourced by contributions from Church of England dioceses and funds made available to it by the Church Commissioners. Its principal responsibilities on behalf of the wider Church are to:

Promote and encourage Church growth.

Support the maintenance and development of the Church's buildings.

Support and promote the Church's liturgy and forms of worship.

Support the Church's main debating & decision-making bodies.

Distribute funds received from the Church Commissioners to support ministry and mission in Church of England dioceses.

Resource engagement with issues of social justice and public debate, and promote social cohesion.

Support the Church's ecumenical engagement, nationally and internationally.

Resource the selection and training of people to carry out public ministry, both lay and ordained.

Strengthen the institutional effectiveness of the Church by promoting good governance.

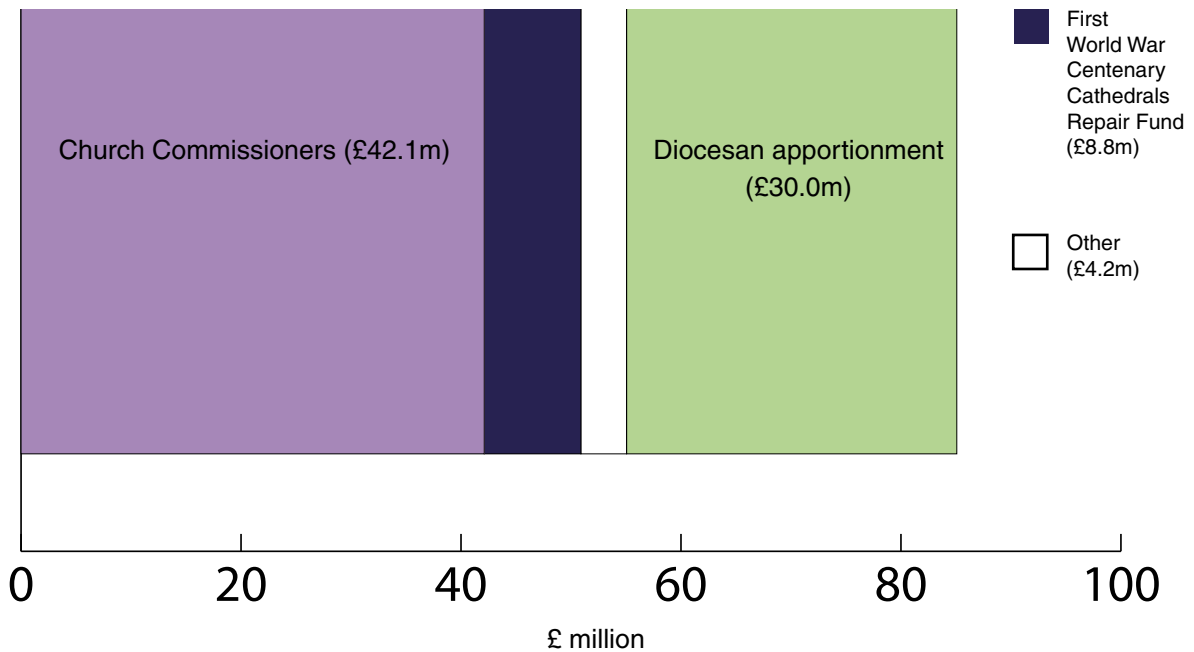
Promote the Church's understanding of itself through research and statistical analysis.

Sustain and develop work in education, lifelong learning and discipleship.

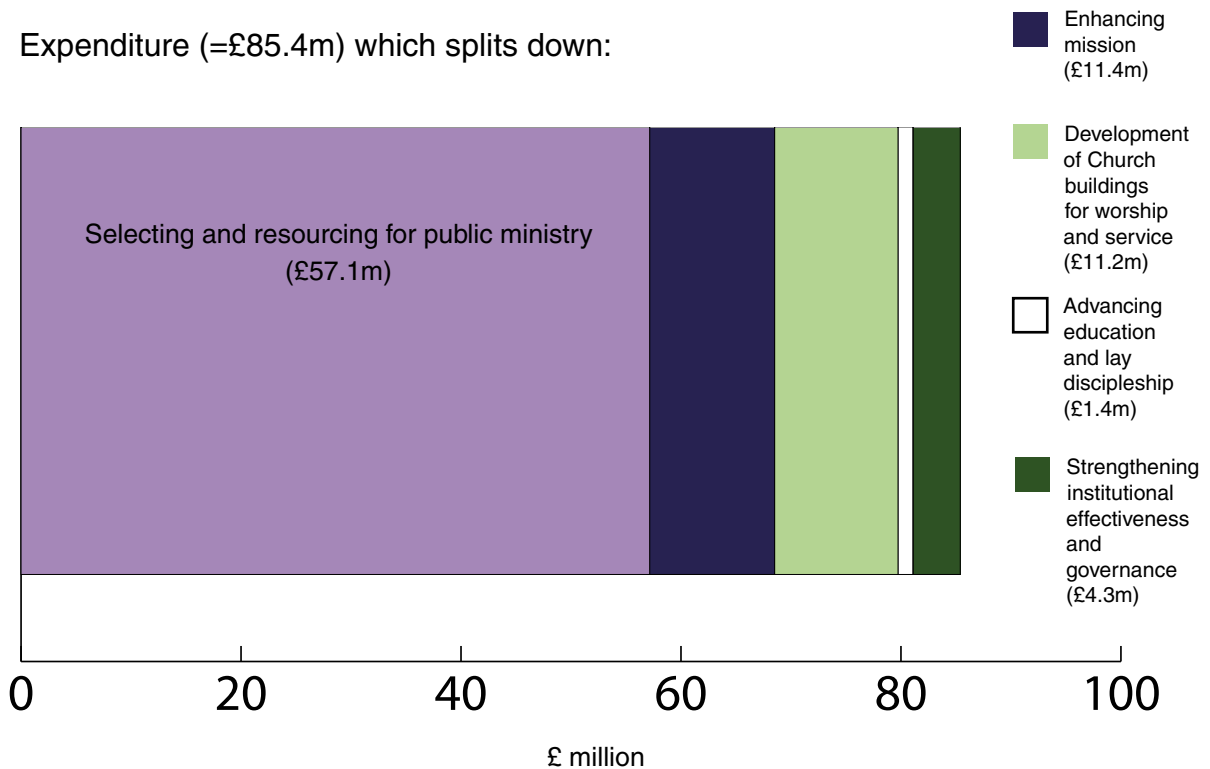
Income and expenditure

Summary

Income (=£85.1m) which splits down:



Expenditure (=£85.4m) which splits down:



Renewal and Reform

REVIEW OF 2016

Renewal and Reform, the body of work which seeks to provide a narrative of hope for the Church of England in the twenty-first century, made progress in 2016 in several areas from leadership training to the start of a major digital evangelism project.

The programme was given renewed impetus when General Synod members meeting in York gave overwhelming backing to a vision and narrative for Renewal and Reform and its goals of contributing to the national good, helping the growth of the Church – in numbers and depth of discipleship – and reimagining the Church's ministry.

Key achievements in 2016 included the work of the Lay Leadership Task Group in advance of the report *Setting God's People Free*, on the culture shift needed for Christians to be equipped to live out their faith in every sphere, from the factory floor to the office, gym or shop. Other highlights included progress

towards the aim of a 50% increase in candidates for ordination by 2020 – including the appointment of a National Minority Ethnic Vocations Officer to encourage and increase the number of black, Asian and minority ethnic candidates coming forward for ordained ministry. A Young Vocations Adviser, to lead on communications and marketing among young people, was also appointed. Changes to the grants distribution system to make it more suited to the aims of advancing the Church's mission also gathered pace with £7.8 million allocated in 2016 in Strategic Development Funding to nine dioceses for creative and innovative projects (For more details see 'Promoting spiritual and numerical growth', p.10 – 11)

The number of clergy participating in senior leadership programmes continued to grow over 2016 with 75% of bishops having taken part by the end of the year and 40 deans attending

the 'mini MBA' for cathedral leadership. The Strategic Leadership Development programme welcomed a second group of participants during 2016. Its 'Learning Community' – those clergy identified as having potential to take on significant leadership responsibilities in the future – grew to 119 members.

From deployment of clergy across parish boundaries to enabling closer links with other churches, simplification has been a response to calls from parishes for less red tape and as far as possible to devolve the functions of the Church to the local level, reflecting the reality of a Church that serves diverse communities and localities in many different ways. Simplification means decisions at diocesan and parish level can be made flexibly and proactively, supported by legislation that is easier to understand than before and in tune with the reality of life for churches today.

CASE STUDY: Up to a third of parishes in the Diocese of Sheffield are being provided with administrative support as part of a six-year programme funded by a £1 million grant from the Strategic Development Fund, part of Renewal and Reform. Six development workers have been appointed so far to provide groups of churches with professional support in areas such as administration, communication, publicity and finance. The Mission Partnership Development Worker Project aims to help lift the burden of paperwork from clergy and free up churches for mission and serving local communities.



CASE STUDY: more than 100,000 people took part in the launch of Thy Kingdom Come (pictured: above), an invitation to pray between Pentecost and Ascension for the Holy Spirit to help Christians be witnesses to Jesus Christ and for others to discover the Christian faith. The programme, launched by the Archbishops' Evangelism Task Group, was supported by more than 3,000 events and services including six national beacon events over the Pentecost weekend in 2016 at cathedrals across the country – with more than 300,000 people watching the Canterbury beacon service online. The event is due to be repeated in 2017.

CASE STUDY: A new church appealing to students and young adults opened in September 2016 in a renovated former department store in Portsmouth City Centre, with help from a Strategic Development Funding grant. Harbour Church, which was planted from St Peter's Church in Brighton, is part of a strategy by Portsmouth diocese to develop new worshipping communities alongside traditional churches. It started with a core group of 30 people who moved from Brighton and already attracts 250 worshippers each Sunday. It has also opened a coffee shop in its shop frontage and hopes to give retail experience to jobless local residents. The Strategic Development Funding grant of £929,000 was split between Harbour Church and a network of pioneer ministers, who aim to create new worshipping communities across Portsmouth diocese. Its existing pioneer ministers were already offering new ways to be Church in Gosport, Havant and Cosham. Another three new paid pioneer ministers are being recruited to do similar work in other parts of south-east Hampshire and the Isle of Wight, using funding from the award.

Promoting spiritual and numerical growth

Projects and research aimed at helping clergy and dioceses spread the good news of the gospel – from pioneer ministry in large urban housing estates to a large-scale project to help rural churches to develop their buildings in a way that strengthens mission and evangelism – were supported in 2016.

A global wave of prayer, Thy Kingdom Come, part of the work of the Archbishops' Task Group on Evangelism, was launched in 2016 and preparation began for this to take place again in 2017. Nine dioceses received £7.8 million

in Strategic Development Funding in 2016 for projects including pioneer ministry in large urban estates, new worshipping communities in city centres and a large-scale project to help rural churches. Peer review, the system of mutual accountability for the use of resources, increased its uptake in 2016 with 22 diocesan peer reviews taking place over the year. In 2016, £628,600 was awarded to dioceses to help them develop their capacity to create and implement strategies to develop their mission and growth.

Staff continued to tour the country throughout 2016 for conferences and training

with clergy and lay people to discuss research findings on the missional opportunities presented by baptisms, weddings and funerals. The first Godparents' Sunday, aimed at encouraging and inspiring the estimated 350,000 people a year who take on this role, was launched in 2016. A second Godparents' Sunday took place in April 2017. Cards, leaflets and other resources were created for churches to distribute to couples planning a Church wedding.

The work of Church House Publishing, CHP, the publishing imprint of the Council, made a major contribution to the Council's objective of supporting and promoting the Church's worship. There were more than 100,000 first-time downloads of Church House Publishing apps in the year, with *Time to*



Pray appearing in June 2016, bringing the all-time total to over 295,000.

The Pilgrim Course, the nurture and discipleship course published by CHP and supported by online video and audio, passed the 100,000 copies mark in 2016. Other work to support discipleship included the development of a Pilgrim 'catechism' for 2017 and a youth version for 2018.

Work dedicated to supporting churches' ministry on estates began in 2016, with a conference on estates and evangelism held at Bishopthorpe. The Council also supported work to encourage dioceses to ensure that all university towns have at least one church that has a focus on student evangelism.

Eight new projects aimed at fostering better understanding between science and faith were launched as part of a three-year Durham University programme, Equipping Christian Leadership in an Age of Science, working in partnership with the Church of England.

[Backdrop photo; Liverpool's 2016 Cathedral Pentecost Pageant celebration
Copyright: Liverpool Cathedral]



2013 2014 2015 2016

Reflections Lecturers Sunday Worship Daily Prayer Prayers Time to Pray

DOWNLOADS

200,000+
First-time app downloads since Oct 2011

COUNTRIES

176 Countries
From Afghanistan to Zimbabwe

APPLE OR ANDROID?

80,000+
People have downloaded our first app, Reflections for Daily Prayer – enough to fill the Olympic Stadium

Reflections for Daily Prayer
"This is a great little app – The first app I turn on each morning"

6m 42s
Typical Daily Prayer session – 5 times longer than average for an app

300%
Increase in Daily Prayer sessions since 2015 to 40,000+ per month

12,000+
Monthly users for Daily Prayer – enough to fill St Paul's Cathedral 5 times

Daily Prayer



HOW TO PIONEER
(EVEN IF YOU HAVEN'T A CLUE)

DAVID MALE



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THE CHURCH OF ENGLAND

our courses | reports training | audio files | about | contact

Communications & Media Training

The Church House Training programme exists to support members of the church in sharing the Good News of the Gospel of Jesus Christ in an ever-changing communications environment.

Choose a Category

- introduction & print media
- effective communications skills
- presentation skills
- web & social media

Communications

The mission and ministry of the Church of England was promoted throughout 2016 in broadcast, print, online and social media.

A series of short films was released in 2016 to mark events including International Women's Day and Remembrance Sunday, along with video interviews to mark Pentecost ordinations. Six films and 35 blogs were commissioned explaining aspects of the Renewal and Reform programme from theological reflection to Strategic Development Funding.

