

Introduction

On behalf of the Trustees, we are pleased to present this, the fifth annual report of the Archbishops' Council.

2003 was a year when the Council had to grapple with a very wide range of issues: the employment status of clergy; the training and formation of clergy and lay ministers; the legal framework for reviewing dioceses and parishes; the shape of the Church's mission; how its national financial resources are used; building the Church of the future through educating and involving children and young people; how the Church of England relates to other Churches; a strategy for the use of our 16,000 church buildings, half of which were constructed before the Reformation. All of these – and more – were considered by the Council during the year. The workload has at times been challenging.

The Council is grateful for the support it receives from its staff and from the staff and members of its Boards, Councils and Divisions. It is they who bear the brunt of tight deadlines and heavy workloads in preparing the way for the Council's own considerations and those of the Synod. Without them, we should not have achieved a fraction of what has been achieved since the Archbishops' Council was established just over five years ago.

We are happy to commend this report, which details the variety of work undertaken on behalf of the Archbishops' Council. We continue to pray that together we may be able to build on what has already been achieved and to meet with confidence the challenges that lie ahead.

✠ ROWAN CANTUAR:

✠ DAVID EBOR:

Joint Presidents

Church House, Westminster
25 May 2004

The Archbishops' Council in 2003

The purpose of the Archbishops' Council is to 'co-ordinate, promote and further the work and mission of the Church of England' (National Institutions Measure 1998). Its work is prioritised and organised under the headings of its four Themes:

Engaging with social issues

Equipping to evangelise

Welcoming and encouraging children and young people

Developing the ministry of all

The Themes are underpinned by two Fundamentals:

Worship

The quest for full visible unity

Supported by its Boards, Councils and Divisions, the Archbishops' Council aims to hold together issues of policy and resources by co-ordinating and taking an overview of the work already being done on its own behalf and on behalf of the wider Church, by planning a forward programme of work and by responding to impulses from within and outside the Church.

Stewardship of resources

2003 was the first full year of operation of the new structures agreed following the Guildford review of the Council's Boards, Councils and Divisions. Much has been achieved over the past year and the restructuring exercise is already bearing fruit with much of the Council's work being done on a cross-divisional basis.

As well as reviewing its own structures with a view to improved operation, the Council continues to work towards realising the vision of *Working as One Body*. Closer working and rationalisation were achieved in 2003 with the amalgamation of the accounting functions of the Archbishops' Council, the Church Commissioners and the Pensions Board into the Common Services Accounts Department. Established in November, it is based in Church House and is already yielding benefits for all three organisations.

The Council also worked closely with the Church Commissioners Board of Governors and met jointly with them for the first time in 2003 to consider the Commissioners' strategic spending plans for the period 2005-7.

Details of the work undertaken during the year by and on behalf of the Archbishops' Council are set out in the report which follows. However, a summary of the main headings gives a flavour of the breadth and variety of work being done.

Highlights

The emerging and developing shape of the Church's mission to the nation was further debated by Synod in July, and *Mission-shaped Church* (the 'Cray Report') was prepared for publication and debate in February 2004. Both were prepared within the Mission & Public Affairs Division. Mission & Public Affairs also played a significant role in the preparation of the follow-up report to the Stephen Lawrence enquiry (through the Committee for Minority Ethnic Anglican Concerns), *Called to Act Justly*, debated in July; the Archbishops' Council's children's strategy (in collaboration with the Education Division), which received overwhelming support from the

General Synod in July; and in preparing the way for the establishment of the Youth Evangelism Fund (with the support of the Finance Division).

The Hind report on the structure and funding of ordination training, prepared principally within the Ministry Division, but with input from the Education and Finance Divisions, was presented to Synod in July and endorsed, with some amendments. The Ministry Division, with administrative support from the Central Secretariat, also led the work of a group set up at the end of 2002 to report on clergy terms of service as part of the Church's response to a Government discussion document on employment status in relation to statutory employment rights. The group is chaired by Professor David McClean and was due to report to Synod on the first phase of its work (clergy without the freehold) in February 2004.

A Working Group staffed by the Central Secretariat and the Church Commissioners' Pastoral & Redundant Churches department completed a review of the Dioceses, Pastoral and related Measures. Chaired by Professor Peter Toyne, an appointed member of the Archbishops' Council, the group was also due to report to Synod in February 2004. A very substantial piece of work now lies ahead to put legislation in place to make a reality of the recommendations.

Closely connected with the findings of the Cray report and the work of the Toyne group, the Cathedrals & Church Buildings Division produced a draft strategy for church buildings aimed at drawing Church organisations, central and local government into a partnership strategy for funding and supporting the continued and imaginative use of church buildings. This was debated and warmly welcomed at Synod in July. Work continues to take this forward.

In the area of unity, the Anglican-Methodist covenant was endorsed and warmly welcomed at Synod in July and this was followed by a service for the official signing of the Covenant at Westminster Abbey in November. The Joint Implementation Commission began its work in December. This represents a significant step forward in relations between our two Churches.

Government consultations

A significant amount of the Council's time in 2003 was occupied with responding to Government consultations and legislative proposals. Major work was done in respect of Employment Equality Regulations, civil registration (especially in respect of marriage), civil partnerships, the Communications Bill and on a revision of the EU's 6th VAT Directive in respect of VAT on repairs to listed places of worship. Responses to such consultations not only occupy time at Council meetings, but more especially impact on the workload of staff, particularly in the Legal Office.

People

The Archbishop of Canterbury attended his first meeting of the Council in March following his enthronement in Canterbury Cathedral in February.

In July the Revd Canon Hugh Wilcox retired from full time ministry, from the Synod and from the Archbishops' Council. He had been a member of the General Synod from 1999 and became a member of the Council at its foundation. He was replaced by the Revd Dr Richard Turnbull following an election in the House of Clergy in September.

Cathedrals & Church Buildings

2003 was the first full year of the operation of the new Cathedral and Church Buildings Division, and the integrated approach which it has enabled proved invaluable given the large number of strategic issues relating to buildings.

At the end of 2002 there had been considerable discussions with the Government about the proposals in the Licensing Bill (which, as published, would have required places of worship to undergo the new licensing procedure). These bore fruit in February 2003 when the Government brought forward amendments to the Bill to provide, firstly, that concerts, plays, and other 'public entertainments' which were held in places of worship would not require licences under the new legislation, and secondly that if events covered by licensing provisions were held in church or community halls they would need to abide by the procedures in the new legislation, but would not have to pay for doing so. These provisions were enshrined in the Licensing Act 2003, and represent success in widening the understanding of the contribution which church buildings make to the community, as well as the worshipping congregation.

The Division also led the production of the Church Heritage Forum's report to General Synod in July 2003, *A Future for Church Buildings* (GS1514). This, too, sought to emphasise and articulate the contribution church buildings can make to the community, as a basis for forging wider partnerships with public bodies at all levels. General Synod strongly supported the initiative and discussions are currently proceeding with a wide number of bodies and individuals inside and outside the Church to produce achievable and realistic recommendations. A further report is proposed for the late summer of 2004, aimed at a wide range of secular partners.

The Division remained closely involved with discussions on VAT, including a delegation in November to meet the European Commissioner for Taxation. At the time of writing, no decision has yet been reached in Europe on the revision of the 6th VAT Directive, but the Chancellor of the Exchequer has announced his intention to keep the present Listed Places of Worship Grants scheme in operation until April 2006. The Division warmly welcomes this.

In 2004, one of the major issues involving the Division will be the Department for Culture, Media and Sport (DCMS) Review of the 'ecclesiastical exemption', in the context of its wider review of heritage protection legislation. The Church Heritage Forum commented on the heritage protection review, and also submitted a report to the DCMS commenting on how the Church of England operates the exemption. A consultation paper from the Department considering the issues raised by the exemption is expected at the beginning of 2004. We are in close touch with the Churches Main Committee on this, as the other exempt denominations may also be affected by the Department's proposals. However, it was also very apparent from the July 2003 Group of Sessions of the General Synod that there is a strong wish on all sides to simplify the system while still providing appropriate protection. As this is evidently an objective for central government in its wider review, as well as for the Church itself, the Division hopes that there may be constructive and positive ways of working on this common goal while maintaining the exemption.

The benefits of the closer working of staff of the CCC and CFCE enabled by the new Division also showed during the year as the Church Archaeology and Human Remains Working Group set up in 2002 with English Heritage continued its discussions and consideration of submissions made to it. The Working Group's report is scheduled to be published for consultation by April 2004. Staff are also taking part in a Home Office working party on Burials and Cemeteries.

The Association of Diocesan and Cathedral Archaeologists continued to develop its work in consultation with the Division, with a successful annual conference at Cambridge.

Council for the Care of Churches

The Council met 10 times during 2003. At the end of May the Very Revd Raymond Furnell stepped down as Chairman when he retired as Dean of York. We wish him well in his retirement: he has worked tirelessly for the interests of churches and cathedrals, as first Chairman of the Association of English Cathedrals as well as for the Council. In his place the Council welcomed the Very Revd Graeme Knowles, Dean of Carlisle, and was also delighted at his elevation to the See of Sodor and Man in December 2003.