The #JustPray Easter campaign followed the Lord's Prayer advert in December 2015 which was seen by more than five million people. The Council sponsored a play for the first time at the Edinburgh Festival Fringe on the theme of asylum and persecution of Christians. The play was shortlisted for two national awards. (See case study below.)

2016 also saw the successful launch of *Becoming Reverend*, the story of Hull vicar Matt Woodcock and his journey to ordination, published by Church House Publishing. The book received widespread coverage including serialisation by a national newspaper.

The work of promoting the Christian message in the digital sphere continued with a year-long project allowing people to access live streamed Church of England services on mobile phones, attracting more than 40,000 viewers.

The Church of England's first Head of Digital Communications was appointed towards the end of 2016. Work began on transforming the websites of the Church of England and the Archbishops of Canterbury and York with nearly 2,000 people, both Christian and non-Christian consulted so far to help gauge opinions and requirements. More than

34,000 services were added to AChristmasNearYou.org and 1.5 million people were reached with the #JoyToTheWorld Christmas campaign featuring four short videos and encouraging people to experience a church service in the community.

In 2016, the national communications and media training programme continued to deliver courses across the country, equipping parishes and dioceses with the necessary skills – in broadcast, print and social media – to share the Church's message more effectively in a changing communications landscape. In addition, two new courses – *Writing Theology for Radio* and *Creating interactive Parish Magazines and Church Newsletters* – were developed and added to the programme.

CASE STUDY: The Council sponsored a play, *Still Here*, at the Edinburgh Festival Fringe in 2016 about the experiences of an Eritrean refugee in the Calais camp known as the Jungle. *Still Here*, performed in the grounds of St Mary's Cathedral in Edinburgh, charted the nine-day journey of a man who fled Eritrea after being persecuted for his Christian faith and his encounter in the camp with the play's author Rachel Partington, artistic director of Theatre for Justice. The play was shortlisted by the National Student Drama Festival for its Edinburgh Award 2016 and also longlisted by Amnesty International for its Freedom of Expression Award 2016.

Re-imagining and re-energising ministry for the lay and ordained

Throughout 2016, the Council worked to increase the number of ordinands by 50% by 2020, with a particular emphasis on encouraging under-represented groups including ethnic minorities, women and the under-30s. The Church of England Ministry Experience Scheme (CEMES) where 18-to-30-year-olds are given the chance to experience different forms of ministry in the church, continued to grow with 63 new participants enrolled in 2016.

A survey was carried out into developing forms of lay ministries across the dioceses including formal lay ministries such as Readers and Evangelists as well as more informal local ways in which lay people contribute to ministry in chaplaincies, fresh expressions and parish churches. The

report *Serving Together* was prepared in collaboration with *Setting God's People Free* and recommended improvements in vocations work, training, support and authorisation of lay ministries.

Dioceses and religious communities made use of prayer resources provided through ChurchPrintHub.org for a month of prayer for vocations. A website was launched providing resources for vocations work in the dioceses and a letter campaign was promoted to all new clergy encouraging them to nurture vocations drawing from their recent experience of calling. The dioceses were also provided with statistical information aimed at helping them assess their potential to increase ordained vocations.

Extensive consultation was carried out with dioceses and Theological Education Institutions after the General Synod gave its backing to new funding arrangements for resourcing ministerial education. A pilot scheme taking into account recommendations from the consultation was set up in September with 12 dioceses and six Theological Education Institutions. The new arrangements were approved by the Archbishops' Council in May 2017.

The Future Clergy review on the discernment and selection process for clergy was developed after wide consultation across the dioceses and proposals have now been presented and approved at the May 2017 House of Bishops meeting.

National Safeguarding: promoting a safer Church

New parish resources and training modules, work from national reviews, independent diocesan audits and engagement with the Independent Inquiry into Child Sexual Abuse (IICSA) are some of the key outcomes resulting from the National Safeguarding Team's (NST) 2016 business plan. *The Gospel, Sexual Abuse and the Church: A Theological Resource for the Local Church*, which grounds safeguarding in Christian Mission, has had wide parish take-up, along with the development of core training modules as part of the National Training and Development Framework, aimed at raising awareness and equipping people to have the confidence and skills they need to recognise and respond to those at risk of abuse.

The team continues to work towards more consistent safeguarding practices across the Church; this has been strengthened by revising national safeguarding policy, practice guidance and regulations associated with the Safeguarding and Clergy Discipline Measure 2016. Twenty independent diocesan safeguarding audits, an Archbishops' Council

commissioned project, were conducted in 2016 by the Social Care Institute for Excellence (SCIE). The SCIE reports and diocesan action plans are published both nationally and on diocesan websites.

The NST has continued to engage openly with the IICSA, supplying a range of information and documents for the 'Anglican Church' investigation, the first public hearing for which is due to begin in March 2018 with a focus on the Diocese of Chichester. The Team continues to implement recommendations from both the Elliot and Kendall House Reviews, including the inclusion of handling disclosures within training for bishops and their senior staff commencing in 2017. The NST is supporting the work of ongoing independent reviews into how the Church handled the cases of Bishop Peter Ball and George Bell, both initiated during 2016.

To support and strengthen the ongoing work of the NST, Provincial Safeguarding Advisers for both Lambeth Palace and Bishopthorpe were appointed during the year along with a full-time Safeguarding Communications lead. In the

summer of 2016 the Bishop of Durham, Paul Butler, stepped down from the role of lead bishop for safeguarding and handed over to the Bishop of Bath and Wells, Peter Hancock. A new National Safeguarding Steering Group, chaired by Bishop Peter, was established in the autumn of 2016 to provide oversight of the Church of England's work on safeguarding.

Graham Tilby, the National Safeguarding Adviser, said: '2016 was an important year for the Church as it seeks to develop a stronger national approach to safeguarding and strengthen the consistency and quality of its responses to protecting the vulnerable. The Church has the unique potential to respond well to those who have been harmed by abuse and those who pose a risk to others, as it seeks to welcome all. The NST will continue to play a key role in working collaboratively with those in and outside the Church to promote good safeguarding practice as integral to the mission of the whole Church.'

Contributing to the common good

Engagement with issues of social justice and public debate

REVIEW OF 2016

Refugees, welfare reform, child poverty, proposed changes to Sunday trading legislation and the EU Referendum and its aftermath were key areas of work in 2016.

In Parliament, the bishops were supported in successful campaigns – from retaining income related child poverty targets – to opposing an extension of Sunday trading and obtaining a promise of a review of licensing arrangements for Fixed Odds Betting Terminals.

On refugees, the Council supported dioceses and parishes engaging with local authority resettlement schemes as well as working with the Home Office and other civil society organisations to support the Community Sponsorship scheme for refugees, launched by the Archbishop of Canterbury and the Home Secretary in 2016.

The Council succeeded in securing a grant to fund The Clewer Initiative, a three-year programme to mobilise the Church of England dioceses to detect instances of modern day

slavery and provide support for the victims of human trafficking.

Updated guidance on promoting social cohesion was issued following a rise in hate crime in the wake of the EU Referendum result. Support was given to the newly-formed Just Finance Foundation, continuing the work of the Archbishop of Canterbury's Task Group on Responsible Credit and Savings. The Foundation's work on savings clubs and financial education in primary schools and its planned network of money and debt advice were both launched nationwide following successful pilot schemes.

Training was launched in 2016 in identifying 'unconscious bias' through the work of the Committee for Minority Ethnic Anglican Concerns (CMEAC). So far, the training has extended to boards and councils; groups working in lay and ordained ministry; human resources managers; and staff within the National Church Institutions and in eight dioceses, with this work set to continue in 2017.

Members of the Ryedale food bank (pictured: right, with the Archbishop of York). The foodbank is a project founded by local churches and community groups in the Southern Ryeland Deanery, working together to stop hunger in their local area.



Sixth formers from several schools in Chelmsford diocese came together for a Citizenship Day held at Chelmsford Cathedral on 'what it means to be British' (pictured: left). After listening to several speakers the students split into groups to discuss the subject further and reported back their findings, accompanied by lively discussion.

An interfaith event at Coventry Cathedral (pictured: right) shows invited Muslim guests gathering on a summer evening to break their Ramadan fast with an 'Iftar' meal, with members of the Cathedral community. The event was a great success and was featured in the Prime Minister's message.



Developing work in education

The Church of England educates one million children each year in 4,700 schools, with the wider network including 11 universities with an Anglican foundation. The Education Office supports the Archbishops' Council and the National Society, the original Church of England charity responsible for education, to promote the whole breadth of work in education, leading research-based projects to develop our mission and ministry among children and young people in schools, colleges, universities and parishes.

During 2016, the Council worked in a number of areas, from the launch of the Church of England's *Vision for Education* to ensuring so far as possible that the Church of

England has a proportionate share of new free schools and academies. Work undertaken in 2016 also included piloting a new approach to teaching, encouraging the development of positive character attributes. By the end of 2016, 31 free schools were open or in the pre-opening stages in 10 dioceses and 19 free schools were pending approval across 15 dioceses.

The publication of the *Vision for Education*, on the spiritual, physical, intellectual, emotional, moral and social development of children and young people, was overwhelmingly endorsed at the July meeting of the General Synod.

In the autumn of 2016 the Foundation for Educational Leadership was launched,

providing leadership development training for those holding key roles in education. Earlier in the year saw the launch of the RE resource *Understanding Christianity* to support teaching children from 4 to 14 years old. The resource was warmly received by teachers and RE advisers as well as students, with more than 2000 schools using the resource in the first six months. Two other key reports were published: *Rooted in the Church*, a research project exploring what helps young people to stay rooted in their faith and church lives, and *Unlocking Gifts*, on work to help the most disadvantaged pupils achieve and flourish.





Maintaining and developing Church buildings

The Council supports those caring for England's 16,000 churches and 42 cathedrals to ensure that buildings are an asset to the mission and ministry.

In 2016 the Council secured and allocated an additional £20 million of funding for the First World War Centenary Cathedral Repairs Fund. This was added to a previous £20 million and allocated to 39 cathedrals. Church of England cathedrals welcome more than 11 million visitors a year and in 2016 £14.5 million of the Fund was claimed as cathedrals completed essential works to

allow their buildings to remain safe, beautiful and open to all.

The Council's fundraising efforts and partnerships with the Wolfson Foundation, Pilgrim Trust and Radcliffe Trust helped it to award almost £600,000 of grants to churches for everything from conservation reports to building repairs. Its specialist conservation committees provided churches with expert advice on conserving the treasures in their care and using them as part of worship and outreach.

The Council is closely involved

in the Government's Churches and Cathedrals Sustainability Review launched in 2016. The Review will report in 2017 and aims to ensure the future of our churches by recommending new approaches to buildings management and ways to appreciate England's church heritage.

The Church Heritage Record, an online database of all England's Anglican churches, was officially launched, offering a wealth of information to researchers and historians, as well as providing the data for Church Days (www.churchdays.co.uk), the



Council's website dedicated to promoting churches as tourist destinations.

In 2016 new Environmental Awards were developed in partnership with the *Church Times*, providing cash prizes to support outstanding green projects in churches. The first awards will be made in 2017. Support was given to the Big Church Switch, which calls on churches and individual Christians of all denominations to switch their energy supply from fossil fuels to renewable energy.

Staff team and member bodies continued to provide expert advice on buildings care and development, as well as support for parishes affected by HS2, airport expansion and other major infrastructure projects. The Council's commitment to buildings sees it working continuously to simplify processes and to provide case studies, guidance and advice so that those caring for churches up and down the country have the support they need.

CASE STUDY: Gloucester Cathedral became the first major ancient Cathedral building to install solar panels in 2016 (pictured: backdrop), inspired by the Shrinking the Footprint campaign, the Church of England's commitment to reduce its carbon footprint by 80% by 2020. The new solar photovoltaics (PV) array on the roof of the nave of the cathedral will reduce energy costs by around 25% for the cathedral. The project had advice provided from the Cathedrals Fabric Commission for England, supported by expert advice from the Council.





CASE STUDY: St Michael and All Angels Church in Meeth, Devon, received a Church Care grant of £9,000 from the Cathedrals and Church Buildings Division to help restore four listed bells in their frame in 2016. Two of the bells are from 1714 with the other two dating back to before 1553. (pictured: above).

CASE STUDY: Hereford Cathedral was awarded more than £700,000 over the two phases of the First World War Centenary Cathedral Repairs Fund, administered by the Cathedrals team at the Council, for restoration of roofs on the northern side of the cathedral (pictured: right). The repairs are part of a strategic programme of repair, refurbishment and construction which seeks to make the cathedral and associated buildings fit for the twenty-first century and beyond.



The Council's plans for 2017

Evangelism: to bring more of the people of England to the faith of Christ through the Church of England, by helping at least half of dioceses to establish credible strategies for growth, supporting at least half of them through strategic funding, and beginning national programmes for targeted groups in higher education and estates.

Discipleship: to strengthen the Christian faith and life of all who worship God in the Church of England, by establishing the new discipleship portal, and supporting five champion dioceses for lay leadership, with take-up of activities by 10,000 adults in 2017.

Ministry: to ensure there are sufficient ordained and lay ministers of the required gifts and qualities who are effectively deployed to enable the Church of England to fulfil its mission, and to support those ministers in their calling, development, ministry and retirement. Our priority in this area in 2017 is to achieve a 10% increase in the number of ordinands, and to set a strategy for further increase, and from wider backgrounds; to implement the new funding arrangements for ministerial training; to complete a review of the selection of ministers, and to establish a national framework for lay ministries.

Common Good: to contribute to transforming our

society and communities more closely to reflect the Kingdom of God through loving acts of neighbourliness and service to all, by supporting dioceses in building social action initiatives into mission plans, and by developing more structured links with dioceses to give national support to local programmes in at least four areas.