In terms of case work, there were 175 faculty referrals (2002: 151). There has been an increase in the number of cases referred directly from parishes, which is to be welcomed as it enables the CCC to contribute creatively to discussion at an early stage.

The Council handled 42 cases referred to it under the Pastoral Measure for reports on the architectural and historic interest of churches considered for redundancy (2002: 52). It is encouraging to note that approximately half of those cases related either to proposals for mixed uses of the church buildings (ie a 'technical' partial redundancy, rather than complete redundancy) where there was an ongoing pastoral need for the building, or were reviews of cases previously considered by the CCC.

The 2003 annual conference for Diocesan Advisory Committees took place in Canterbury, under the title *Building Bridges*, and included stimulating discussion on the wider use of church buildings, aided by keynote speeches from the Bishop of London and Simon Thurley, Chief Executive of English Heritage. New guidance notes by the CCC on the sale of treasures, asbestos in churches, seating in churches, and the operation of Rule 15 of the Faculty Jurisdiction Rules 2000 were in preparation following consultation at the conference.

Archaeological issues were prominent in some of the CCC's faculty jurisdiction casework advice on archaeology, including a petition (refused by the Chancellor) to exhume bones from a grave at the church of Bosham Holy Trinity (Diocese of Chichester) on the grounds that they might have been those of King Harold II. This, and the controversy earlier in the year about the treatment of human remains at St Pancras Old Church burial ground in London have highlighted the need for advice on these issues. Guidelines for Diocesan Archaeological Advisors are now in preparation on archaeological requirements for works on churches and churchyards. A new edition of the Church Archaeology Handbook is due for publication in 2004.

The CCC also published an updated version of its fundraising guidance note *Fundraising for your church building 2003/4*.

The CCC advised against the granting of listed building consent to demolish the Grade I St Laurence's Church, Eastwood (Diocese of Chelmsford) as requested by Southend Airport, and responded to the Government consultation paper on the future development of air transport in the United Kingdom, highlighting the serious effects the proposals would have on many historic churches and their communities.

The CCC's Conservation Committees met 8 times during the year. Among the many tasks handled by the Conservation section relating to the continued encouragement of high standards in works to churches and their historic contents, preparation began of guidelines on the role of DAC advisers and staff participated in discussions about the accreditation of architects and conservators.

Discussions have continued with the Heritage Lottery Fund on how the CCC might advise on applications for conservation of historic furnishings and works of art in churches under the 'Your Heritage' scheme. Some grants have been awarded although at the time of writing the precise arrangements for the involvement of the CCC remained to be finalised.

The section continued to administer grants, with funds generously provided by other Trusts. Some £220,000 was awarded in grants to historic furnishings and works of art in churches and for historic structures in churchyards (2002: £270, 600) and a further £290,000 from the Wolfson Foundation for fabric repairs (2002: £224,000).

The Joint Conservation Forum, held annually with English Heritage and the Heritage Lottery Fund, dealt in 2003 with bells & bellframes. The CCC is currently working on updating the criteria for listing historic bells.

The section advised on some 50 of the Faculty Jurisdiction cases referred to the CCC, covering a wide range of items.

Cathedrals Fabric Commission for England

The Commission met 9 times during the year. It said farewell, with thanks, to Mr Tony Redman and to Dr Linda Monckton, the Commission's Assistant Secretary, who left in August for a post with English Heritage's Architectural Survey Branch. The Commission welcomed in their places, respectively, Canon Jeremy Haselock and Ms Maggie Goodall.

The Care of Cathedrals (Amendment) Measure completed its passage through General Synod in February 2003. It now awaits approval by both Houses of Parliament before it comes into force. While not radically altering the legislation, it will introduce some useful new procedures and clarifications shown to be desirable over the experience of the first years of the Care of Cathedrals system. New guidance on the changes is in preparation.

The Commission's caseload remained substantial and very varied, both in terms of applications for consent and requests for informal advice. It considered 56 applications during the year (2002: 40) and determined 48 (2002: 38). Of these, 14 applications were approved unconditionally, and 32 conditionally: only 2 were refused (2002: 2).

The Commission received 20 new requests for advice about forthcoming or proposed projects covering major conservation projects, archaeological projects, major new developments (for example, at Sheffield cathedral to enable expansion of its successful community work and at St Edmundsbury cathedral for further development of the cloister), reordering schemes, works to ensure compliance with the Disability Discrimination Act, and proposals for ancillary facilities. Continuing discussion and consultation have taken place over the internal cleaning of St Paul's Cathedral and redecoration of the tambour. These proposals particularly have emphasised the importance of all parties working closely together to gauge the effect of technically complex proposals as work proceeds.

The Commission was also closely involved in arrangements for the V&A's *Gothic* exhibition, and handled the consents necessary for the loan and transport of 'outstanding' items from several cathedrals.

Grants

The Commission handled several applications for grants from the two trust funds which it administers, the Cathedral Amenities Fund and English Cathedrals Repair Fund. During the year

£25,000 was offered and a further £25,000 earmarked from the Cathedral Amenities Fund and £16,780 offered from the English Cathedrals Repair Fund.

Guidance

A new CFCE Advisory Note 5, *The Disability Discrimination Act 1995*, was issued jointly with the CCC. This followed an earlier consultation draft. It was revised following the publication of the Government's Code of Practice.

Staff held a seminar at Liverpool cathedral in October for representatives of the cathedrals of the North-West region, the second in a regional series begun in 2002. This format is proving a valuable forum for cathedral clergy and administrators, their professional advisers and Fabric Advisory Committees to meet the Commission secretariat, and to share good practice, discuss the operation of the Care of Cathedrals (Amendment) Measure and, discuss any questions or issues of common concern. In the light of positive feedback from participants two further seminars are planned for 2004, along with the three-yearly FAC conference.

Education

The Church's work in Education continued to have a high profile in 2003, a year of delivery rather than one of substantial policy innovation. There was no new parliamentary educational legislation, though significant plans in Higher Education and Child Protection were being laid for 2004. However, it was a year of change for those working in Education at Church House.

At the beginning of 2003, following the dismantling of the Church and World Division, Education became a Division of the Archbishops' Council. The General Secretary of the Board was given the title Chief Education Officer and became a director of the Council. The Division continued to be overseen by the Board of Education and to have the same wide-ranging responsibilities.

A new chairman

The Right Reverend Alan Chesters, Bishop of Blackburn, stepped down as chairman of the Board of Education and National Society at the end of March. Bishop Alan's lifelong commitment to education and substantial impact in four years as chairman were celebrated with a lunch during the February group of sessions attended by the Secretary of State for Education and Skills, Charles Clarke, and the Archbishop of Canterbury, among many other friends and colleagues, and at which the Home Secretary, David Blunkett, and the Archbishop of York, paid tribute to Bishop Alan's ministry and wished him well for his retirement.

Bishop Alan was succeeded as chair by the Right Reverend Dr Kenneth Stevenson, Bishop of Portsmouth. Bishop Kenneth has been able to build on the strong base established by Bishop Alan and on his own commitment to the work of the House of Lords.

Staff changes

Daphne Griffith, deputy general secretary of the Board, resigned after 11 years at Church House to take up a new post in education nearer home. Dr David Lankshear retired after 12 years, mostly as Schools Officer, and Anthea Turner after five years as Further Education Adviser. Colin Hopkins, who had been secretary of the Dearing review of Church schools, also moved in the summer to work for Southwark Diocesan Board of Education. Colleagues were saddened by

the death after a long illness of Hilary Ineson, who had taken early retirement as deputy general secretary of the Board and adviser in adult education. New staff who joined the Education Division included the Revd Hugh Shilson-Thomas as Higher Education and Chaplaincies Adviser, Nick McKemey as National School Improvement Officer, Alan Murray as Further Education Adviser and the Revd David Whittington OBE as National School Development Officer. Steven Cooper and Veronica Elks joined the support services team, in Lifelong Learning and Schools Strategy respectively. Liz Carter, who had been support services manager and executive assistant to the Chief Education Officer, became National School Support Officer and Pat Barton was promoted to support services manager and executive assistant to the Chief Education Officer.

Team working was enhanced during the year, following the closure of the National Society's RE Centre, when the remaining staff of the National Society were relocated within the Education Division.

The Board

The Board of Education met twice residentially during the year, breaking into panels with some non-Board members on each panel, for part of the meetings for concentrated attention on aspects of the Division's work. Major items discussed included the implementation of the Church's Youth Strategy – which had been approved by General Synod in November 2002; the development of the Church's Children's Strategy – approved by General Synod in July 2003; the Church's response to the Government's Higher Education White Paper and the Green Paper *Every Child Matters*; the implementation of the Dearing review, especially through the rapid and substantial increase in the number of Church of England secondary schools; and the values underpinning the work of the Board and Division.

Lifelong learning

The Lifelong Learning team works with higher and further education institutions and other agencies promoting lifelong learning to raise issues of spiritual development, values and chaplaincy in further education colleges; to promote discussions of purpose and support for chaplaincy; and to promote the distinctive character and mission of Church colleges of higher education and universities.

Amongst Hugh Shilson-Thomas's first tasks was drafting the Church of England's response to the Government White Paper on Higher Education (HE). The process involved substantial collaboration and discussion across the sector. It was clear that the issue of 'top-up fees' would continue to have a high profile, but that funding for Higher Education was inadequate. The team pressed for a statement in law of the values and purposes of a university education.