Education: to promote high quality Christian education in Church of England schools and voluntary education settings, and through our Church contribution to other schools, colleges, further and higher education institutions – namely, through 50 new schools; developing programmes and training for 75 Multi Academy Trust (MAT) CEOs and 150 aspiring head teachers; and establishing 100 schools within the peer-to-peer support network.

Resources for the Church: to help dioceses and cathedrals to be most effective in their mission by introducing a cost-effective new national recruitment service for dioceses and all parts of the Church and to provide valued consultancy support to cathedrals facing financial difficulties.

Safeguarding: to ensure all children and vulnerable adults are safe in the Church, by continuing to build infrastructure and processes for the National Safeguarding

Function to promote a safer Church at all levels, including the development of policies and practice guidance, long-term audit processes, training, high-level casework handling, survivor engagement and responding to the Independent Inquiry into Child Sexual Abuse (IICSA).

Governance: to operate the national governance arrangements of the Church of England as cost-effectively as possible in pursuit of the Church's mission, by devising and implementing new approaches to organising and supporting meetings of bishops; better coordinating engagement with the Church's core internal stakeholders; and assisting the Church's governing bodies to decide a way ahead on issues of human sexuality.

Welcoming all people: to be a Church for all the people of England by developing a strategy for evangelism and discipleship for Black, Asian and Minority Ethnic (BAME), economically excluded and disabled people; supporting the continuing work of the bishops' and General Synod's conversations on marriage and same-sex relationships; undertaking a stocktake of the impact of Renewal and Reform on BAME communities, and developing the Renewal and Reform work on evangelism in outer estates.



Resources

Overview

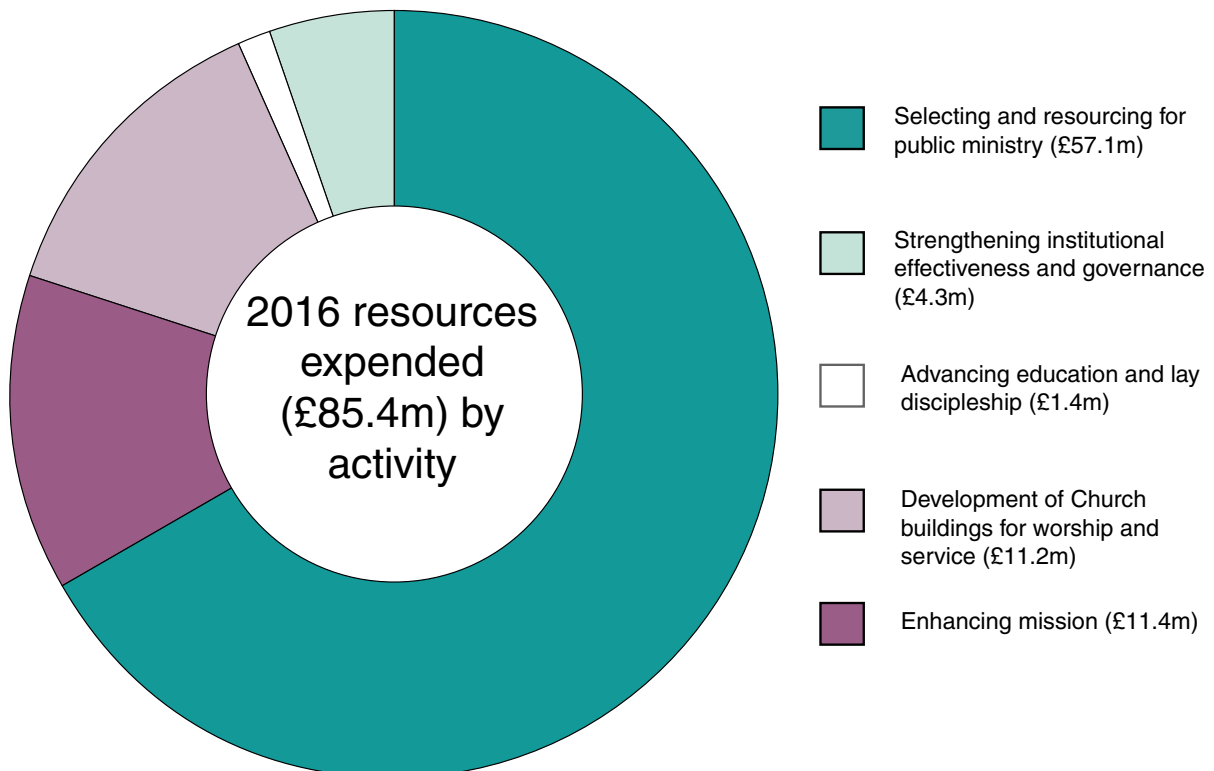
In 2016 resources expended by the Council totalled £85.4 million (2015: £87.0 million).

Net outgoing resources before gains on investments were £0.3 million in 2016 (2015: £0.7 million) as reserves and restricted and designated funds were used, as planned, in line with the purposes to enable activity to be achieved without the need for additional calls on dioceses for funding.

The greatest proportion of the Council's expenditure in 2016 was in relation to selecting and resourcing for public ministry, enhancing mission and development of Church buildings for worship and service. These represented 66.9% (2015: 64.1%), 13.3% (2015: 13.9%) and 13.1% (2015: 16.1%) respectively of the total resources expended by the Council.

Use of resources:

RESOURCES

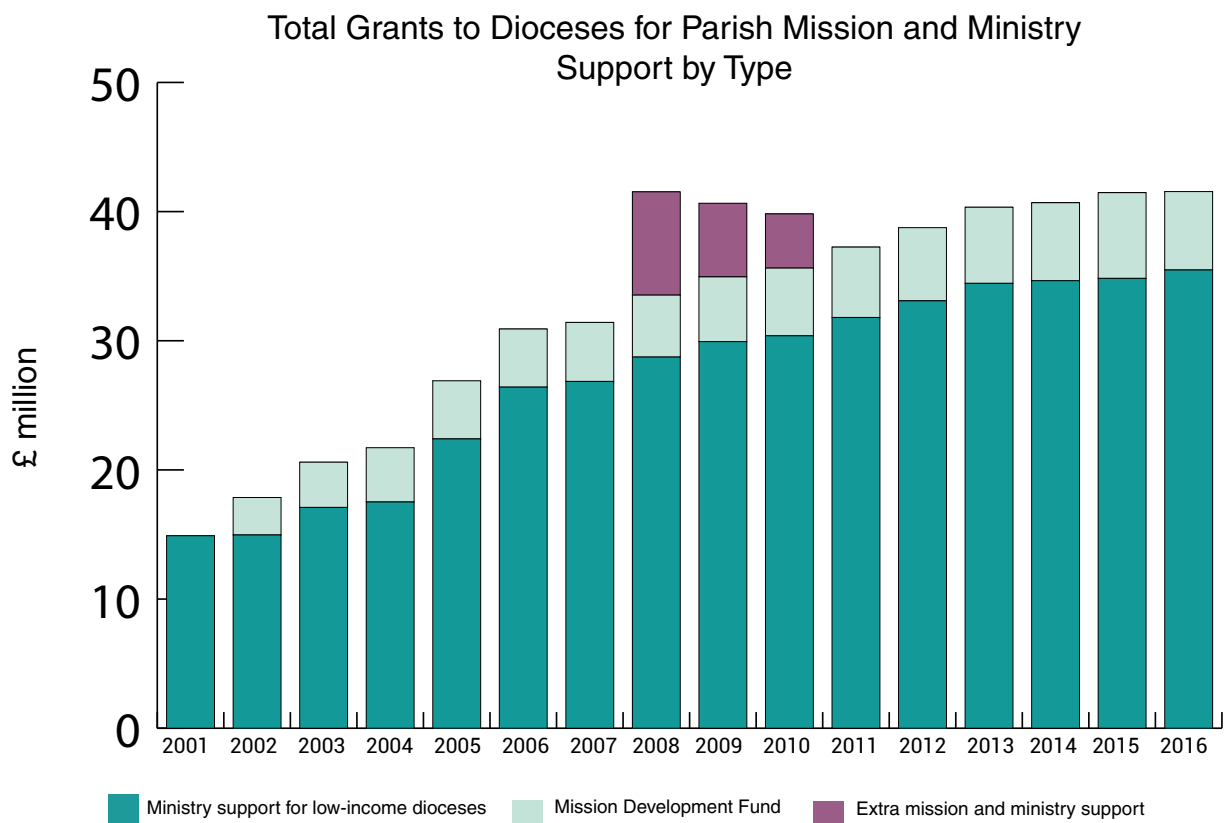


Ministry funding

There are two main grant streams for selecting for and resourcing public ministry:

Ministry support grants to low-income dioceses to help fund parish mission and ministry in the parishes where financial support is most needed (from funds made available to the Council by the Church Commissioners for distribution). In 2016 grants totalling £35.5 million (2015: £34.8 million) were made to the 26 (2015: 25) dioceses calculated as having below average resources per stipendiary minister, taking into account church attendance, local personal incomes and diocesan and parish investment income (see graph below). 16 (2015: 16) of these dioceses received grants of more than £1 million.

Training for Ministry grants of £13.3 million (2015: £13.0 million), including payments to the training institutions that provide approved residential, non-residential and context-based training based on the number of ordinands training at each institution, grants to support those individuals undertaking training and university validation fees.



Ministry and mission funding

In 2016, the Council distributed £6.1 million (2015: £6.6 million) between all dioceses under the mission funding stream. Dioceses provide details of how this money has been used to demonstrate accountability and transparency and to facilitate sharing of information. Other grant expenditure funded by the apportionment paid by dioceses included:

- Grants towards the work of the Anglican Communion Office, national and international ecumenical agencies (including Churches Together in England, the Conference of European Churches and the World Council of Churches), the Church Urban Fund and Fresh Expressions.
- Grants for pension contributions for clergy employed by qualifying mission agencies.
- Grants towards the subsidy required for the Clergy Retirement Housing scheme administered by the Church of England Pensions Board.

Use of legacies

The Council reviewed its legacies policy in 2016 and agreed that unrestricted legacies should continue to be added to its unrestricted legacies designated fund. It decided that its future policy for unrestricted legacies should be to spend them on priorities decided by the Council from time to time. Recent unrestricted legacies are being used to help fund the Baptisms and Funerals projects.

Fundraising

Section 162a of the Charities Act 2011 requires charities to make a statement regarding fundraising activities. The legislation defines fundraising as 'soliciting or otherwise procuring money or other property for charitable purposes'. The Council does not undertake fundraising from the general public but from time to time does apply for grant funding from grant-awarding charities. Any such amounts receivable are presented in the financial statements as 'voluntary income' and includes legacies and grants.

In relation to the above we confirm that all solicitations are managed internally, without involvement of commercial participators or professional fundraisers, or third parties. The day-to-day management of all income generation is delegated to the executive team, who are accountable to the trustees. The Council is not bound by any undertaking to be bound by any regulatory scheme. The Council has received no complaints in relation to fundraising activities. Its terms of employment require staff to behave reasonably at all times; as the Council does not approach individuals for funds contracts of employment do not particularise this requirement for fundraising activities nor does the Council consider it necessary to design specific procedures to monitor such activities.

Comment by the trustees about going concern

The Council has identified no material uncertainties that cast significant doubt on its ability to continue as a going concern. In reaching this conclusion, it considered its role in funding the Church's mission and ministry, the record of dioceses in meeting the apportionment requested from them, its reserves policy for each area of expenditure and the level of each of those reserves, the existence of certain restricted funds and, since the year end, confirmation from the Church Commissioners that, in 2017, the expected monies will be made available for distribution. The Council has concluded that it has a reasonable expectation that it will have adequate resources and cash flows to meet its spending commitments for the foreseeable future.

Reserves policy

The Council holds reserve funds for each of the five areas of expenditure voted on separately by General Synod to enable it to meet its obligations and commitments which span more than one accounting period, to assist in cash flow management and to help reduce the risk of needing to ask dioceses for a substantial increase in apportionment funding in any one year. In 2016 the Council agreed to hold between one and three months' monthly

expenditure as reserves for each of these five areas of expenditure, including its unrestricted funds (excluding designated funds) and set a target reserve level of two months' expenditure.

At the end of 2016 unrestricted general fund reserves (i.e. excluding designated funds and the pension reserve) were £0.4 million above the target level. In aggregate the reserves for the other expenditure categories were £0.1 million above the target levels. The Council is content with the current level of reserves and will bear actual and forecast levels in mind when setting its budgets for 2018 and beyond.

As a result of implementing the new accounting standards introduced in 2015 the Council, in common with all organisations making deficit recovery contributions to a defined benefit pension scheme, is required to account in full for the net present value of those contributions, even though they will be paid over many years. This resulted in pension reserve liability at the end of 2016 of £6.3 million (end 2015: £6.9 million) which will be met from future years' income as the agreed deficit contributions are paid. As a result total unrestricted funds were £2.7 million at the end of 2016 (end 2015: £1.0 million). Recognising that it is intended that the pension reserve will be reduced towards zero by planned deficit recovery contributions to be met from the general fund over

the next nine years, the Council plans to continue to state its reserves policy for unrestricted funds in terms of its general fund balance.

Investment policy and use of restricted funds

The Council's investment policy for its restricted funds – based on the planned distribution strategies for each – is summarised as follows:

1. For settlements planned to be retained beyond five years, the Council's investment managers have been set an annualised long-term target to achieve a total return of at least 3% above RPI after all costs. The investments for such funds are held in two Common Investment Funds diversified between and within asset classes.
2. For funds that are planned to be spent out within five years, the focus is on capital preservation with a target return of at least bank deposit rates. The ability to withdraw funds at relatively short notice is also imperative.

The Council's Investment Committee reviews and oversees the management of the Council's investments and reports twice a year to the Council and its Finance Committee. In 2016 the Committee had two formal

meetings with its two main investment managers. The aggregate total return from its long-term investments (with a time horizon of at least five years) was 10.6% in 2016 (2015: 2.4%) compared with the long-term target of 4.5% (2015: 4.2%). Over the past three years the return averaged 6.4% p.a. compared with the long-term target of 4.8% p.a.