Plans were made for a review of HE chaplaincy in 2004 leading to a possible General Synod debate on HE in February 2005. It was also decided to set up a group to look in detail at mutual expectations between the Church and the rapidly developing sector of Church Colleges and Universities.

The Churches' Further Education (FE) Adviser continued to work closely with the Learning and Skills Council to promote effective Church-community-FE partnerships, and liaised closely with dioceses and ecumenical partners. Almost Anthea Turner's last act in post was the publication of *Whole People Matter*, designed to promote Church and community interests in post-16 learning.

A response was made to White Papers on FE, *Success for All* and *21st Century Skills*. The Learning and Skills Council (LSC) commissioned a review and feasibility study of

College/Community Partnerships, the report of which was being considered by LSC at the end of the year for significant follow-up and implementation funding. The current state of FE chaplaincy and networks was reviewed and a preliminary paper produced on strategy, which suggested the need for priority to be given to the organisation and support available to chaplaincies at national and regional levels (including induction and in-service training) before any new initiatives were launched.

Schools strategy

The Schools Strategy team works to strengthen the place of religious education and collective worship; to promote the spiritual and moral development of pupils in all schools; and to preserve and develop the place of the Church of England's own schools in the esteem of central and local government, the wider community and the Church of England itself.

The Church of England's policy on schools, as proposed in the Dearing report *The Way Ahead* and approved by General Synod, continued to be a driving force for the work of the team on distinctive and inclusive Church of England schools, on the strategic development of secondary school provision, and on supporting the vocation to teach. By the end of the year, 20 new secondary schools had opened, 15 were timetabled and a further 27 or more in the pipeline – substantial progress towards the target of 100 additional secondary schools this decade.

Other proposals in *The Way Ahead* saw development in 2003, including supporting the vocation to teach. The ecumenical Education Sunday (16 February 2003) had as its theme *The Vocation to Teach*, and the Education and Ministry Divisions co-operated in preparation for the first annual Vocation Sunday during Eastertide, emphasising the vocation of the baptised as well as particular lay and ordained ministries.

The DfES and the National Society established with Partnerships UK in spring 2003 a wholly owned company, Partnerships for Church of England Schools (PfCS), to support the rebuilding through public-private partnerships of Church of England schools. David Miliband, the Minister of State for School Standards, also announced his intention to replace all secondary schools over the next ten or fifteen years. This massive programme would pose a significant funding problem for voluntary aided schools. By the end of the year it was clear that discussion about affordability with DfES officials had produced an agreement, which would be satisfactory for the Church and likely to be acceptable to Ministers. This should allow PfCS to move into top gear in 2004.

By the end of the year substantial work had been done on behalf of the National Society on a new and more rigorous framework for the inspection under section 23 of the School Inspection Act 1996 of Church of England and Church in Wales schools. There had also been useful discussions with David Bell, HM Chief Inspector of Schools, about co-operation between the Church of England and OFSTED. The new framework from September 2004 should facilitate an annual report on education in Church of England schools and the publication on the web of section 23 reports.

The Secretary of State's responsibility for RE, as part of his personal portfolio, led to several discussions on the place of RE and collective worship as well as on faith schools. Charles Clarke declared himself a clear supporter of faith schools. He also committed the DfES and the Qualifications and Curriculum Authority to develop a national framework for RE. Advice from the Church of England and others was that he should push on to a national syllabus from the base of an advisory framework.

Training and development

The Training and Development team supports the Church of England's educational work with and among children, young people and adults, promoting effective Christian nurture and Christian outreach. Much of the work at national level involves developing effective partnerships with national voluntary and governmental agencies and with others working in the same field and resourcing the diocesan networks as they support the work in parishes and local communities.

The team continued to raise the profile of children's work throughout the Church of England, encouraging training and best practice. The Review of the Practice of Admitting Children to Holy Communion before Confirmation continued, the results of which are to be submitted to the General Synod in 2005.

The National Children's Officer worked collaboratively with the Archbishop's Officer for Evangelism among Children to prepare a Strategy for Children for adoption by the Archbishops' Council in early 2003. The strategy was presented to General Synod in July by the new chairman and strongly endorsed.

The largest group of young adults ever attended the July sessions of General Synod as observers. In December, a weekend conference of representative young people from most dioceses approved and prepared the way for the establishment of a Youth Council for the Church of England. This had been proposed as part of the Youth Strategy, other aspects of which were developed during the year.

The National Adviser for Lay Discipleship and Shared Ministry worked closely with the Ministry Division's vocations adviser in planning Vocations Sunday (11 May 2003) to encourage the vocation of all, including lay discipleship.

The House of Bishops' *On the Way* project (managed in the Education Division), an exercise in Anglican catechetics from which teaching materials might be developed for various age groups in the Church of England, moved forward with the appointment of Dr Kenneth Stevenson, Bishop of Portsmouth, to write the core work.

Diocesan networking has been encouraged and advanced, especially in the areas of adult education resources and the development of lay ministries in the church.

Work on the Structure and Funding of Ordination Training (the 'Hind Review') has highlighted the importance of training for lay and shared ministry being included within considerations of appropriate training for ordained ministry. This and the need constantly to raise the profile of training for adult lay discipleship will help focus the work beyond 2003.

Ministry

Deployment, Remuneration & Conditions of Service

The Committee wishes to place on record its great gratitude to the former Bishop of Gloucester, the Rt Revd David Bentley, who retired as chairman at the end of 2002 and to Mr Alan King OBE who retired as vice-chairman of the Committee in March. The chairmanship was assumed at the beginning of 2003 by the Rt Revd John Packer, Bishop of Ripon and Leeds.

Deployment

The Committee advises the House of Bishops and dioceses on trends in numbers of licensed ministers and their distribution between dioceses. It worked with dioceses and theological institutions to ensure the placement of candidates in title posts, and continued to monitor, in collaboration with the Pensions Board, the number of priests leaving the Church of England's ministry in connection with the ordination of women.

Remuneration

After consultation with dioceses, the Committee recommended to the Archbishops' Council that the National Stipend Benchmark should rise by 3% in 2004/5 (2003/4: 3%). Included in the consultation with dioceses was the recommendation from the Clergy Stipends Review Group that, from 2004/5, the minimum stipend for assistant clergy should be the same as the National Minimum Stipend for incumbents.

The Committee devoted considerable attention during the year to the question of how to implement the decision of the General Synod in November 2002 to round down differentials in stipends (expressed as multiples of the National Minimum Stipend) paid to senior clergy. After taking legal advice and consulting the Church Commissioners, the Committee agreed to recommend to the Archbishops' Council that Bishops, Deans, Archdeacons and Residentiary Canons who took up appointments on or after 1 April 2004 should be paid at new lower rates, while existing post holders would receive stipend increases in line with the increase in RPI (or the increase in the National Minimum Stipend, whichever is lower) until their stipends reach equivalence with the new multiples.

The Committee recommended to the Archbishops' Council in May that parochial fees should be increased by 4% in 2004 (2003: 4%) with the exception of marriage fees where the recommended increase was 50%. The Council declined to accept the latter recommendation and agreed instead to ask the General Synod to approve an increase of 10% in the marriage fee. The Synod endorsed the Council's recommendation.

The Committee agreed that a consultation on parochial fees should be undertaken early in 2004 with a view to amending the Ecclesiastical Fees Measure 1986. It felt that there was an urgent need to clarify some matters relating to the destination of fees and the extra charges being imposed in some parishes.

Conditions of Service

A grievance procedure developed by the Committee was approved in June by the House of Bishops. Work was carried out with the Clergy Appointments Adviser on good practice in relation to advertising, short-listing and interviewing people for posts.

The Committee considered the Department of Trade and Industry's consultation document on age discrimination, new guidelines on maternity, paternity, adoption and parental leave that were sent to dioceses in October, and the implementation of the recommendation in *Called to Act Justly: A Challenge to Include Minority Ethnic People in the Life of the Church of England* (GS 1512) that there should be an ethnic audit of clergy.

In July 2002, the Department of Trade and Industry published a consultation document on *Employment Status in relation to Statutory Employment Rights*. In its response, the Archbishops' Council committed itself to setting up a group to review the terms of service for clergy. The group, under the chairmanship of Professor David McClean CBE QC, met twelve times during

2003. The Committee discussed the interim report from the group in September. A report on the first stage of the work was submitted to the Council in December, and warmly welcomed.

Continuing Ministerial Education

The Continuing Ministerial Education and Development Panel met twice. The Panel was kept informed about the implementation of *Formation for Ministry within a Learning Church* and the guidelines for the implementation group considering CME 1-4 and training incumbents. The Panel discussed the possibility of a wide consultation about current CME practice, to be undertaken during 2004, and began planning for the national conference to be held in April 2005.

The constitution of the Panel was amended and new members appointed in consultation with DRACSC.

Ministry of and among Deaf and Disabled people

The Revd Philip Maddock took up the post of Adviser for Ministry of and among Deaf and Disabled people and Secretary to the Committee at the beginning of 2003. In June, the chairman, the Rt. Revd John Perry stepped down on his retirement as Bishop of Chelmsford and was replaced by the Rt. Revd Jack Nicholls, Bishop of Sheffield.

The Committee continued its work of supporting the ministry of deaf and disabled people in the dioceses. Among the Committee's main items of business were continuing ministerial training for Deaf people, the establishment of a working party to investigate evangelism among Deaf people and the promotion of disability awareness in the dioceses. This has been given added impetus by the full implementation of the Disability Discrimination Act (DDA), on October 1st 2004 and will have a high priority in the Committee's work in 2004.

Theological Education and Training

The first half of the year saw the final revisions of the major report on training, published as *Formation for Ministry within a Learning Church*, and produced by a working party chaired by the Rt Revd John Hind, Bishop of Chichester. Following consideration by the Archbishops' Council and its Finance Committee, the financial chapter was substantially enlarged and work was done on a model for the governance and administration of the proposed Regional Training Partnerships.

Following discussion in the House of Bishops, the report was extensively debated by the General Synod in July and was approved with significant amendments.

Following Synod's approval, work was set in hand for the implementation of the report. The Archbishops' Council approved an implementation plan which will see the work being done through a series of small task groups, co-ordinated by a steering group, under the aegis of the Ministry Division. The immediate task has been to consult dioceses, partner churches and training institutions on the boundaries of the proposed Regional Training Partnerships. This work is being led by Sir Philip Mawer, who plans to report in Easter 2004. Most of the other seven task groups have been set up and plan to start work in the new year.

Other issues in ordination training included:

- a review of the institutional, educational and formational strategies of the theological colleges most affected by the continued downturn in the number of candidates training in the colleges;

- the joint publication with the Education Division of a very helpful guide to the issue of training for shared or collaborative ministry, carried out in the main by the Education Division;
- a new edition of the framework for agreeing the curriculum for programmes of ordination training with new statements by our ecumenical partners in the Methodist and United Reformed Churches stating their desired outcomes for training; and
- the continuing work of the Educational Validation Panel and the Moderators in ensuring high standards of training during a period of sustained debate about the future of training.

Finance

TETC's Finance Panel met eight times during the year under the Chairmanship of the Bishop of Grantham. In addition to its main task of scrutinizing the College and Course annual fee applications, the Panel began its preparations for its part in handling the financial aspects of the implementation of the proposals in the Hind report. Total expenditure on training grants from the Central Fund for Ministerial Training during 2003 was £8,795,578 against the approved budget of £9,175,000 (total approved 2002: £8,783,527).

Reader Training

The Reader Training Panel oversees the moderation of initial and continuing Reader training in 44 dioceses and in the Armed Forces. The Panel met three times in 2003 and received moderation reports from 9 dioceses. It discussed a range of topics including the implications of the Hind report, the appointment of moderators, the appropriate fee levels, the appointment of a new national moderator and the topics for Round 4 of moderation. The main event of the year was the publication of Wendy Thorpe's report on the issues emerging from her five years as National Moderator for Reader Training. The report calls for a particular focus in the coming quinquennium on developing the teaching ministry of Readers and improving Reader CME. The Ministry Division is particularly grateful for the contribution made by Mrs Thorpe over the past five years. The new National Moderator, the Revd Alec George, takes up post on 1 January 2004.

Vocation, Recruitment and Selection

The VRSC met three times in 2003 and the bulk of its work was devoted to the continuing review of selection procedures. The Review Group concluded that the present national system of selection was good, efficient and effective and should continue. However, further work was needed to review the selection criteria, sponsored categories, Candidates' Panel caseload, medical assessments and the current tools of assessment, to ensure that they were appropriate and effective. Small working groups were set up to look at these aspects and report back to the Committee.

Vocation

The main focus for the work of the Panel was the launch of the national Vocations Sunday on 11 May 2003, with input from the Board of Education. A leaflet promoting Vocations Sunday was produced and circulated to all clergy, Readers, and Church Army officers. A designated web-site was set up offering a range of resources for those leading worship on Vocations Sunday.

The Panel, through the Vocations Officer, worked closely with the Vocations Sub-Committee of the Committee for Minority Ethnic Anglican Concerns in the planning and delivery of a major

consultation in Birmingham in May 2003. This involvement reflects the Panel's commitment to encouraging minority ethnic vocations.

The Panel produced a new leaflet and poster to be used in encouraging people to reflect on their vocation. Copies have been sent to all Diocesan Directors of Ordinands, Vocations Advisers, Chaplains in Higher Education and Diocesan Youth Officers.

Selection

There was a slight increase in the number of candidates going to national selection conferences in 2003. 44 national selection conferences were held (2002: 41). A total of 632 candidates were sponsored (2002: 628), of whom 499 were recommended (2002: 441) – an overall recommendation rate of 78.9% (2002: 76.1%).

Pre-Theological Education

The Pre-Theological Education Panel continued to undertake its usual tasks of monitoring the work of the National Adviser, looking at the adequacy of condition paragraphs, monitoring assessments and ensuring that the training programmes developed for candidates are appropriate.

Six candidates were presented for moderation during the year (2002: 18). They were all considered by the moderators to have fulfilled the condition set by the selectors. 10 further candidates have been recommended by their bishops for pre-theological education and their programmes are due for moderation during 2004.

A leaflet detailing good practice in relation to pre-theological education was produced for Diocesan Directors of Ordinands.

Ordained Local Ministry Schemes

Three Bishops' Selection Conferences were held within dioceses in 2003 (2002: 5). The overall recommendation rate for OLMs is running at 94%, an increase of 10% on 2002.

Although sponsorship for OLM shows a reduction of 38% on 2002, the recommendation rate continues to show an increase and reflects the good work being done in the dioceses by local ministry development officers, and the high calibre of candidates. A small number of OLMs continues to present to the Candidates Panel each year requesting a change of category either to Stipendiary or Permanent Non-Stipendiary. In 2003 there were 5 applications. Of these the Panel agreed 2 for change in each category, and refused 1 for a change to Stipendiary.

No new diocesan Schemes have been presented in 2003 for approval by the House of Bishops. There are 19 dioceses with approved Schemes.

Candidates' Panel

The Candidates' Panel considered 71 cases concerning variations in training and other requests outside Bishops' Regulations for training. The majority of requests concerned training proposals and transfer of category to the Stipendiary/ Non-stipendiary ministry.

Central Readers' Council

In 2003 the Executive Committee on behalf of the CRC discussed:

- the recommendations and action plan arising from the CME report;

- the report *Formation for Ministry within a Learning Church* and the composition of the task group arising from the implementation plan;
- a draft grievance procedure; and
- arrangements for future conferences and annual meetings.

The Committee established a working party to take forward the arrangements for the national conference in 2005 and decided to hold a conference for younger Readers in 2006.

It also received a report on the moderation of Reader training in the Diocese in Europe.

It bade farewell to the National Moderator for Reader Training who completed her term of office at the end of December 2003.

Mission and Public Affairs

2003 was the first year of life of the new Mission and Public Affairs Division which brought together the staff of the former Boards for Social Responsibility and Mission, the Committee for Minority Ethnic Concerns (CMEAC) and the Hospital Chaplaincies Council (HCC). The Mission and Public Affairs Council began work in May and met three times in 2003 including one residential meeting.

The Division's purpose is to co-ordinate, promote and further the national work of the Church of England in the fields of social and public affairs, mission and evangelism and hospital chaplaincy. Its remit covers:

- the contribution the national Church makes to the shaping of society, responding to government policy on a wide spectrum of social and justice issues in this country and overseas;
- CMEAC's focus on racial justice within the Church of England
- HCC's work with chaplaincy within the National Health Service hospitals.
- the missionary calling of the Church in those aspects of God's mission that have to do with evangelism, the missionary role of parish congregations, spirituality, theology, world mission, inter faith relations and rural concerns.

Much of the day-to-day work is carried out with colleagues in other Churches, in Church and other voluntary bodies and in collaboration with the many networks of diocesan officers and advisers to which staff relate.

Staff changes

During the year the National Evangelism Adviser, Canon Robert Freeman, was appointed Archdeacon of Halifax and was replaced by the Revd Paul Bayes from the beginning of 2004. Canon Jeremy Martineau, the first Church of England National Rural Officer retired in December and was succeeded by Dr Jill Hopkinson. Liz Paffey, who had long served as Administrator of the Hospital Chaplaincies Council, also retired in December.

Mission

General evangelism

The main work of the year was the preparation of a report entitled *Mission-shaped church* for publication and debate in Synod in 2004. It was produced by a group chaired by the Rt Revd Graham Cray, Bishop of Maidstone.

The National Evangelism Adviser acts as Chair of the Standing Committee of the ecumenical Group for Evangelisation and was involved in a major consultation on the selection, training, mentoring and authorisation of evangelists in the Church today. He also carried out a survey into the role, training and authorisation of evangelists in English dioceses.

Core activities such as the publication of *Good News*, maintenance of the website and development of the www.rejesus.co.uk evangelistic website continued. Work began on the strategy to develop the Youth Evangelism Fund, which was approved by Synod in November 2002.

Evangelism among children

The focus of the year was taking forward the two strands of evangelism and training approved by Synod in July in the Children's Strategy. During 2003 the evangelism strand focused on working in-depth with five contrasting dioceses developing evangelism among children to see what lessons could be learned to apply more widely. The training element included surveys of what was already provided at diocesan level for clergy, readers and voluntary workers so that gaps could be identified and recommendations for improved training provision made.