Historically the Council's cash resources have been held in its current account or in the Central Board of Finance Church of England Deposit Fund. In 2016 the Council supplemented this with selective term deposits in line with its Treasury Management Policy, which is reviewed annually. The Council's average return on its cash holdings in 2016 was 0.3% (2015: 0.3%).

The Council also acts as custodian trustee for several funds. At the end of 2016 the assets of these funds, which are held in investments and cash separately from those of the Council, were valued at £3.3 million (end 2015: £3.0 million).

Ethical investment

The Council participates in the work of the Church's Ethical Investment Advisory Group (EIAG), which develops and coordinates ethical investment policy on behalf of the three main national Church investing bodies. Its membership includes members of the Council and its Mission and Public Affairs

Council. The EIAG makes policy recommendations based on thorough research, but responsibility for whether and how these are implemented rests with each investing body. The EIAG publishes an annual report of its work which is available, together with other related publications including its sector based policies, on the Church of England website. The Council also belongs to the ecumenical Church Investors Group.

The Common Investment Funds in which the Council invests have ethical investment policies. The Council complies with the EIAG's guidance on pooled funds, which was updated in 2014, and the Council and its Investment Committee regularly monitor compliance with this policy.

Public benefit

The Archbishops' Council has an enabling role in support of the ministry of the Church of England which, through its 13,000 parishes and the dioceses and through other means, seeks to provide spiritual care for all people in England. In particular:

- The Church of England is a focus for community activity in 13,000 parishes and 16,000 church buildings and, through the resources at its disposal, provides activities that support community development and social cohesion. Typically this includes projects that support children, families and the elderly through

clubs, social gatherings and outreach activities;

- The Church of England provides education in the Christian faith and encourages personal and spiritual growth and wellbeing;
- Through its engagement in local communities, its chaplains in many sectors of life, and its participation in public debate the Church of England promotes values that it believes are beneficial to society as a whole;
- Through its network of schools and academies, the Church of England provides an education for around 20% of children of primary school age and 6% of young people of secondary school age that is rooted in Christian values and available to families of all faiths and none.

The Council has had regard to the requirements of the Charities Act 2011 and published advice issued by the Charity Commission in relation to public benefit.

Structure and accountability

Compliance

The work of the Council and its supporting bodies is underpinned by openness to God, worship, service, and a desire to promote growth, partnership, unity, integrity and transparency. The Council carries out its work in compliance with relevant legislation and best practice. In carrying out its work, the Council aims to maintain and support a skilled and motivated staff and to ensure effective systems of organisation and governance.

Governance

In 2016, the Council met five times, including two 24-hour residential meetings. In addition a joint meeting between the Council and House of Bishops was held.

The Council reviews the constitutions of its committees once every five years. Following the 2009-2010 review a significant reduction was made in the size of these bodies and reporting arrangements were tightened. The 2015 review was of a more limited nature and consisted primarily of some small adjustments made after consultation with committee chairs in light of experience. The revised constitutions agreed by the Council took effect from 1 June 2016.

Boards, Councils and Committees of the Archbishops' Council

The following bodies undertake work as committees of the Archbishops' Council:

*Audit Committee of the Archbishops' Council

(chair: Mary Chapman)

Committee for the Ministry of and among Deaf and Disabled People

(chair: the Rt Revd Nicholas Holtam)

Committee for Minority Ethnic Anglican Concerns

(chair: the Venerable Daniel Kajumba to April 2016; the Venerable John Perumbalath from May 2016)

Council for Christian Unity

(chair: the Rt Revd Donald Allister)

Remuneration and Conditions of Service Committee

(chair: the Rt Revd David Walker to December 2016; the Rt Revd Christopher Foster from May 2017)

*Finance Committee

(chair: Canon John Spence)

*Ministry Council

(chair: the Rt Revd Stephen Croft to March 2017; the Rt Revd Martin Seely from March 2017)

*Mission and Public Affairs Council

(chair: Philip Fletcher to December 2016; Mark Sheard from February 2017)

**the chair of the bodies marked with an asterisk must be a member of the Archbishops' Council*

Key working relationships

The Archbishops' Council works in close partnership with the other National Church Institutions (NCIs): the Church Commissioners, the Church of England Pensions Board, Church of England Central Services, the offices of the Archbishops of Canterbury and York, the National Society and Lambeth Palace Library. Key working relationships with Church bodies include:

General Synod

The Council is not a body of the General Synod, but a statutory body established under the National Church Institutions Measure 1998. All of its members are either drawn from the General Synod or become members of the General Synod through their appointment to the Archbishops' Council.

This helps to ensure that there is a close relationship between the Council and the Synod, not least because the Council and its committees undertake work on behalf of the Synod and report to the Synod on that and other work as it progresses and on completion.

Members of the General Synod may ask questions of the Council and its committees when the General Synod meets and the General Synod approves the Council's annual budget and receives the Council's annual report.

House of Bishops

The Council and the House of Bishops work together to provide leadership and to develop and resource policy, particularly on issues around lay and ordained ministry, education, social engagement, engagement with Government and framing Church legislation.

Church Commissioners

Under the terms of the National Institutions Measure 1998, the Council and the Commissioners work closely to develop spending plans reflecting the Council's priorities for the coming period. The Council receives reports annually on the uses to which that funding has been put to enable it to confirm to the Church Commissioners that the money has been used for the purposes for which it was given.

Dioceses

Some of the Council's work is funded by the dioceses of the Church of England. This gives the Council a responsibility to demonstrate that the money it receives is spent effectively and to work on behalf of the dioceses to provide a central source of advice, a resource for the development of policy and legislation and a focus of engagement with government and other agencies on behalf of the Church.

The Council also distributes grants from the Church Commissioners to dioceses under the terms of the National Institutions Measure 1998 to support their mission and ministry.

Church of England Central Services (ChECS)

ChECS facilitates the provision of cost-effective shared financial, legal and other services to the NCIs and provides payroll and other services to dioceses and other charities with a Church ethos. It is jointly owned by the Council, Church Commissioners and Church of England Pensions Board and its directors are the Chair of the Council's Finance Committee, the First Church Estates Commissioner and the Chair of the Pensions Board.

The Archbishops' Council and the General Synod have a number of other committees, commissions and similar bodies that report to them. Details are available on request.

Appointments made by the Council to other charities

The Council has the right to make appointments to certain other Church charities. It appoints two of the 12 trustees of the Church Urban Fund and the Council's Finance Committee also appoints one trustee. The Council appoints six of the 13 trustees of Near Neighbours.

Trustee recruitment, appointment and induction

Members of the Archbishops' Council have responsibilities as trustees. They hold office in a variety of ways: ex officio (the two Archbishops; the First Church Estates Commissioner; the Chair and Vice-Chair of the House of Laity; and the two Prolocutors); elected (two members each of the Houses of Bishops, Clergy and Laity of the General Synod); or appointed (by the Archbishops with the approval of the General Synod after an extensive public recruitment process).

Tailored induction, covering such areas as key relationships, financial information and forward strategy, is offered to all new trustees. New and existing trustees also have the opportunity to meet Directors and other staff for briefing on particular areas of work. Members also have the opportunity to learn about the Council and contribute to its development as members of committees and working parties for specific areas of its work and operation.

Trustee responsibilities in relation to the financial statements

As trustees, Council members are responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards. The law applicable to charities in England and Wales requires the Council to prepare financial statements each year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for the period. In preparing the financial statements, the trustees are required to:

- Select suitable accounting policies and apply them consistently
- Observe the methods and principles of the Charities Statement of Recommended Practice
- State whether applicable accounting standards have been followed, subject to any departures disclosed and explained in the financial statements
- Make judgements and estimates that are reasonable and prudent
- Prepare financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business

They are responsible for keeping accounting records that disclose with reasonable accuracy the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the National Institutions Measure 1998. They are also responsible for safeguarding the assets of the Archbishops' Council and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Risk management

The Archbishops' Council's risk management policy defines its approach to risk management and outlines the roles and responsibilities of members, management and staff. The Council reviews the risk registers and risk management arrangements of the Archbishops' Council at least annually. The Council is supported by the Audit Committee, which regularly reviews the content of the risk registers and seeks assurance over the adequacy of arrangements in place to manage the risks.

Departments and risk owners are responsible for the identification, assessment and review of risks to the achievement of their objectives. Risks are prioritised using an agreed scoring methodology and are assessed at an inherent and residual level. The risk management process is facilitated and monitored by the Audit and Risk function. The management of key risks are subject to independent review and assurance through the internal audit process, which reports to the Audit Committee.

Principal risks

The principal areas of risk for the Archbishops' Council, as agreed by the trustees, are:

| Risk area | Summary of actions and plans to mitigate the risks |
|--|---|
| Ministry education and recruitment – failure to secure sufficient number and quality of ministers, clergy and lay, to enable dioceses to deliver their mission aims. | Development of programmes in consultation with dioceses and theological training institutions in light of Resourcing Ministerial Education report. Training, guidance and advice for dioceses to encourage innovation and good practice in the identification and selection of potential candidates. Development of proposals and plans on discipleship and lay leadership. Development of programmes to encourage increase and greater diversity in candidates for ordained ministry. |
| Achieving growth – new proposals and initiatives to facilitate growth are not effective in the longer term. | Development of plans for national-level support for mission growth Implementation of new funding arrangements for dioceses. Improved governance arrangements and processes to award, monitor and review the impact of local projects and initiatives. Advice and consulting services for dioceses to enable effective use of new funding. |
| Safeguarding issues – failure to secure the effective implementation of robust and appropriate safeguarding processes. | Increased resourcing and development of the national safeguarding capability. Roll-out of good practice and training to dioceses and other Church institutions. Legislative change to improve accountability and facilitate action. Implementation of processes to review the adequacy of arrangements in place across dioceses. Development of a national safeguarding framework. |

| | |
|--|--|
| <p>Failure to get adequate support from key stakeholders for the proposals under the Renewal and Reform agenda.</p> | <p>Regular communication, discussion and engagement with stakeholders to build consensus.</p> <p>Development of clear proposals and business plans, outlining objectives, approach and funding proposals.</p> |
| <p>Funding – inability to sustain key council objectives as a result of resourcing difficulties</p> | <p>Trustee and senior management oversight of budget setting and monitoring, to control expenditure and target resources.</p> <p>Development and management of detailed proposals for the roll-out of the Renewal and Reform agenda.</p> <p>Development of proposals and plans for supplementary sources of funding from 2017.</p> |
| <p>Capacity and capability – ensuring adequate IT and Staff resource/capability to deliver new initiatives.</p> | <p>Improvements to IT infrastructure and IT security have been undertaken and further developments are planned.</p> <p>Implementation of an IT Governance Group to review the robustness of processes.</p> <p>How We Work programme started and being rolled out. Work on agreed values has been well received by stakeholders.</p> <p>Working groups set up to review the results of the staff survey.</p> <p>Renewal and Reform Programme Board in place to oversee work, progression and capacity/capability management.</p> |
| <p>Adverse reputational impact – as a result of debates in the Church of England around contentious and divisive issues.</p> | <p>Shared Conversations have been managed by trained facilitators between key stakeholders with regards to the sexuality debate.</p> <p>Archbishops have set out way ahead for wide group to produce teaching document on marriage and relationships, and parallel pastoral and policy group.</p> <p>Media training for key staff.</p> <p>Ensuring a good cross-section of church opinion on ad-hoc reference groups.</p> <p>Maintaining effective relationships with Parliament, presenting a clear and accurate view of our active position on issues arising.</p> |

As a body whose object is to 'coordinate, promote, aid and further the work and mission of the Church of England', the Council also devotes time at least twice a year to considering and assessing wider challenges and risks facing the Church of England generally.

People and organisation

The Archbishops' Council has a responsibility to work with the other National Church Institutions (NCIs) to serve the wider Church and ensure effective use of the Church's money.

The ambitious programme of work under Renewal and Reform seeks to provide a narrative of hope to the Church of England in the twenty-first century. A strand of this programme, How We Work, is focusing on enabling the delivery of Renewal and Reform through improving how the NCIs serve and support the mission of the Church of England. Within this programme of work, the Archbishops' Council will develop funding models for major projects. Where the funding model involves central funding being made available, these projects will be scrutinised through a similar process as that in place for diocesan funding bids.

This significant change programme includes three work streams. The first is 'improving how we work with dioceses and cathedrals'. A greater emphasis has been placed on stakeholder engagement. As a result, we are working more closely and effectively with the wider Church to provide services for it, with a focus on a small number of specific projects at any one time.

The second work stream focuses on how the NCIs steward the data, systems and processes that they manage on behalf of the Church. It involves developing and delivering data, information and systems architecture which enable effective data flow and accurate information.

These strands are underpinned by a third work stream focusing on leadership and cultural change within the Council and the other NCIs.

- **Working towards a common purpose**

In May 2016 we published a common purpose statement and set of behavioural values. Our stated purpose (to support the mission and ministries of the Church) places an emphasis on the importance of how we work together within the NCIs and our stakeholders. Our values (excellence, respect and integrity) underpin our approach, and are being embedded throughout the NCIs.

Our purpose: 'We in the National Church Institutions support the mission and ministries of the Church locally and throughout England. We work together in our teams, with those who serve in parishes, dioceses, schools and other ministries, and with our partners at a national and international level.'

Results from the 2016 staff survey demonstrated a strong sense of shared purpose and values, and understanding of where the NCIs fit in the wider-world context.

- **Building leadership capacity**

Improving our leadership capacity is a key area of focus across the NCIs. In 2016 a new network of senior managers (the Senior Leadership Group) was created to bring the NCIs closer together, strategically and operationally. From a cultural standpoint, the Group is also playing a key role in fostering a work environment that values collaboration and communication between departments and with our stakeholders.

- **Our people**

Half of all staff (50%) have been employed by the NCIs for three years or fewer, and just over three quarters (78%) employed for ten years or fewer. Senior managers (bands 0-2) account for a fifth (20%) of the total workforce of 556 employees (462 full-time equivalent). The Archbishops' Council was the managing employer for an average of 106 staff during 2016 (2015: 103). On 1 April 2016 the Research and Statistics team

transferred from the Archbishops' Council to Church of England Central Services.

The percentage of people who class themselves as black or minority ethnic within the Archbishops' Council fell by 1.6 percentage points during 2016 to 7.8% at the end of 2016. Across the NCIs, the percentage at the end of 2016 was 14.3% – a drop of 0.2% on 2015.

We have a target that at least 40% of senior roles will be filled by women. At the end of 2016 the percentage of women in senior roles was 38% compared with 40% at the end of 2015. Taking account of appointments made towards the end of 2016 and in early 2017, the percentage of women in senior roles will return to the target level in the first half of 2017.

The percentage of people who completed the staff survey in 2016 who classed themselves as having a disability was 6%, compared to 3% in 2015.

We are making changes to our recruitment strategy to attract a greater diversity of candidates that reflect the communities in which we operate. This includes placing a greater emphasis on the use of social media sites to advertise vacancies within the NCIs. In 2016 we formed a partnership with Westminster College to create an apprenticeship scheme – part of a wider programme to increase the number of routes into working at the NCIs, including internships, graduate schemes and work placements.

Pay policy and gender pay reporting

The Church and the NCIs are committed to equal pay and transparency in remuneration matters. All the staff of the Archbishops' Council are covered by a unified pay policy that operates across all the NCIs. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value. For certain staff with specialist skills and / or a professional qualification deemed necessary for the post, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market-related salaries and is subject to annual review. The NCIs retain the services of AON Hewitt to advise on market rates.

Certain senior roles, including Chief Executive posts, sit outside the banding system, as the skill set required to fulfil the role is not readily measured within the NCI's standard job evaluation system. Salaries for these roles are set individually with reference to the wider marketplace, typically comparing to the charity and public sector market, and is overseen by the Remuneration Committee, comprising senior trustees from each of the main NCIs. In general these staff can expect the same percentage annual uplift for cost of living as the rest of the staff.

The amount paid to the highest member of staff is 8 (2015: 8) times the salary earned by the lowest paid member of staff and 4 (2015: 4) times the median salary. All staff employed by the Archbishops' Council earn at least the London Living Wage other than apprentices, who are paid at least the 18-20 minimum wage for apprentices and supported in their education programmes.

We will be reporting our gender pay gap during 2017 in line with new government legislation.

All of these people-focused activities are designed to help the Archbishops' Council and the NCIs collectively become more efficient and effective, to provide a high-quality and value-for-money service for the wider Church, and to distribute funding as effectively as possible to support the mission and ministry of the Church of England and the work of Renewal and Reform.

Administrative information

The Archbishops' Council is a charity registered under no. 1074857.

Membership of the Archbishops' Council from 1 January 2016 and up to the date of this report was as follows:

Joint Presidents

| | |
|---|-------|
| The Most Revd and Rt Hon Justin Welby, Archbishop of Canterbury | (5/5) |
| The Most Revd and Rt Hon Dr John Sentamu, Archbishop of York | (2/5) |

Prolocutors of the Lower Houses of the Convocations of Canterbury and York (ex officio)

| | |
|--|-------|
| The Ven Cherry Vann (York) | (4/5) |
| The Revd Canon Simon Butler (Canterbury) | (4/5) |

Officers of the House of Laity (ex officio)

| | |
|--|-------|
| Canon Dr James Harrison (Chair, House of Laity) | (5/5) |
| Canon Elizabeth Paver (Vice-Chair, House of Laity) | (4/5) |

Elected by the House of Bishops

| | |
|---|-------|
| The Rt Revd Stephen Conway | (4/5) |
| The Rt Revd Dr Steven Croft (to September 2016) | (3/3) |
| The Rt Revd Martin Seeley (from March 2017) | (-) |

Elected by the House of Clergy

| | |
|--|-------|
| The Revd Canon Robert Cotton (to February 2016) | (1/1) |
| The Revd Mark Ireland (to February 2016) | (1/1) |
| The Revd Dr Ian Paul (from February 2016) | (4/4) |
| The Revd Prebendary Sarah Schofield (from February 2016) | (2/4) |

Elected by the House of Laity

| | |
|--|-------|
| Lorna Ashworth (from January 2016) | (3/5) |
| Paul Boyd-Lee (to January 2016) | (-) |
| Christina Rees (to January 2016) | (-) |
| Canon Mark Russell (from January 2016) | (4/5) |

Appointed by the Archbishops with the approval of the General Synod

| | |
|------------------------------------|-------|
| Mary Chapman | (5/5) |
| Philip Fletcher (to December 2016) | (5/5) |
| Matthew Frost | (4/5) |
| The Revd Dr Rosalyn Murphy | (5/5) |
| Rebecca Salter (née Swinson) | (5/5) |
| Canon John Spence | (5/5) |
| Mark Sheard (from February 2017) | (-) |

A Church Estates Commissioner

| | |
|--|-------|
| Sir Andreas Whittam Smith, First Church Estates Commissioner | (3/5) |
|--|-------|

(The figures in brackets indicate (i) the number of meetings each member attended in 2016 (ii) the number of meetings each member was eligible to attend).

Senior Management Group of the Archbishops' Council

William Nye, Secretary General to the Council and the General Synod
The Revd Arun Arora, Director of Communications (until April 2017)
The Revd Canon Dr Malcolm Brown, Director of Mission and Public Affairs
Becky Clark, Director of Cathedral and Church Buildings (from January 2017)
Hannah Foster, Director of Human Resources
The Revd Nigel Genders, Chief Education Officer
Janet Gough, Director of Cathedral and Church Buildings (until July 2016)
The Ven Julian Hubbard, Director of Ministry
Dr Jacqui Philips, Clerk to the Synod and Director, Central Secretariat
Stephen Slack, Head of the Legal Office and Chief Legal Adviser to the Archbishops' Council
David White, Head of Financial Policy and Planning

Senior staff of Shared Services managed by other NCIs

Michael Cole, Director of Risk Management and Internal Audit (until June 2016)
Aneil Jhumat, Director of Risk Management and Internal Audit (from October 2016)
Declan Kelly, Director of Libraries, Archives and Information Services
Ian Theodoreson, Chief Finance Officer

Website

The website for the Church of England is at www.churchofengland.org

Offices and advisers

The Archbishops' Council advisers are listed below. All professional adviser appointments are regularly reviewed.

Registered office: Church House, Great Smith Street, London SW1P 3AZ
Tel: 020 7898 1000

Investment managers: CCLA Investment Management Limited, Senator House,
85 Queen Victoria Street, London EC2V 4ET
Sarasin & Partners LLP, Juxon House, 100 St Paul's Churchyard,
London EC4M 8BU
Ruffer LLP, 80 Victoria Street, London SW1E 5JL

Bankers: National Westminster Bank plc, Princes Street, London EC2R 8BP
Lloyds Bank plc, 25 Gresham Street, London EC2V 7HN

Solicitors: The Legal Office of the National Church Institutions of the Church of England,
Church House, Great Smith Street, London SW1P 3AZ

Auditors: BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA

Independent auditor's report

to the Trustees of The Archbishops' Council

We have audited the financial statements of The Archbishops' Council for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the charity's trustees, as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement, the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at: www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2016, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

Statutory Auditor
Gatwick
United Kingdom
Date: July 2017

BDO LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2016

| | Notes | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | Total 2016 £'000 | Total 2015** £'000 |
|---|-------|--------------------------------|------------------------------|-----------------------------|---------------------------------|-----------------------------------|
| Income from: | | | | | | |
| Grants, donations and legacies | 2 | 11,310 | 71,282 | 1 | 82,593 | 83,733 |
| Charitable activities | 3 | 2,359 | - | - | 2,359 | 2,402 |
| Investment income | 4 | 13 | 34 | 78 | 125 | 143 |
| Total income | | 13,682 | 71,316 | 79 | 85,077 | 86,278 |
| Expenditure on: | | | | | | |
| Charitable activities | 5 | (14,071) | (70,787) | (534) | (85,392) | (86,981) |
| Total expenditure | | (14,071) | (70,787) | (534) | (85,392) | (86,981) |
| Total income less expenditure before gain on investments | | (389) | 529 | (455) | (315) | (703) |
| Gains on investments | 10 | - | 16 | 3,309 | 3,325 | 764 |
| Other gains/(losses) | | - | - | - | - | 103 |
| Net (expenditure)/income | | (389) | 545 | 2,854 | 3,010 | 164 |
| Transfers between funds | 14 | 2,066 | 255 | (2,321) | - | - |
| Net movement in funds | | 1,677 | 800 | 533 | 3,010 | 164 |
| Total funds at 1 January | 14 | 1,002 | 5,688 | 33,257 | 39,947 | 39,783 |
| Total funds at 31 December | 14 | 2,679 | 6,488 | 33,790 | 42,957 | 39,947 |

The income, expenditure and other recognised gains and losses all relate to continuing operations, none of which were acquired during the year.

The financial statements were approved by The Archbishops' Council on 23 March 2017 and signed on its behalf by:

The Most Reverend and Rt Hon Justin Welby, Archbishop of Canterbury

Chairman of the Finance Committee, Canon John Spence

*** See following page for full breakdown of prior year's Statement of Financial Activities.*

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2015

| | Notes | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | Total 2015 £'000 |
|---|-------|--------------------------------|------------------------------|-----------------------------|---------------------------------|
| Income from: | | | | | |
| Grants, donations and legacies | 2 | 11,030 | 72,644 | 59 | 83,733 |
| Charitable activities | 3 | 2,402 | - | - | 2,402 |
| Investment income | 4 | 24 | 33 | 86 | 143 |
| Total income | | 13,456 | 72,677 | 145 | 86,278 |
| Expenditure on: | | | | | |
| Charitable activities | 5 | (12,152) | (73,427) | (1,402) | (86,981) |
| Total expenditure | | (12,152) | (73,427) | (1,402) | (86,981) |
| Total income less expenditure before gain on investments | | 1,304 | (750) | (1,257) | (703) |
| Gains on investments | 10 | - | 1 | 763 | 764 |
| Other gains/(losses) | | - | - | 103 | 103 |
| Net (expenditure)/income | | 1,304 | (749) | (391) | 164 |
| Transfers between funds | 14 | 199 | 143 | (342) | - |
| Net movement in funds | | 1,503 | (606) | (733) | 164 |
| Total funds at 1 January | 14 | (501) | 6,294 | 33,990 | 39,783 |
| Total funds at 31 December | 14 | 1,002 | 5,688 | 33,257 | 39,947 |

The income, expenditure and other recognised gains and losses all relate to continuing operations, none of which were acquired during the year.

BALANCE SHEET

As at 31 December 2016

| | Notes | 2016 £'000 | 2015 £'000 |
|--|-------|---------------|---------------|
| Fixed assets | | | |
| Investments | 10 | 37,373 | 35,645 |
| Tangible assets | 11 | 82 | 208 |
| Total fixed assets | | 37,455 | 35,853 |
| Current assets | | | |
| Debtors | 12 | 1,998 | 2,262 |
| Cash equivalents | | 8,691 | 9,190 |
| Cash at bank and in hand | | 3,259 | 1,483 |
| Total current assets | | 13,948 | 12,935 |
| Liabilities | | | |
| Creditors: amounts falling due within one year | 13 | (2,196) | (1,962) |
| Net current assets | | 11,752 | 10,973 |
| Net assets excluding pension liability | | 49,207 | 46,826 |
| Provision for pension deficit recovery liability | 15 | (6,250) | (6,879) |
| Total net assets | | 42,957 | 39,947 |
| Funds of the charity | | | |
| Unrestricted funds: | | | |
| General fund | 14 | 3,145 | 2,000 |
| Designated funds | 14 | 5,784 | 5,880 |
| Pension reserve | 14 | (6,250) | (6,878) |
| Total unrestricted funds | | 2,679 | 1,002 |
| Restricted funds | 14 | 6,488 | 5,688 |
| Endowment funds | 14 | 33,790 | 33,257 |
| Total funds of the charity | | 42,957 | 39,947 |

CASH FLOW STATEMENT

For the year ended 31 December 2016

| | Total | |
|--|---------------|----------------|
| | 2016 | 2015 |
| | £'000 | £'000 |
| <i>Reconciliation of net income to net cash flow from operating activities:</i> | | |
| Net income for the year (as per the statement of financial activities) | 3,010 | 164 |
| Depreciation | 126 | 125 |
| Gains on investments | (3,325) | (764) |
| Investment income | (125) | (143) |
| (Increase)/decrease in debtors | 264 | 305 |
| Increase/(decrease) in creditors | 234 | (545) |
| Increase/(decrease) in pension liability | (629) | (2,620) |
| Net cash flow provided by / (used in) operating activities | (445) | (3,478) |
| <i>Statement of cash flows:</i> | | |
| Cash flows from investing activities | | |
| Investment income | 125 | 143 |
| Sale of fixed asset investments | 1,597 | 1,852 |
| Net cash flow provided by / (used in) investing activities | 1,722 | 1,995 |
| Change in cash and cash equivalents in the year | 1,277 | (1,483) |
| Cash and cash equivalents at the start of the year | 10,673 | 12,156 |
| Cash and cash equivalents at the end of the year | 11,950 | 10,673 |
| <i>Analysis of cash and cash equivalents:</i> | | |
| Short term deposits | 8,691 | 9,190 |
| Cash at bank and in hand | 3,259 | 1,483 |
| | 11,950 | 10,673 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. Accounting policies

(a) Legal status

The Archbishops' Council is a statutory body established by the National Institutions Measure 1998 and was registered as a charity on 25 March 1999.

(b) Basis of preparation

The charity's financial information has been prepared in accordance with:

- Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102");
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ("the SORP"); and
- the Charities Act 2011.