A study was begun into the provision of accredited training for people with a ministry among children and the skills and values needed in order to provide a framework and criteria for developing future courses.

The newsletter *REACH* continued to be a widely appreciated means of communication. Two books on work with children are in the pipeline.

Partnership for World Mission (PWM)

A highlight of the year was the signing in the presence of the Archbishop of Canterbury of a common mission covenant among the mission agency members of PWM to develop their collaboration. During the year, the PWM structures were lightened with the regular meeting of General Secretaries of the mission agencies taking a place in the structure alongside the PWM Panel.

The annual Conference for representatives of diocesan companion links was attended by over 100 people. The focus was on learning from the Churches in Africa, as part of the process to develop the guidelines on good practice requested in the February Synod debate on *Voices from Africa*. It is planned to hold a 48-hour Anglican World Mission Conference at Swanwick in 2004.

During the year a number of agencies faced financial shortfalls and took action both to raise money, to re-structure and review their strategies.

Inter faith relations

The work of the Archbishop's initiative to listen to the experience of Christians and Muslims in Muslim majority areas has continued through the year with a view to reporting in the summer of 2004.

A project to explore the life, witness and ministry of parish congregations in Muslim majority areas was prepared for launch in 2004.

The Home Office initiated a study of government relations with Faith Communities with the Bishop of Leicester serving on the Steering Group and the Inter Faith Relations Adviser on the Working Group. Its report is expected in 2004.

A major conference on the role of the Spirit in the religions of the world was successfully held in July jointly sponsored with the Churches' Commission on Inter Faith Relations (CCIFR).

There was significant international work including the first meeting of a network from the Porvoo Churches on inter faith issues; participation in the second Christian Muslim seminar hosted by the Archbishop of Canterbury and subsequent meeting in Qatar; and the Anglican Communion's Inter Faith Network's regional consultation in Bangalore.

Rural

A key aspect of the work is equipping clergy for rural mission and ministry. During the year training courses were run from the Arthur Rank Centre for those beginning rural work, those involved in multi-parish benefices and for senior diocesan clergy. Additionally, the National Rural Officer spoke at numerous regional and national training days.

The countryside is being re-thought in British society and close connections were maintained with Government. The NRO is a member of the Rural Affairs Forum for England and contributed to the Review of the Rural White Paper. Responses were also made to the Department for Environment, Food and Rural Affairs (Defra) consultations on the Rural Delivery Review; Voluntary and Community Sector Capacity Building and Infrastructure Consultation and the mid-term review of Agenda 2000. Research on the contribution of the Church to social capital has begun at the Universities of Coventry, Leicester and Gloucester.

Mission theology

The Mission Theological Advisory Group (MTAG) concentrated on apologetics in contemporary society, particularly in relation to spirituality and the way Christian themes are echoed and found in film, literature and other media. Resources are planned for 2004 when it is hoped to establish a website.

There continued to be requests for follow up to *Presence and Prophecy* and its application to theological formation. Uncertainties about implementation of the Regional Training Partnerships proposals arising out of the Hind report on the future shape of theological training delayed exploration of its application to theological curricula. The model of the examples in *Transparencies* was of particular interest.

Enquiries about New Religious Movements continued to occupy significant staff time as did requests for consultancy and resourcing events and the work of other denominations, networks and voluntary agencies.

Community & Public Affairs

Committee for Minority Ethnic Anglican Concerns (CMEAC)

CMEAC's three main priorities during the year were youth, encouraging vocations and education and training, each overseen by a working group. The Joynt Hope project was launched with the appointment of a youth ministry research and development officer to cover the four pilot Dioceses of Birmingham, Manchester, Ripon & Leeds, and Sheffield. To encourage vocations CMEAC ran an inter-diocesan consultation in Birmingham in May, primarily aimed at clergy who serve in parishes with a high minority ethnic membership. The consultation was aimed at better equipping and encouraging clergy to look at how their vocations in this particular section of the church community can be facilitated. It was run as a pilot and proved very successful.

In terms of education and training CMEAC focused primarily on mentoring and began the process of looking at ways of facilitating specific projects. It began to re-examine the provision of racism awareness training, and the availability and suitability of various courses and material. Two Diocesan Advisory Team Visits were undertaken to Truro and Canterbury and preparations made for several more in 2004.

The Advisor to CMEAC also served as the chair to the Archbishops' Council's Stephen Lawrence Follow-up Staff Group. Its report, *Called To Act Justly* (GS 1512), was debated at Synod in July. Follow up of its recommendations is a further priority.

Finally a series of consultation days or visits to diocesan staff was begun in order to improve the sharing of good practice in racial justice work and the inclusion of minority ethnic people within the Church of England.

Home

The February Synod debate on Mental Health led to valuable conversations with government officials on the draft Mental Health Bill and the commissioning of a resource pack for local parishes on spirituality and mental health to be piloted in 2004.

In the field of criminal justice, the ecumenical Churches' Criminal Justice Forum (CCJF), chaired by the Home Affairs Policy Adviser began significantly to develop its role. The *What Can I Do?* pack offering practical advice to parishes was launched in July. The number of community chaplaincy projects increased as funding became available and the Salvation Army secondee in Birmingham had his contract extended for three years.

Detailed support was provided to bishops in the House of Lords over the Criminal Justice Bill and other debates on social justice issues including Anti-Social Behaviour Orders.

Crucible was taken over by the Canterbury Press and successfully re-launched.

A link was made with the William Temple Foundation in Manchester to provide the services of a researcher on economic policy issues to strengthen resources available to staff at Church House.

Urban

A major initiative, promoted by the Urban Bishops' Panel, was the establishment of the *Commission on Urban Life and Faith (CULF)*, whose Director, Ann Morisy, began work in September. It intends to report on developments in urban life and in the Church's mission and ministry in 2005, the twentieth anniversary of *Faith in the City*.

Work continued in monitoring the Government's programme of urban policy centred on the Office of the Deputy Prime Minister, but also covered in the Home Office's Active Community and Civil Renewal Unit.

Core activities continued including the annual Urban Policy Day, supporting the work of the Urban Bishops' Panel, assistance with the production of the *Urban Bulletin*, a steady programme of speaking and training in urban mission and ministry and support for the Anglican Communion's Urban Network.

International and development

In the first half of the year co-ordinating briefings, statements and responses to the war in Iraq was a major priority. This included regular briefings to bishops and others and submissions to Government enquiries, including the House of Commons International Development Affairs Committee's inquiry into the humanitarian costs of the war (February); the House of Commons Foreign Affairs Committee's inquiry into the decision to go to war against Iraq (June); and the DTI's White Paper on draft orders to be issued under the Export Control Act (March). The MPA Council asked for work to be undertaken on the ethics of preventative action in warfare in this new era.

Other issues kept under review included the deteriorating situation in Israel/Palestine, Zimbabwe, the arms trade, and the HIV/AIDS pandemic, for which a report to General Synod was prepared in the latter part of the year.

The International Affairs Adviser increased his work on European issues taking part in the Social Responsibility Commission of the Conference of European Churches and visiting Brussels to develop links with Church and other organisations relating to the European Commission.

Environment, medical ethics, science and technology

Environmental concerns remained a high priority. The series of diocesan workshops on environmental issues aiming to expand 'parish pump' local initiatives in local environmental work continued with plans for a further seven in 2004. The workshops revealed a need for deeper educational opportunities in environmental theology, ethics and practical application. It was also evident that there was scope for developing dialogue between Christian and other faiths and concern for sustainability.

Medical ethics continued to raise questions with pressure to stretch the boundaries of what is acceptable. The General Synod debated embryo research in July and close connections were maintained with the Human Fertility and Embryo Authority. Responses were made to a number of technical Government consultations and including an appearance before a Select Committee.

Marriage and family life

A Church of England stand at two National Wedding Shows produced many enquiries and revealed the importance of good pastoral practice towards those enquiring about a Church marriage. Initiatives from Government and Church in marriage law reform will provide a real impetus for clergy and parishes to develop their ministry in this area.

Research into clergy attitudes to and practice of marriage preparation in the Guildford area was published during the year. Its findings will contribute to the development of a training programme to be piloted in 2004.

Government legislation with relation to marriage and family life were monitored, briefings prepared and submissions made. Notable developments during the year were the Government's proposals for same sex civil partnerships and the consultative paper *Every Child Matters*.

Hospital chaplaincy

The Multi-Faith Group for Healthcare Chaplaincy (for which HCC provides the Secretariat) was successfully launched during the year. HCC Training courses are attended by people from a number of faith communities.

In November the Department of Health published its *Chaplaincy Guidance* policy document to which the HCC staff made significant contributions. Assisting in its implementation will be a major future priority.

In the same month the NHS also published *Caring for the Spirit*, a strategy for chaplaincy and spiritual health care workforce, including policies for training and development. Both documents move chaplaincy closer to the centre of NHS operations where there is growing concern for people's spiritual needs.

The Chairman, the Bishop of St Albans, continued his pattern of visits to NHS Trusts and meetings with senior health care executives.