The Council meets the definition of a Public Benefit Entity ("PBE") as set out in FRS 100, and therefore applies the PBE prefixed paragraphs in FRS 102. The date of transition to FRS 102 was 1 January 2014.

The financial information has been prepared on the historical cost basis (except for the revaluation of investments) and on the accruals basis.

These financial statements comprise all the Council's designated, restricted and endowment funds and trusts for which the Council is custodian trustee and has control drawn up to 31 December each year.

A summary of the accounting policies, which have been applied consistently across the group, is set out below.

(c) Going concern

The trustees have reasonable expectation that the Council has adequate resources and cash flows to meet spending commitments for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts. The most significant assumptions that affect items in the accounts are to do with estimating the pension deficit liability (see Notes 1(h) and 15 for more details).

With respect to the next reporting period, the most significant areas of uncertainty that affect the carrying value of assets held by the Charity are the level of investment return and the performance of investment markets (see the "Investment Policy and use of Restricted Funds" and "Risk Management" sections of the trustees' annual report for more information).

(d) Funds structure

Unrestricted funds

General Funds are funds of the Council which can be used for its general charitable objects to coordinate, promote, aid and further the work and mission of the Church of England.

Designated Funds are funds which the Council has earmarked for a particular purpose. There are no legally binding restrictions on them and the Council is free to redesignate these funds should this be appropriate. The purpose of each designated fund is disclosed in the statement of funds (note 14).

Restricted funds

Restricted Funds are subject to specific conditions imposed by the donor, these conditions being legally binding upon the Council.

Endowment funds

Expendable endowment restricted funds are sums of money which may be spent in their entirety on the specified purposes, but do not have to be spent on those purposes within a reasonable period. One such expendable endowment fund is the Church and Community Fund (note 14), for which there is absolute discretionary power to expend in accordance with its trust deed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Permanent endowment restricted funds are created when a sum of money is received from a donor who specifies that it must not be spent as if it were income. Usually the donor will instruct that the sum of money must be invested, and the income generated must be spent on certain specified purposes.

Further details of each fund are shown in note 14.

(e) Income recognition

All income is recognised when the Council is legally entitled to the income and the amount can be quantified with reasonable accuracy. Pecuniary legacies are recognised as receivable once probate has been granted and notification has been received. Residuary legacies are recognised as receivable once probate has been granted where sufficient information has been received, on an estimated basis as follows: cash elements are recognised at monetary value, with property and other assets, including investments, valued at probate or net realisable value. Values are reviewed and adjusted up to the point of accounts approval.

Gifts in kind are valued at an amount equivalent to the value of the gift to the charity at the time of the receipt and recognised on the SOFA.

(f) Expenditure recognition

Expenditure and liabilities are recognised when a legal or constructive obligation exists as outlined in Section 7 of FRS 102.

All expenditure is accounted for on an accruals basis.

The Council's expenditure on charitable activities is described in note 5. Direct costs and grants are allocated directly to activities. Support costs are apportioned directly to the activity which they relate (as shown in note 8). Overheads are apportioned according to an activity based time split. Direct funding is described in note 7.

Grants payable are recognised when a firm commitment to provide funding is made and there is evidence of a constructive obligation to the beneficiary. Details of the Council's grant making activities are outlined in note 6. Any ministry training maintenance grants for the Lent term of the following year, paid in the current year, are accounted for as prepayments.

(g) Fixed assets

Tangible assets

Costs incurred on acquiring, improving or adding to assets are capitalised. Repair and maintenance costs are charged to the SOFA in the period they are incurred.

Gains (or losses) resulting from the sale of fixed assets are recognised in income (or expenditure for losses).

Depreciation is charged on a straight line basis over the estimated useful life of the asset, calculated on the opening balance sheet value, on the following fixed assets:

| Fixed asset | Estimated useful life |
|-------------------------------|-----------------------|
| Leasehold office improvements | 10 years |
| Office equipment | 5 years |

Investments: Investment funds

Investments funds are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Net gains and losses arising on revaluation and disposals throughout the year are recognised in the SOFA. The Council does not acquire put options, derivatives or other complex financial instruments.

All investments held with Ruffer and Sarasin are invested on an accumulation basis, where dividends received are reinvested as new units within the fund (except for investments held within permanent endowment funds).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

Investments: Social investments

The adoption of FRS 102 with effect from 1 January 2015 allowed for the Charity to opt out of revaluation of properties on the basis of undue effort. Performing a valuation of the properties was deemed to be an ineffective use of time and resources due to lack of comparative properties plus the escalated valuation cost.

(h) Pensions

Staff pensions are described in note 15. Defined benefit schemes are considered to be a multi-employer schemes as described in FRS 102 paragraph 28.11 and consequently are accounted for as if they were defined contribution schemes, where employer contributions payable in the year are charged to expenditure. The NCIs pension scheme liability is calculated by actuaries Lane, Clark and Peacock (LCP) LLP. The Church of England Pensions Board took advice from LCP and have determined the method and assumptions to use for this valuation in consultation with the employers. The valuation adopts the "projected unit method", under which the technical provisions are calculated as the amount of assets required as at the valuation date to meet the projected benefit cash flows, based on benefits accrued to the valuation date and the various assumptions made.

The Fund faces a number of risks. In particular, the actual returns on the Fund's assets may prove to be higher or lower than those anticipated in the calculation of the technical provisions. The greater the returns anticipated, the greater is the chance that actual returns will be lower, leading to the need for additional employer contributions in the future. Similarly, there is the risk that the other assumptions adopted are not borne out by future experience.

(i) Leases

Rent paid in relation to operating leases is charged to the SOFA in equal amounts over the period of the lease.

(j) Taxation

The Council, as a registered charity, is exempt from taxation on its income and gains falling within Part 11 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to their charitable purposes.

In common with many other charities, the Council is unable to recover the entirety of Value Added Tax (VAT) incurred on expenditure. The amount of VAT that cannot be recovered is included within the underlying cost to which it relates.

(k) Related parties

The Church of England is governed by a large number of legally independent bodies in its parishes, cathedrals and dioceses as well as at national level. These bodies, with the exceptions of those set out below, are not related parties as defined in the Charities SORP or Section 9 of FRS 102. Transactions and balances with these bodies are accounted for in the same way as other transactions and, where material, are separately identified in the notes to the financial statements.

The Council, together with the Church Commissioners and the Church of England Pensions Board are equal partners in Church of England Central Services (ChECS), a joint venture (jointly controlled entity). The Council's interest in ChECS is not consolidated as the Council is not a group. Any balances owing to or from ChECS are recorded in debtors/creditors. Further detail is provided in note 19.

The Council is also related to the following pension funds, operated by the Church of England Pensions Board: Clergy Funded Pension Scheme; Church Administrators Pension Fund, Church Workers Pension Fund. Details about the pension funds, including contributions paid, are given in note 15.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. Income from grants, donations and legacies

| | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | Total 2016 £'000 | Total 2015 £'000 |
|---|--------------------------------|------------------------------|-----------------------------|---------------------------------|------------------------|
| Grants received from: | | | | | |
| Church Commissioners | 415 | 41,696 | - | 42,111 | 41,333 |
| Pilgrim Trust | - | 150 | - | 150 | 150 |
| First World War Centenary Cathedrals Repair Fund | - | 8,787 | - | 8,787 | 11,672 |
| Others | - | 508 | - | 508 | 50 |
| Total grants received | 415 | 51,141 | - | 51,556 | 53,205 |
| Gift of rent-free accommodation | 627 | - | - | 627 | 1,025 |
| Contributions from dioceses | 10,133 | 19,890 | - | 30,023 | 29,188 |
| Legacies | 86 | - | - | 86 | 75 |
| Other donations | 49 | 251 | 1 | 301 | 240 |
| Total income from donations and legacies | 11,310 | 71,282 | 1 | 82,593 | 83,733 |

Grant income from the Church Commissioners

Restricted grant income from the Church Commissioners is used by the Council to support mission and ministry in areas of need and opportunity.

The Corporation of the Church House waived the rent chargeable to the Council in 2016. In turn the Council did not charge rent to the Church Commissioners. The Commissioners decided to make an unrestricted grant to the Council of a sum equivalent to its rent saving which the Council used to help fund work on Safeguarding and Shared Conversations. (2015: See below **).

First World War Centenary Cathedrals Repair Fund

A grant of up to £20 million was awarded by the Department for Culture, Media and Sport, for the purpose of a Church of England First World War Centenary Cathedrals Repair Fund for spending by the end of March 2016. A further £20 million was awarded to be spent between April 2016 and March 2018.

For related grant expenditure, see Notes 5 and 6(d) for further information.

Gift of rent-free accommodation

The Corporation of the Church House, which exists to provide accommodation to the National Church Institutions, has granted a rent-free period to the Council for its lease of office space at Church House in 2016.

Income of £627,000 (2015: £1,025,000**) consists of the total gift of rent-free accommodation from the Corporation of Church House £1,299,000 (2015: £1,283,000) less the proportion of rent that would have been recovered from the other NCI tenants.

*** This included additional grants of £392,000 from the Church Commissioners as a result of there being no rental accommodation recharge from the Council. In the 2015 financial statements these grants were included within the overall rent-free accommodation figure, but the equivalent 2016 grants have been included solely as grants received from the Church Commissioners.*

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. Income from charitable activities

| | Unrestricted Funds | Restricted Funds | Endowment Funds | Total 2016 | Total 2015 |
|--|-----------------------|---------------------|--------------------|-----------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Accommodation – income from sub tenants | 1,364 | - | - | 1,364 | 1,362 |
| Church House Publishing | 408 | - | - | 408 | 401 |
| Conferences and courses | 495 | - | - | 495 | 556 |
| Other income | 92 | - | - | 92 | 83 |
| Total income from charitable activities | 2,359 | - | - | 2,359 | 2,402 |

4. Income from investments

| | Unrestricted Funds | Restricted Funds | Endowment Funds | Total 2016 | Total 2015 |
|--------------------------------------|-----------------------|---------------------|--------------------|-----------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Dividends | - | 10 | 74 | 84 | 86 |
| Interest on cash and deposit funds | 13 | 24 | 4 | 41 | 57 |
| Total income from investments | 13 | 34 | 78 | 125 | 143 |

5. Expenditure on charitable activities

| | Grants payable | Direct costs | Support costs | Total 2016 | Total 2015 |
|--|---------------------------|-------------------------|--------------------------|-----------------------|---------------|
| Charitable objective | £'000 | £'000 | £'000 | £'000 | £'000 |
| | Note 6 | Note 7 | Note 8 | | |
| Enhancing Mission | 8,308 | 1,716 | 1,338 | 11,362 | 12,153 |
| Advancing education and lay discipleship | 120 | 578 | 669 | 1,367 | 1,476 |
| Selecting and resourcing for public ministry | 53,500 | 1,979 | 1,670 | 57,149 | 55,784 |
| Development of Church buildings for worship and service | 9,052 | 1,032 | 1,136 | 11,220 | 13,993 |
| Strengthening institutional effectiveness and governance | - | 2,623 | 1,671 | 4,294 | 3,575 |
| Total charitable expenditure | 70,980 | 7,928 | 6,484 | 85,392 | 86,981 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. Grant making

A full list of grants paid to institutions can be obtained by sending a written request to the Chief Finance Officer at the Archbishops' Council's registered office.

a) Enhancing mission grants

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Total mission funding to 42 dioceses | 6,073 | 6,637 |
| Grants paid from the Grants and Provisions Fund: | | |
| Anglican Communion Office | 526 | 518 |
| Churches Together in England | 230 | 291 |
| Church Urban Fund | 203 | 203 |
| Other institutions | 268 | 261 |
| Total grants paid from the Grants and Provisions Fund | 1,227 | 1,273 |
| Other grants payable: | | |
| Grants paid from the Mission Agencies Pension Contributions Fund | 778 | 787 |
| Church and Community Fund grant scheme | 114 | 474 |
| Other institutions | 116 | 112 |
| Total grants paid for enhancing mission | 8,308 | 9,283 |

Grants were distributed to dioceses under the mission funding stream. Dioceses are accountable to the Council and provide details of how they have spent the grants.

The Church Commissioners are statutorily required under the Pensions Measure 1997 to meet the pension costs of clergy who are employed by those mission agencies which were Church of England members of the Partnership for World Mission at the time the Measure was passed. By agreement, the Council met the full cost of this liability, which was £778,000 (2015: £787,000). The contribution was made in respect of an average number of clergy of 84 in 2016 (2015: 85).

b) Advancing education and lay discipleship

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Church Colleges of Education Fund | 86 | 247 |
| Other institutions | 34 | 30 |
| Total grants paid for advancing education and lay discipleship | 120 | 277 |

The Church Colleges of Education Fund provides funds to advance education by promoting the effectiveness of Church of England Colleges of Higher Education and Universities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. Grant making (continued)

c) Selecting and resourcing for public ministry

| | 2016 | 2015 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Grants for ministry support for low-income dioceses (to 26 dioceses (2015: 25 dioceses)) | 35,478 | 34,829 |
| Grants for ministry training (to 739 individuals and 46 institutions (2015: 743 individuals and 30 institutions)) | 13,333 | 12,993 |
| Grants for clergy retirement housing (to the Church of England Pensions Board) | 4,359 | 4,152 |
| Other grants | 330 | 693 |
| Total grants paid for selecting and resourcing public ministry | 53,500 | 52,667 |

Ministry support for low-income dioceses are allocated in accordance with the current Selective Allocations formula. The Council applied £35,478,000 of the income received from the Church Commissioners for this.