Finance

The Finance Division is committed to assisting the Archbishops' Council and the wider Church by the provision of high standards of financial administration, together with advice on wider policy matters. The Finance Committee (see also p. 40), which functions as the financial Executive of the Council, oversees the work of the Division and met on five occasions during the year under the chairmanship of Mr Michael Chamberlain.

Under the National Institutions Measure, the Archbishops' Council determines the allocation of monies provided by the Church Commissioners in parish ministry support according to where it is felt to be most needed. This is administered by the Finance Division. Around £17 million was provided in allocations in 2003, of which around £15 million was distributed selectively to those dioceses judged to be in greatest need. From 2004, the full amount will be distributed selectively. A further £3.5m was distributed as the Parish Mission and Ministry Support Fund.

In the light of the substantial increase in the cost of the Clergy Pension Scheme, the Archbishops' Council pledged in 2001 that it would hold level in cash terms for three years the cost of its administrative functions (known as Vote 2). This cash freeze has been achieved. In addition, by careful budgetary control, the Council was able to hold the overall increase in the level of apportionment (covering Votes 1-4) for 2003 to 0.8%. Additionally, it is the agreed policy to return savings to dioceses where possible and by early 2003 the reserves for Vote 1 (the costs of ordination training) were at a sufficient level to be able to return a total of over £150,000 to dioceses. It has proved possible to contain all expenditure within budget for 2003. For 2004, an overall apportionment increase of just 0.4% is projected.

The Finance Division worked closely in 2003 with the Ministry Division to refine the financial implications of the Hind Review, which will in due course substantially affect the Vote 1 budget. It is also involved whenever staff changes, restructuring or other developments arise which have budgetary implications.

An important role exercised by the Finance Division is to advise on financial policy and on the financial implications of initiatives being undertaken within the Archbishops' Council or, where appropriate, elsewhere within the Church. The Division prepares a Financial Memorandum to advise Synod on the estimated resource implications of items of business being considered so that these can be fully taken into account before decisions are taken. The Division prepared the *Financial Overview 2003* (GS 1516), which supported the presentation by the Financial Secretaries of the Archbishops' Council and the Church Commissioners to General Synod in July 2003, setting out information on the total income and expenditure of the Church and other useful comparative data.

The Archbishops' Council began work with the Church Commissioners in 2003 on a strategic review of the role that all the Commissioners' non-pensions expenditure plays in supporting the ministry and mission of the Church. Consultation on the review's proposals was in progress at the end of the year.

There is close working with dioceses, both informally and formally, the latter primarily through biannual meetings of the Inter-Diocesan Finance Forum and quarterly meetings of the Consultative Group of DBF Chairmen and Diocesan Secretaries. The whole of the meeting of the Inter-diocesan Finance Forum in October 2003 was devoted to consideration (in groups and in plenary) of issues being considered by the Strategic Review.

After a joint process of tendering, both the Archbishops' Council and the Church Commissioners appointed Deloitte & Touche as their auditors. This represented a change of auditors for the Council and a substantial amount of time in the early part of 2003 in the Finance Division was spent in familiarising them with the Council's work and activities and in reflecting on their suggestions for changes to the structure of the statutory accounts.

Work also continued throughout the year on the implementation of the decision in 2002 to form a single Common Services Accounting Department for the Archbishops' Council, Church Commissioners and Church of England Pensions Board. This was a major project. The new department was formed with effect from 1 November 2003 and, as part of an office space utilisation review (which will in overall terms save the Council nearly £100,000 p.a. in rent) all the staff concerned were brought together in Church House. Work will continue throughout 2004 and 2005 on implementing a new harmonised staff structure, procedures and systems.

The Finance Committee is also the Executive Committee of the Central Board of Finance (the membership of the Central Board of Finance being co-terminous with the membership of the Archbishops' Council) and the Finance Division carries out most of the administrative work required in respect of the CBF's responsibilities. In addition to its investment responsibilities and the Central Church Fund, the CBF has a financial interest in all of the Church Colleges of Higher Education and owns the freehold to St Katherine's College, Liverpool and Whitelands College, Putney.

The relocation of Whitelands College to its new site closer to the University of Surrey campus at Roehampton proved particularly demanding during 2003. The CBF is represented on a Client Group, which oversees this complex project and negotiated the legal structures which will govern the future relationship between the CBF (as freeholder) and Whitelands College.

Following the grant of planning permission in early 2003, major redevelopment work began on the new site. This is expected to be completed and the College to move in late 2004. In November, the CBF acquired the freehold of the residential part of the new site and subsequently granted Whitelands College a leasehold of the site. The CBF also entered an agreement to be granted the freehold of the remainder of the site on completion of the project.

A review of the CBF's Trusts began in 2003, and this is likely to lead to a rationalisation of many of the Trusts, in consultation with all the interested parties. Work also took place on reviewing other aspects of the ongoing role of the CBF, in particular as regards its investments function, to ensure that the arrangements reflect best practice and offer appropriate protection to those investing in the funds.

The Financial Secretary continued to work with colleagues from the Cathedral & Church Buildings and Communications Divisions, the Churches Main Committee and the Diocese of St Edmundsbury & Ipswich on the campaign to achieve a permanent reduction in the rate of VAT payable of repairs to listed places of worship. Discussions were held with Government and EU officials, MPs and MEPs.

Central Church Fund

The Central Church Fund Committee awarded grants amounting to £510,546 in 2003. Of this, around half contributed to the activities of the Archbishops' Council and the rest was given in grants to 60 parish or diocesan projects throughout England. In addition, a grant was given to the Diocese in Europe towards its provision of pastoral and spiritual care at the 2004 Olympics in Athens, and discretionary grants of £1,000 each were awarded in support of the Church in Istanbul and Palestine.

Examples of projects awarded grants this year include:

- £4,500 towards the creation of a community café and garden of reflection adjacent to a church in Portsmouth diocese;
- £9,000 towards the employment of a Parish Nurse (to act, in consultation with local health authorities, as a consultant, counsellor and trainer of volunteers) by three parishes in Chester diocese;
- £5,000 towards the development of a community room with kitchen and toilet facilities in the west end of a church in Manchester diocese;
- £5,000 to purchase IT equipment for a church-run centre for pupils excluded from schools in Sheffield;
- £3,000 towards the adaptation of a vestry to accommodate a mobile post office facility following the closure of the only post office in a rural community in Leicester diocese; and
- £5,000 towards the continuation and expansion of a Youth Project (including a new Saturday morning Breakfast Club) for 5-11 year olds in a deprived urban area in London diocese.

The Committee decided earlier this year to clarify its grant-making criteria in order to emphasise the key factors determining the eligibility of projects. The underlying principle of the revised criteria is summarised in the CCF's leaflet *Guidelines for Applicants*. Further information and advice on making an application are available from the Secretary.

Christian stewardship

The Committee considers and advises the Finance Committee and the Archbishops' Council on matters pertaining to Christian Stewardship, primarily by the development of its principles and practice in order to encourage and assist the efforts of those who are concerned with teaching

them. In addition to Christian giving, it is becoming clear that the Committee needs to take on the oversight of other forms of funding the Church.

To that end the three meetings of the Committee explored fund raising and fund releasing opportunities for the Church. The fundraising manager from the Diocese of Sheffield and the parish resources officer from the Diocese of Manchester made presentations in April and June which led to a seminar in October for diocesan representatives on these aspects of funding. A survey earlier in the year showed that the co-ordination of these funding opportunities in dioceses was patchy and the Committee plans to continue its work in this area.

The Committee also addressed the question of the stewardship of the Church's buildings. The Head of the Cathedral & Church Buildings Division made a presentation to the April meeting on the work that was being carried out with the Church Heritage Forum on the way forward for church buildings. She reported back to the Committee after the debate in General Synod and presented various challenges for the way that the Stewardship Network could be involved in improving the uses to which church buildings are put.

The other major strand of the Committee's work has been an investigation into the ways in which young people (ages 11 to 25) engage with Christian Stewardship. This is an area where stewardship advisers can and do work with the diocesan youth officers. Some advisers are proactive in this field, but many respond to the perceived needs of the parish and there is no evidence of training in stewardship being provided for paid or volunteer youth workers. The Committee plans to report its findings to the Council to encourage the Church to give this area of work a higher priority.

The National Stewardship Officer collaborated with the Legal Adviser on the Government's response to the Strategy Unit review of charities *Private Action, Public Benefit* and, in particular, its intentions on the matter of excepted charities. The Charity Commission is to take forward work on planning the process of registration, from 2007, for currently excepted charities (including PCCs) above a £100,000 threshold. Meetings are due to be held with representatives of the Home Office to discuss matters of detail. The Government has announced its plans to publish a draft Charities Bill in 2004.

The Officer linked giving to the Church with the national strategies of the Giving Campaign and the Legacy Promotion Campaign and worked with the Inland Revenue to ensure that parishes were well briefed on the Government's plans for giving to charity through the self-assessment tax returns.

Investment

The CBF Investment Committee exercises the powers and duties given to the CBF under the Church Funds Investment Measure 1958 (as amended) in the oversight of the investment management of the CBF Church of England Funds. It is chaired by Mr Miles Roberts and met on 5 occasions during 2003.

The Funds are under the management of CCLA Investment Management Limited, a specialist investment management company which is 60% owned by the CBF Church of England Investment Fund. The total funds under the management of CCLA, including funds managed on behalf of other charities and local authorities, rose slightly in 2003 from £4,884m at 1 January to £5,041m at 31 December. This was partially due to the recovery in equity markets during the year. The total value of the CBF Church of England Funds under management rose by £132m to

£1,617m which included a net inflow during the year of £58m. The performance of the individual funds was as follows:

Investment Fund

The Income Share value rose by 4.2% and the total return was 8.5% for the year to 30 November. For the calendar year 2003, the total return was 16.7% (which compares with the estimated WM Co Charity Fund Universe return – an independent measure of the overall investment performance of charity portfolios – of 17.5%). The continuing difficulties of generating growth in investment income from equity investments were compounded during the year by the weakness of the US Dollar which is particularly relevant for some of the Fund's largest UK investments which now declare dividends in US Dollars. The Fund's total dividend for the year was therefore reduced from 35.5p to 34.0p per share. It is expected that this level of distribution can be maintained in 2004.

Fixed Interest Securities Fund

The CBF Church of England Fixed Interest Securities Fund performed well relative to its benchmark having benefited from a significant holding in sterling corporate bonds. The Accumulation Share value rose by 3.4% over the year to 30 November, better than the total return on the FTSE UK Government All Stocks Index of 2.2%. The further fall in bond yields over the past few years has reduced the amount of income earned by the Fund. Although the current rate of income distribution of the Fund is expected to be maintained in 2004, a reduction will be necessary during 2005.

Property Fund

The CBF Church of England Property Fund continued to receive a steady inflow of new money from investors attracted by its high yield. Over the year to 30 November, the size of the Fund rose in value to £102m and the total return achieved over the same period was 11.6%, comfortably in excess of its performance benchmark.

Deposit Fund

Despite further cuts in base rate to 3.5% at its lowest point, the CBF Church of England Deposit Fund continued to attract new money and total deposits increased by £48m to £720m over the year to 30 November 2003. The interest rate paid over the year averaged 3.42% (3.47% Annual Equivalent Rate) which remains highly attractive relative to alternative charity accounts.

Shareholder voting

The CBF Investment Committee has adopted a formal corporate governance policy and routine informed shareholder voting is applied across all UK holdings in the CBF Church of England Investment Fund. The policy adopted by the CBF Investment Committee is to support company management except where proposals are either deemed not to be in shareholder interests or reflect poor corporate governance practice. During 2003 shareholders were given the opportunity to vote formally on executive remuneration reports for the first time and this resulted in the Manager, on behalf of the Investment Committee, either abstaining or opposing a number of specific resolutions on executive pay. In cases where proposals are opposed, the company is contacted and invited to comment.

During the CBF financial year to 30 November 2003, the Manager, on behalf of the Investment Committee, voted at 105 UK company meetings comprising 1,115 resolutions; 94% of votes were cast in support of management, 3% against and the Manager abstained in 3% of resolutions.

Central Services

Electronic Mapping

The maintenance of individual parish maps has now been transferred completely to an electronic system. The master copies are maintained by the Mapping section on behalf of the Church Commissioners and updates provided to the dioceses to reflect pastoral reorganisation. Each diocese now holds a copy of its own parishes and is able to produce parish maps for diocesan use. (See also Research & Statistics, p. 29.)

Systems Development

Work continued on implementing 'thin client' technology to reduce overall IT costs and allow remote access over the internet to the central servers for the increasing number of staff working away from the office.

With Disaster Recovery very much in the public eye, a 'warm site' area was created at the Bermondsey Record Centre and this will be commissioned early in 2004. Fall back communication lines were installed to provide security for our payroll commitment to the clergy and pensioners as well as other aspects of the National Institutions' work.

Accommodation

A scheme further to rationalise and maximise the accommodation arrangements in Church House was carried out in 2003. This enabled the staff of the Church Urban Fund and the new combined Accounting Services Department to be accommodated in Church House.

Environmental Policy

The Archbishops' Council, along with the other NCIs, is fully committed to an active environmentally aware policy. In addition to an environmental policy embraced by all the NCIs (see p.35), individual departments were encouraged by the Environmental Working Group to produce their own policies for their specific areas of work. Office Services and IT departments – the central purchasing departments for the NCIs – in particular have environmentally aware purchasing policies in place, as well as similar policies for disposal of waste.

Church House Publishing

CHP had another busy year in 2003. Sales turnover exceeded £1,000,000, an increase of around 20% on the 2002 performance. The gross profit percentage also exceeded forecast. CHP moved to new offices directly above Church House Bookshop. This should help the publishing staff build up more of a sense of team with their retailing colleagues.

Our range of publications continues to be diverse, ranging from Youth Emmaus (complete with CD-rom) to reprints of Braille editions of Common Worship. Version 4.0 of *Visual Liturgy* was released after over two years' preparation. It is now a much more sophisticated product and the

split between the software engine and database of texts means that *Visual Liturgy* could potentially be adapted for use by other Churches and denominations. Another publication with a long gestation period was *Some Issues in Human Sexuality*. To enable individuals and groups to get to grips with the material CHP also published a Companion booklet in addition to the main publication.

In January 2003 the Archbishops' Council purchased selected titles from the National Society's backlist of educational resources. In future all such material will be published under the CHP imprint and the successful pastoral leaflets series on Baptism, Marriage and Funerals have already been relaunched under the new branding. Following the success of the Communion Cube, we released a Lord's Prayer Cube – not an executive toy, but an educational tool.

CHP again co-published a set of Church of England Christmas cards with Museums and Galleries Ltd and for the first time released a Church of England calendar.

The major shift in marketing was our decision to cease to use Christian Publishers' representatives as our link to the UK book trade. Instead the CHP Sales Manager and his deputy now visit key accounts themselves. Direct mail marketing to clergy and others has increased significantly, and some of the filling of orders has been outsourced to the Methodist Publishing House in Peterborough.

CHP continues to sell its expertise to external organizations including CTBI, the Methodist Church and the Church of Ireland and manages the www.nationalsociety.org and www.rootsforchurches.org web sites. The CHP online catalogue www.chpublishing.co.uk was relaunched in November.

Church House Bookshop

As for the rest of the Christian retail sector, 2003 was a tough year for Church House Bookshop. A reduction in the number of people travelling into central London in the first half of the year and the autumn postal strike had a negative impact on business. Nevertheless, the trading performance grew stronger as the year progressed. Between August and October sales grew by 25% as against the previous year. Strong sales of *Visual Liturgy* and *Some Issues in Human Sexuality* helped boost turnover. Shop floor sales have held up well. The most exciting development was the relaunch of the internet bookshop in November. This is already showing a considerable growth in sales compared with the old site. Further developments are planned, including a more streamlined approach to the way in which CHB handles its mail order business.

Sales to theological colleges continued to grow. In the face of considerable competition, CHB managed to secure the contract to supply the Cleaver Fund, a scheme offering grants to theological students. This is worth an additional £25-30,000 per annum.

Internal Audit

Within the Archbishops' Council in 2003, the Internal Auditing department completed a review of research and statistics. It provided a positive assurance that reasonable reliance could be placed on the Council's data collection systems and made recommendations aimed at improving the dissemination of statistical results. The implementation of recommendations made in the earlier reviews of treasury functions and payments and receipts was followed up: the issues that had been raised were being adequately addressed.

At the end of the year a number of reviews were in hand covering the common services provided by the Archbishops' Council: procurement, recruitment and selection, staff payroll and IT policy implementation as well as a review of the Education Division.

The Internal Auditing department provided consultancy support to managers in respect of the identification and recording of risks that the Council is exposed to, on the accounting services project, and to the IT Steering Group. For details of the Audit Committee see pp. 35 and 41.

Central Secretariat

The Central Secretariat provides resources for servicing the General Synod, its three Houses, and the Business and Appointments Committees. The staff serve as secretaries of a number of the Synod's permanent committees and commissions, as well as a number of *ad hoc* committees and groups (such as the Marriage Law Working Group). The following are some of the significant developments in the Central Secretariat itself, and in the Council for Christian Unity and the Research & Statistics Department, which now form part of the Secretariat.

House of Bishops

2003 was a busy and challenging year for the House of Bishops. It was dominated in the early months by the war in Iraq and in the latter months by issues surrounding human sexuality. The House of Bishops issued a statement in January questioning the moral basis for war against Iraq and took an active part in subsequent discussion. It discussed the Doctrine Commission's report *Being Human* and produced its own study Guide, *Some Issues in Human Sexuality*.

In June, the House met with Irish, Scottish and Welsh counterparts to reflect on different ways of being Church, foreshadowing the publication of the Cray report, *Mission-shaped Church*.

The House also discussed issues of collegiality and began to re-examine the way in which it orders its business.

Appointments Committee

The Appointments Committee makes or advises on appointments on behalf of the General Synod and the Archbishops' Council. In July, the Revd Canon Hugh Wilcox stepped down as Chairman of the Committee. A new chairman was to be approved by Synod in February 2004. In September, the Committee also bade farewell to the Rt Revd John Oliver, Bishop of Hereford and welcomed the Revd Canon Glyn Webster, nominated by the Archbishops' Council.