The Archbishops' Council provides funding to the Church of England Pensions Board to enable it to offer subsidised housing to retired clergy. The grant helps funds the repair, maintenance and other costs associated with properties available for retired clergy to rent or occupy under licence.

d) Development of Church buildings for worship and service

| | 2016 | 2015 |
|--|--------------|---------------|
| | £'000 | £'000 |
| Grants funded by the Pilgrim Trust (to 73 institutions (2015: 42 institutions)) | 129 | 201 |
| Grants funded by the First World War Centenary Cathedrals Repair Fund (to 46 cathedrals/institutions (2015: 43 cathedrals/institutions)) | 8,787 | 11,672 |
| Grants funded by the Council for the Care of Churches (to 24 churches/institutions (2015: 49 churches/institutions)) | 24 | 41 |
| Other grants | 112 | 386 |
| Total grants paid for development of Church buildings for worship and service | 9,052 | 12,300 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

7. Direct costs

| | Enhancing mission | Advancing education and lay discipleship | Selecting and resourcing for public ministry | Development of Church buildings for worship and service | Strengthening institutional effectiveness and governance | 2016 Total | 2015 Total |
|---|-------------------|--|--|---|--|-------------------|--------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Direct costs | | | | | | | |
| Administration and central office costs | 217 | 74 | 321 | 212 | 574 | 1,398 | 1,887 |
| Department running costs | 1,313 | 454 | 1,472 | 790 | 1,439 | 5,468 | 5,914 |
| Legal and professional fees | 186 | 50 | 186 | 30 | 610 | 1,062 | 945 |
| Total direct costs 2016 | 1,716 | 578 | 1,979 | 1,032 | 2,623 | 7,928 | 8,746 [^] |
| Total direct costs 2015 | 2,157 | 786 | 2,291 | 1,130 | 2,382 | 8,746 | |

Direct costs are costs incurred by the Council to directly fund its charitable activities. Central costs are apportioned according to an activity-based time split.

Administration and Central Office costs include costs associated with holding conferences and courses, costs associated with Church House Publishing, and other costs such as non-staff expenses.

Department running costs include staff remuneration costs (per note 9) plus other departmental expenses.

[^] In the 2015 financial statements, the pension deficit contribution expenditure was absorbed within direct costs (as well as shown within "Pension Contributions" in staff costs (note 9)), with the offsetting transfer to the balance sheet provision shown separately in support costs (note 8) within the "Unwinding of pension deficit".

As the overall effect on charitable expenditure for the year is zero, for the 2016 cost notes the two activities have netted off against each other within charitable expenditure and therefore are not reflected within notes 7 to 9. This is a presentational adjustment only and has no impact on the previously reported result for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

8. Support costs

| | Enhancing mission | Advancing education and lay discipleship | Selecting and resourcing for public ministry | Development of Church buildings for worship and service | Strengthening institutional effectiveness and governance | 2016 Total | 2015 Total |
|--|-------------------|--|--|---|--|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Support costs | | | | | | | |
| Legal costs | - | - | - | - | 468 | 468 | 668 |
| Accommodation | 543 | 271 | 678 | 461 | 488 | 2,441 | 2,487 |
| Shared service costs | 701 | 351 | 876 | 596 | 631 | 3,155 | 3,048 |
| Other | 12 | 6 | 15 | 10 | 10 | 53 | 31 |
| Total support costs | 1,256 | 628 | 1,569 | 1,067 | 1,597 | 6,117 | 6,234 |
| Governance costs | | | | | | | |
| Audit fees | 7 | 4 | 9 | 6 | 6 | 32 | 36 |
| Internal audit and risk management | 13 | 6 | 16 | 11 | 12 | 58 | 51 |
| Membership and committees | 2 | 1 | 2 | 1 | 2 | 8 | 7 |
| Total governance costs | 22 | 11 | 27 | 18 | 20 | 98 | 94 |
| Pension deficit costs | | | | | | | |
| Unwinding of pension deficit | 60 | 30 | 74 | 51 | 54 | 269 | (2,620)^ |
| Total support and governance costs 2016 | 1,338 | 669 | 1,670 | 1,136 | 1,671 | 6,484 | 3,708 |
| Total support and governance costs 2015 | 713 | 413 | 826 | 563 | 1,193 | 3,708 | |

^ See Note 7 for more details

Support costs are costs incurred by the Council for administering its charitable activities. These costs include salaries, other running costs and a share of overheads. Overheads are apportioned according to an activity based time split.

Shared services include the Council's share of the costs incurred by Church of England Central Services (ChECS), a charitable joint venture between the Council, Church Commissioners and the Church of England Pensions Board established to facilitate the provision of cost-effective shared financial, legal and other services.

Governance costs relate to the general running of the Council including supporting the work of its committees and audit costs.

Expenses incurred by members in attending Council and committee meetings and on other business of the Council (including in 2015 participation in Renewal and Reform roadshows across the country) were reimbursed to 18 members (2015: 13) totalling to £7,000 (2015: £7,000). The members of the Council have no entitlement to salary or pension arising from their services to the Council.

9. Staff numbers and remuneration

The Council is joint employer, together with the other National Church Institutions (the NCIs), of most of the staff of the NCIs. The Chief Executive is employed directly by the Council.

In addition to staff employed directly, the work of the Council is supported by staff in shared service departments provided by Church of England Central Services (ChECS) (see note 19) which provides finance, HR, communications, legal, IT and internal audit services to the NCIs. The SORP requirements are that the costs of staff employed by third parties who operate on behalf of the Charity should be disclosed in the accounts. In order to comply with the spirit of the SORP, the costs of all ChECS staff are shown in aggregate in the tables - the Council's share of which was £2,626,000 (2015: £2,763,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. Staff numbers and remuneration (continued)

The cost of staff for which the Council are the managing employer and for ChECS (in total) was:

| | Archbishops' Council | | ChECS | |
|----------------------------|----------------------|--------------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| | Number | Number | Number | Number |
| Average Number Employed | 106 | 103 | 144 | 133 |
| | £'000 | £'000 | £'000 | £'000 |
| Salaries | 4,267 | 4,175 | 5,599 | 5,809 |
| National Insurance Costs | 461 | 439 | 616 | 577 |
| Pension Contributions | 584 | 1,218 [^] | 1,437 | 1,444 |
| Total cost of staff | 5,312 | 5,832 | 7,652 | 7,830 |

[^] See Note 7 for more details

Included in Council's own staff costs is £19,000 (2015: £122,000) paid by way of redundancy costs to 1 (2015: 1) individual, the costs of which are accounted for in full in the year in which the restructure is announced.

For ChECS, included in staff costs is £0 (2015: £569,000) paid by way of redundancy costs to zero (2015: 8) individuals following a restructuring, the costs of which are accounted for by ChECS in full in the year in which the restructure is announced. Of this £0 (2015: £184,000) was recharged to the Archbishops' Council.

The number of staff whose emoluments for the year fell in the following bands were:

| | Archbishops' Council | | ChECS | |
|----------------------|----------------------|--------|--------|--------|
| | 2016 | 2015 | 2016 | 2015 |
| | Number | Number | Number | Number |
| £60,001 to £70,000 | 4 | 5 | 4 | 8 |
| £70,001 to £80,000 | 3 | 3 | 5 | 2 |
| £80,001 to £90,000 | 1 | 1 | 7 | 7* |
| £90,001 to £100,000 | - | - | - | 1 |
| £100,001 to £110,000 | - | - | - | 1* |
| £110,001 to £120,000 | - | - | - | 1* |
| £120,001 to £130,000 | - | - | 1 | 1 |
| £130,001 to £140,000 | - | - | - | 3* |
| £140,001 to £150,000 | - | 1 | 1 | 2* |
| £150,001 to £160,000 | - | 1* | - | - |
| £160,001 to £170,000 | 1 | - | - | - |

* includes redundancy costs

Of the staff above managed directly by the Council, 5 (2015: 5) accrue benefits under the CAPF defined contribution scheme for which contributions for the year were £51,000 (2015: £50,000). The remaining staff accrue benefits under defined benefit schemes, with 1 (2015: 4) in the CAPF and 2 (2015: 2) in the CEFPS. Defined benefit contributions for the year were £33,000 (2015: £43,000). Of those managed by ChECS, 9 (2015: 10) staff members accrue benefits under the CAPF defined contribution scheme for which contributions for the year were £104,000 (2015: £118,000). The remaining 9 staff members (2015: 16) accrue benefits under a defined benefit scheme. Defined benefit contributions for the year for these staff were £139,000 (2015: £159,000).

The highest paid member of staff was the Chief Executive who earned £167,000 (2015: £147,000[^]). Further details of the Council's remuneration policy are included in the Staff section of the annual report. ([^] *The former Chief executive left the Archbishops' Council on 30 November 2015. £147k reflects 11 months' pay.*)

The Council's senior executive leadership team comprises 10 individuals, 6 of whom are employed directly by the Council and 4 by ChECS. Their aggregate remuneration, including pension contributions, is £984,000 (2015: £1,062,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. Staff numbers and remuneration (continued)

Staff loans

Interest-free loans are made available for travel season tickets and green travel loans for the purchase of bicycles and electric scooters.

10. Investments

| | Investment funds | Programme Related Social investments | 2016 Total |
|----------------------------|------------------|---|---------------|
| | £'000 | £'000 | £'000 |
| At 1 January | 32,420 | 3,225 | 35,645 |
| Additions | - | - | - |
| Disposals | (1,597) | - | (1,597) |
| Revaluations | 3,325 | - | 3,325 |
| At 31 December 2016 | 34,148 | 3,225 | 37,373 |
| At 31 December 2015 | 32,420 | 3,225 | 35,645 |

Investment funds

Funds were principally managed by Sarasin & Partners LLP, Ruffer LLP and CCLA Management Limited.

Investments were held as follows:-

| | 2016 | 2015 |
|-----------------------|---------------|---------------|
| | £'000 | £'000 |
| Sarasin | 17,462 | 16,626 |
| Ruffer | 16,476 | 15,605 |
| CCLA | 203 | 168 |
| Other | 7 | 21 |
| At 31 December | 34,148 | 32,420 |

The investment funds consisted of the following underlying assets:

| | 2016 | 2015 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Equities | 17,875 | 17,058 |
| Property | 1,632 | 1,341 |
| Index linked / Fixed interest securities | 10,413 | 8,534 |
| Infrastructure/Alternative | 2,342 | 1,770 |
| Cash and cash equivalents | 1,886 | 3,717 |
| At 31 December | 34,148 | 32,420 |

Programme Related Social investments

Two properties are held by the Council and meet the definition of 'social investments' as set out in the SORP. The properties are deemed to meet the educational objects of the charity as they are both obliged to maintain an Anglican ethos.

The freehold at Parkstead, Roehampton is leased to the Whitelands College Foundation on two long leases.

The freehold interest in St Katherine's College, Childwall, Wavertree, Liverpool is leased to Liverpool Hope University on a long lease.

Properties were last valued as at 31 December 2013 by DTZ.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

11 Tangible fixed assets

| | Office equipment £'000 | Leasehold improvements £'000 | Total £'000 |
|---|------------------------------|------------------------------------|----------------|
| Cost | | | |
| At 1 January 2016 | 1,641 | 2,439 | 4,080 |
| Additions | - | - | - |
| Disposals | - | - | - |
| Revaluations | - | - | - |
| At 31 December 2016 | 1,641 | 2,439 | 4,080 |
| Depreciation | | | |
| At 1 January 2016 | (1,472) | (2,400) | (3,872) |
| Charge for the year | (92) | (34) | (126) |
| Disposals | - | - | - |
| At 31 December 2016 | (1,564) | (2,434) | (3,998) |
| Net book value at 31 December 2016 | 77 | 5 | 82 |
| Net book value at 31 December 2015 | 169 | 39 | 208 |

12. Debtors

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Amounts due within one year | | |
| Trade debtors | 324 | 198 |
| Prepayments | 404 | 371 |
| Amounts due from NCIs | 411 | 494 |
| Amounts due from colleges and schools | 41 | 41 |
| VAT and social security | 226 | 212 |
| Other debtors | 383 | 734 |
| Total debtors due within one year | 1,789 | 2,050 |
| Amounts due after more than one year | | |
| Amounts due from colleges and schools | 209 | 212 |
| Total debtors due after one year | 209 | 212 |
| Total debtors | 1,998 | 2,262 |

13. Creditors

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Amounts due within one year | | |
| Trade creditors | 482 | 337 |
| Grants payable | 1,556 | 1,416 |
| Accruals and deferred income | 108 | 159 |
| Other creditors | 50 | 50 |
| Total creditors due within one year | 2,196 | 1,962 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. Statement of funds

The table below shows details of funds material to the Council in terms of value (more than £500,000) or those funded by diocesan apportionment (*).

| Fund | Fund balance brought forward £'000 | Income £'000 | Expenditure £'000 | Transfers £'000 | Gains and losses £'000 | Fund balances carried forward £'000 |
|--|--|-----------------|----------------------|--------------------|---------------------------------|---|
| Unrestricted funds | | | | | | |
| General Fund | 2,000 | 13,564 | (14,618) | 2,199 | - | 3,145 |
| <i>Designated funds</i> | | | | | | |
| Church Schools Fund | 543 | - | - | - | - | 543 |
| Church House planned maintenance | 947 | - | 31 | (18) | - | 960 |
| Social investments: properties | 3,225 | - | - | - | - | 3,225 |
| CHARM (*) | 411 | - | - | - | - | 411 |
| Other designated funds | 754 | 118 | (112) | (115) | - | 645 |
| Total designated funds | 5,880 | 118 | (81) | (133) | - | 5,784 |
| Total unrestricted funds before pension reserve | 7,880 | 13,682 | (14,699) | 2,066 | - | 8,929 |
| Pension deficit reserve | (6,878) | - | 628 | - | - | (6,250) |
| Total unrestricted funds | 1,002 | 13,682 | (14,071) | 2,066 | - | 2,679 |
| Restricted funds | | | | | | |
| Training for Ministry Fund (*) | 2,485 | 13,470 | (13,664) | 382 | - | 2,673 |
| Grants & Provisions Fund (*) | 230 | 1,275 | (1,297) | (20) | - | 188 |
| Mission agencies pension contributions (*) | 138 | 790 | (778) | - | - | 150 |
| CHARM (*) | 382 | 4,369 | (4,359) | - | - | 392 |
| Dioceses Fund | 889 | 41,699 | (41,551) | - | - | 1,037 |
| Legal costs | 1,463 | 5 | (77) | 20 | - | 1,411 |
| Other restricted funds | 101 | 9,708 | (9,061) | (127) | 16 | 637 |
| Total restricted funds | 5,688 | 71,316 | (70,787) | 255 | 16 | 6,488 |
| Endowment funds | | | | | | |
| <i>Expendable endowment funds</i> | | | | | | |
| The Archbishops' Council Ministerial Training Trust Fund | 1,722 | 39 | (185) | (244) | 174 | 1,506 |
| Church Colleges of Education Fund | 3,083 | - | (86) | (1) | 329 | 3,325 |
| Church and Community Fund | 19,502 | 2 | (117) | (685) | 2,056 | 20,758 |
| Church of England Special Purposes Fund | 2,647 | - | (28) | (1,240) | 275 | 1,654 |
| Women's Continuing Ministerial Education Trust | 1,556 | - | (63) | (1) | 164 | 1,656 |
| MPA sundry funds | 585 | - | (20) | (35) | 58 | 588 |
| Other expendable endowment funds | 1,326 | 3 | (14) | (115) | 36 | 1,236 |
| Total expendable endowment funds | 30,421 | 44 | (513) | (2,321) | 3,092 | 30,723 |
| <i>Permanent endowment funds</i> | | | | | | |
| The Archbishops' Council Ministerial Training Trust Fund | 1,451 | - | - | - | 113 | 1,564 |
| Church Colleges of Education Fund | 694 | 17 | (2) | - | 50 | 759 |
| Other permanent endowment funds | 691 | 18 | (19) | - | 54 | 744 |
| Total permanent endowment funds | 2,836 | 35 | (21) | - | 217 | 3,067 |
| Total endowment funds | 33,257 | 79 | (534) | (2,321) | 3,309 | 33,790 |
| Total funds of the charity | 39,947 | 85,077 | (85,392) | - | 3,325 | 42,957 |

For further details of prior year fund movements, you may refer to the 2015 financial statements using the following link:
https://www.churchofengland.org/media/2532981/ac_annual_report.pdf

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. Statement of funds (continued)

| Fund | Fixed Assets | Cash and Short Term Deposits | Debtors | Creditors | Provision for Pension Liability | NET ASSETS |
|---------------------------|---------------|------------------------------------|--------------|----------------|---------------------------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Unrestricted funds | 3,314 | 4,942 | 1,186 | (513) | (6,250) | 2,679 |
| Restricted Funds | 165 | 7,022 | 719 | (1,418) | - | 6,488 |
| Endowment Funds | 33,976 | (14) | 93 | (265) | - | 33,790 |
| Total | 37,455 | 11,950 | 1,998 | (2,196) | (6,250) | 42,957 |

Unrestricted funds: General Fund

This fund is for general use in meeting national Church responsibilities, which are not designated for particular purposes.

Unrestricted funds: designated funds

These funds comprise unrestricted funds which the Council has designated to be set aside for stated purposes:

Church Schools Fund is used to meet the cost of short term loans to schools and grants to the Church Schools of the Future project.

Church House Planned Maintenance Fund comprises accumulated amounts set aside to meet maintenance costs related to the occupation of Church House.

Social investments: properties fund represents the carrying value of the Council's properties (see note 10 for further details).

Restricted funds

Training for Ministry Fund (Vote 1) provides funds towards training for ordained ministry. This fund covers the tuition costs, university fees, college fees, personal maintenance and books and travel costs of sponsored ordinands prior to ordination.

The Grants and Provisions Fund (Vote 3) provides funds towards the work of the Anglican Communion Office, the national and international ecumenical agencies, Church Urban Fund, Fresh Expressions and the Legal Costs Fund.

Mission Agencies Pensions Contributions Fund (Vote 4) provides for pension contributions in respect of clergy who are employed by the mission agencies.

The Church's Housing Assistance for the Retired Ministry (CHARM Vote 5) fund provides grants to subsidise the scheme, which is administered by the Church of England Pensions Board to provide housing for those retiring from stipendary ordained & lay ministry.

The Dioceses Fund is the vehicle by which money is received from the Church Commissioners and distributed to the dioceses in accordance with the Allocations formula.

The Legal Costs Fund includes the Legal Aid Fund. General Synod is required by Measure to maintain a Legal Aid Fund, which is held by the Council on its behalf, to meet the costs of ecclesiastical legal aid awarded by the Legal Aid Commission.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. Statement of funds (continued)

Endowment funds

Archbishops' Council Ministerial Training Trust Fund supports the training and maintenance of persons undergoing training for ordained ministry in the Church of England. This fund has an element that is expendable and an element that is permanent.

The Church Colleges of Education Fund provides funds to advance education by promoting the effectiveness of Church of England Colleges of Higher Education and Universities. This fund has an element that is expendable and an element that is permanent.

Church and Community Fund promotes the charitable work of the Church of England, by making grants towards the work of the Council generally and for church and community projects.

Church of England Special Purposes Fund exists to provide for the advancement of religion in accordance with the doctrine of the Church of England.

Women's Continuing Ministerial Education Trust Fund exists to further the continuing ministerial education of those women in the Church of England and the Scottish Episcopal Church who are in need of financial assistance.

Transfers

The Council makes transfers of surpluses arising within general unrestricted funds to specific designated funds. The Council makes transfers from restricted funds to unrestricted funds only where such restricted funds are being applied in accordance with the object, purpose and restrictions of the underlying fund or charity. Transfers are made from expendable endowment funds to income funds to fund deficits arising in the income funds applied in accordance with the purpose of the underlying endowment.

The most significant transfers during the year were:-

- £685,000 was transferred from the Church and Community Fund (transfer between endowment funds and general funds) to meet both safeguarding and general operating activities.
- £1,240,000 was transferred from the Special Purposes Fund (transfer between endowment funds and general funds) to predominantly meet the cost of activities within the Ministry Division.
- £112,000 was transferred from Unrestricted Legacies (transfer between designated and general funds).
- £382,000 was transferred from the General Funds to the Training for Ministry Fund.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

15. Pensions

Most staff of the Council are members of the Church Administrators Pension Schemes (CAPF) and a small number of ordained staff are members of the Church of England Funded Pension Scheme (CEFPS). Both schemes are administered by the Church of England Pensions Board who publishes the schemes' financial statements.

In addition, the closed schemes Central Board of Finance Lump Sum Scheme provides benefits for former staff of the CBF.

The average number of the Council's staff within each scheme was:

| | CAPF: defined benefit scheme | CAPF: defined contribution scheme | CEFPS | Total |
|------|------------------------------------|---|-------|-------|
| 2016 | 23 | 75 | 8 | 106 |
| 2015 | 27 | 69 | 7 | 103 |

Church Administrators Pension Fund (CAPF)

Defined benefit scheme: Staff who commenced service before 1 July 2006 are entitled to pension benefits based on final pensionable pay for service up to 30 June 2010 and career average or service from 1 July 2010. Increases of pension in payment and preserved pensions are linked to the consumer and retail process index. There are no other post-retirement benefits.

The contributions to the scheme are assessed by an independent qualified actuary using the projected unit method of valuation. A valuation of the scheme is carried out once every three years, the most recent having been carried out as at 31 December 2014. This revealed a deficit of £25.1m, based on assets of £96.3m and a funding target of £121.4m. Following the previous valuation as at 31 December 2011, the level of additional contributions to be made by the employers was £2,373,000 per annum from 1 July 2013 to 30 June 2025, increasing on 1 January each year by 5.0%. This was revised in October 2015 as a result of the 2014 valuation and it was agreed that with effect from 1 January 2016 the employers would pay £2,500,000 per annum increasing each year by 3.3%.

The table below shows the movement on the provision:

| | Provision brought forward | Contributions paid | Interest charged on provision | Adjustment to net present value of provision | Provision carried forward |
|------------------------|---------------------------------|-----------------------|-------------------------------------|---|---------------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Council staff | 4,229 | (667) | 97 | 397 | 4,056 |
| Share of ChECS staff | 2,412 | (212) | 57 | (267) | 1,990 |
| Total provision | 6,641 | (879) | 154 | 130 | 6,046 |

In addition, the employers are responsible for making contributions towards the administration costs of the scheme of £210,000 (2015: £222,000) and the Pension Protection Fund levies of £57,000 (2015: £60,000). In 2016, the Council's share of these costs was £39,000 (2015: £54,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

15. Pensions (continued)

Defined contribution scheme: Staff who commenced service after 30 June 2006 are entitled to pensions earned from the contributions paid into a personal pension schemes by the Council and themselves. The contribution rate payable by the Council is between 8% and 18%.

Church of England Funded Pension Scheme (CEFPS)

A small number of staff are members of the Church of England Funded Pension Scheme (CEFPS), also administered by the Church of England Pensions Board.

Each responsible body in the CEFPS, including dioceses, pays a common contribution rate. The contributions to the scheme are assessed by an independent qualified actuary using the projected unit method of valuation.

The last full valuation of the scheme, as at 31 December 2012, showed an overall deficit of £293m. In light of this the contribution rate was increased from 38.2% (14.7% deficit funding) to 39.9% (14.1% deficit funding) of pensionable stipends with effect from 1 January 2015.

The table below shows the movement on the provision:

| | Provision brought forward | Contributions Paid | Interest charged on provision | Adjustment to net present value of provision | Provision carried forward |
|------------------------|---------------------------|--------------------|-------------------------------|--|---------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Council staff | 238 | (17) | 5 | (22) | 204 |
| Total provision | 238 | (17) | 5 | (22) | 204 |

Central Board of Finance Lump Sum Scheme

The Central Board of Finance Lump Sum Scheme provides retirement benefits to former staff of the Central Board of Finance (CBF). Due to the preserved nature of the CBF lump sum pension liability, provision for the fixed cash payments has been made in a designated fund. At 31 December 2016 there were 22 (2015: 22) former CBF employees entitled to receive lump sums upon reaching retirement age. The Scheme has HMRC approval under section 20 of the Finance Act 1970. The table below shows the sum set aside in a designated fund to provide for these future.

| | Fund brought forward | Contributions Paid | Fund carried forward |
|-------------------|----------------------|--------------------|----------------------|
| | £000 | £000 | £000 |
| Former CBF staff | 69 | - | 69 |
| Total fund | 69 | - | 69 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

16. Operating leases

The amount due for land and buildings within the next 12 months, on a lease with the Corporation of Church House, is £nil (12 months from 31 December 2015: £nil). The cost is shared with the other National Church Institutions.

The amount of rent that would have been charged in 2016 is £1,299,000 (had the Corporation of Church House not waived the rental charge for the period). The current rental lease ends in 2020 and any rental charge between now and 2020 is expected to be in line with that 2016 figure (adjusted for RPI).

17. Commitments and contingent liabilities

The Council is joint employer, together with the other NCIs, of most of the staff of the NCIs and, as such, have a contingent liability for salaries and other employment costs in the event of a default by any of the other joint employers.

The Council, dioceses and other Church bodies are the bodies responsible for the contributions to the Church of England Funded Pensions Scheme for clergy. In the event of defaults by any of the responsible bodies, the remaining responsible bodies, including the Church Commissioners, would continue to be responsible for the entire liabilities of the Scheme.

It is not practicable to reliably estimate the quantum of the above contingent liabilities.

18. Funds held on behalf of others

The Council is custodian trustee and for a number of funds which have trustees separate and independent from the Council but where the Council holds the trusts' investments on their behalf. The funds had a combined income of £523,000 (2015: £726,000) and expenditure of £175,000 (2015: £1,031,000) and net assets of £3,253,000 (2015: £2,952,000).

19. Related parties

The following amounts were paid to related parties in respect of grant funding from the Archbishops' Council (under the Vote 3 heading):

- £203,000 (2015: £203,000) paid to Church Urban Fund.
- £92,000 (2015: £67,500) paid to Fresh Expressions.

The following amounts were received from related parties in respect of accommodation charges from the Archbishops' Council:

- £109,000 (2015: £107,000) paid by Church Urban Fund.

The following amounts were paid to related parties in respect of conference room hire:-

- £5,730 (2015: £4,912) paid to Church Army.

Council members

The following amounts were paid in respect of services provided by, or royalties owed to, members:

- £2,708 (2015: £4,838) was paid to Rt. Revd. Dr. Steven Croft in respect of Publishing Royalties from Church House Publishing.
- £20 (2015: £20) was paid to Revd. Mark Ireland in respect of Publishing Royalties from Church House Publishing.

Pension Schemes

Details of amounts paid to the pension schemes are disclosed in note 15.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

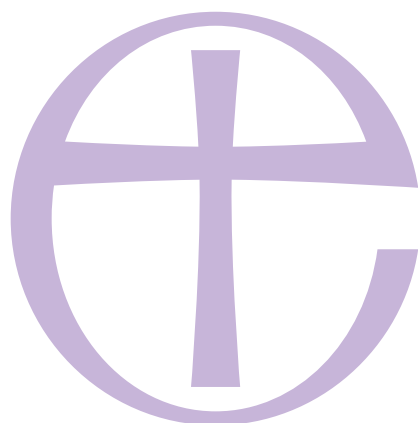
19. Related parties (continued)

Jointly Controlled Entity

ChECS is a charitable jointly controlled entity between the Archbishops' Council, the Church Commissioners, and the Church of England Pensions Board for which the three partners hold equal shares. The purpose of ChECS is to enhance the efficiency and effectiveness of the charitable national and diocesan institutions of the Church of England and of other charities with a church ethos, by facilitating the provision of cost-effective shared financial, legal and other services.

The charity was registered with the Charity Commission on 31 December 2013 and started operating from 1 April 2014. Prior to this, shared services were provided by each of the NCIs. Management of these services, provided by The Archbishops' Council, Church Commissioners and the Church of England Pensions Board, remained unchanged.

At the balance sheet date, the Council's share of net assets of ChECS was £nil (2015: £nil) and £25,000 (2015: £187,000) was owed to the Council by ChECS.



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