Liturgical Commission

The Commission completed work on the Ordinal and on the Weekday Lectionary, ready for First Consideration at the February Synod in 2004. It also progressed work on the texts of *Daily Prayer, Times & Seasons*, and the remaining Initiation Services. The Commission's staff serviced the Revision process for Additional Collects, ready for Final Approval by Synod in February 2004.

Marriage Law Working Group

The Marriage Law Working Group was established at the end of 2002 to take forward the recommendations in *The Challenge to Change* (GS 1448). In March it contributed to a significant consultation document produced by the General Register Office concerning the

preliminaries to and the registration of marriage and began to consider proposals for changes in Church legislation.

Child Protection

The House of Bishops agreed a new policy document for the Church on child protection to be published early in 2004. A residential conference was held for the diocesan child protection advisers in December. Links with other Churches, and other organisations in this field have also been developed.

Christian Unity

There was strong support in General Synod in July for the Anglican-Methodist Covenant and a memorable signing event at Westminster, in the presence of Her Majesty The Queen, on 1 November. The Joint Implementation Commission (with the Bishop of Peterborough as Co-Chair) began work in December and there was a well-supported and useful joint Anglican-Methodist annual conference for diocesan and district ecumenical officers.

The long-running CCU-Baptist Union informal conversations drafted their final report and the International Anglican-Baptist forum completed its global regional hearings.

CCU's Local Unity Panel fully revised its resources folder for Bishops, Diocesan Ecumenical Officers and Diocesan Secretaries.

The Faith and Order Advisory Group's (FOAG) working party on theology of ministry began its work, and FOAG completed its significant report on *Continuing Anglican Churches*. The text of the FOAG book on ecumenical method was completed.

Relationships with European partner Churches

The key event of the year was the Conference of European Churches (CEC) General Assembly in Trondheim, Norway. The Church of England delegation, led by the Bishop of London, made a major contribution to shaping the CEC agenda for the next five years.

The CEC *Charta Oecumenica* was published by CCU with a commentary for use in parishes and deaneries, giving a European dimension to local ecumenical co-operation.

Links with Porvoo partner churches continued to grow, with existing links taking on new dimensions, including a major consultation on inter faith issues. The Porvoo Primate and Presiding Bishops considered issues of Church leadership at their meeting in Edinburgh. There were also enhanced contacts with the Lutheran Church in Denmark, and visits to the Lutheran Church in Russia.

Meissen links with the Evangelical Church in Germany (EKD) broadened with more dioceses including Meissen in their professional training provision. Special consultations have been held to provide support for German clergy in England and to encourage English ordinands and clergy to experience study or placements in Germany. Papers from the last two Meissen theological conferences were published under the title *Witnessing to Unity*.

A record number of English participants of all ages took part in the highly successful Ecumenical *Kirchentag* in Berlin at the end of May.

Research & Statistics

2003 saw the successful completion of the digital mapping of Church of England parish boundaries. The Office for National Statistics for the first time released digitised census results based on small census output areas (from the 2001 government census). This enabled conversion to ecclesiastical parish areas so that by October/ November each diocese received a range of census demographic statistics converted to parish areas and available in digitised form suitable for geographical mapping. This major advance will facilitate more accurate planning (and research) at both diocesan and national level.

A second major national opinion poll focusing on Religious Affiliation and Local Churches was undertaken in October for the Mission & Public Affairs and the Cathedral & Church Buildings Divisions working jointly with English Heritage. The results from this are currently being analysed and disseminated across the Church and beyond.

The collection of parochial membership and attendance statistics was further enhanced by the inclusion of a question on young people in contact with local churches, by the collection of parallel information on Local Ecumenical Partnerships and on categories of 'social' areas. Results from this significant development of the Parochial Database will enhance its use across the Church for planning and mission purposes. Analysis of this information has begun with research in mind in 2004 and the collection of other information through suitable one-off questions.

The department is closely involved in the emerging role of the Churches Together in England Statistical Gatherers group as its chair. This group has been given the task of designing a unified information collection system for Local Ecumenical Partnerships.

The department commissioned NCLS, the parent body behind the 2001 Church Life Profile survey, to produce more detailed reports for those dioceses which had actively participated. The reports were sent to dioceses in December for reflection.

The department designed and analysed new national *Statistics for Mission* for the Methodist Church in the context of the consultancy which the Department provides for the Methodist Church under a formal agreement.

Communications

The Communications Unit serves the Council, the General Synod, the House of Bishops, the Church Commissioners and the Pensions Board. It provides press and public relations functions, a national enquiry office, internal communications and web-based communications. The Unit also provides professional communications training, often in association with other Churches, to the NCIs, dioceses and parishes.

Following the departure of the Director in March 2002, a consultant was engaged to review the structure and role of national church communications. At the end of September 2003, the Archbishops' Council discussed the outcome of the review and accepted the general analysis and overall prescription in the report. The post of Communications Director was advertised in November.

Press Office

The Press Office is the hub of the Unit, providing a press cuttings service and daily briefing to senior staff and clergy across the NCIs and dioceses. The Unit issued more than 100 press releases in the year, placed 39 stories, and hosted six press conferences in support of the work of the Council and the Church Commissioners. It provided media facilities at General Synod sessions in February and July and supported trial broadcasts of sessions on the internet.

Media enquiries continued at a high level, increased by the controversies over the sexuality debate in the Church of England and the Anglican Communion. There was also wide coverage, in both press and broadcast media, of the Church's first presence at the National Wedding Show.

The Unit advised many drama, documentary, educational and quiz broadcasts, placing particular emphasis on working with *Common Worship* where appropriate. *A Year in Review*, edited by PJ Bonthrone and published on behalf of the Archbishops' Council, the Church Commissioners and the Pensions Board for the third time, was distributed to dioceses, parishes, church schools and MPs.

Broadcasting

The Communications Act, a major piece of regulatory legislation, was passed in 2003. During the passage of the legislation, the Bishop of Manchester, supported by the Communications Unit and an *ad hoc* group chaired by him, made many interventions in the Lords and won some valuable concessions.

The work of the Religion in Broadcasting Group continued. It monitored broadcasts and identified issues affecting the quality, quantity and scheduling of programmes with religious content on the main terrestrial channels.

The Church continued to benefit from the ecumenical focus of the Churches Advisory Council for Local Broadcasting (CACLB), a relationship serviced through the Unit. CACLB became the Churches Media Council during the year and widened its focus to include print and electronic media.

Enquiry Centre

The Centre continues to answer enquiries from all over the world on a wide range of subjects, by letter, by telephone and fax, and increasingly by e-mail. The Centre also compiles the weekly lists of clergy appointments which are sent out to the National and Church Press.

Communications Training

Communications Training had another record year in 2003, with 367 participants trained in-house, 15 bishops trained externally and 341 people trained in dioceses, theological colleges, parishes and leadership schools.

A new sound desk was fitted in the studio, which was relocated at the same time to make better use of available space. The number of studio bookings from outside agencies also increased.

The 2004 brochure was extended to twenty pages to include a section on facilities hire. Again this was achieved with the valued support of our partner denominations. New courses include *Effective Communication Skills*, *Advanced PowerPoint* and *Photography for Publication*. David Marshall, Elaine Storkey and David Winter have joined the list of tutors and David Johnston has returned.

Full details of courses and tutors can be found at www.commstraining.cofe.anglican.org where there is also an online booking facility.

Internal Communications

All Staff, the intranet magazine for NCI staff, continued to be published weekly. Regular talks arranged for diocesan and parish audiences allowed members of the Archbishops' Council and senior staff to explain the structure and work programme of the Council. The Unit contributes a similar talk as part of the regular new NCI staff induction programme.

The Unit communicated to parishes the Church's response to a number of Government and other initiatives and contributed to dialogue with the Department for Culture, Media & Sport and HM Treasury on the Listed Places of Worship Grant Scheme. Work continued to lobby for VAT changes at a European level and the Unit worked closely with the Cathedral & Church Buildings Division in connection with various other heritage consultations. Information in answer to Parliamentary and General Synod questions on these and other topics were delivered as required.

The major redevelopment of the Church of England website, run by the Unit, continued and is on schedule for completion in 2004. A number of improvements and modifications were implemented during the year, including enhancement of the links page and expansion of the feedback facility. Feedback to the website continues to grow and the Unit handles an increasing volume of enquiries via the web.

Human Resources

The Archbishops' Council is the largest of the joint employers. It is the managing employer for around 270 of the 500 or so staff in the NCIs. This includes the staff in the common functions IT, Office Services, Communications, the Legal Office, records and HR itself who provide services to all the NCIs. 49% of the Council's staff are women; 6% have declared that they come from a minority ethnic background (24% have not declared their ethnicity); 9% are under 30; 24% are between 31 and 40; 30% are between 41 and 50; and 37% are between 51 and 65.

Harmonised pay structure

The most substantial piece of work that the HR Department was involved with in 2003 (and which will run over into 2004) was the development and negotiation of a new harmonised pay structure and a possible deal to buy out staff's existing pay terms. It is complex and time consuming work which requires delicate handling of the different aspirations and objectives of all of the stakeholders whilst taking into account the reality of the organisations' financial positions.

The exercise meant that some 180 jobs across the NCIs were evaluated using a new job evaluation scheme and the rest 'slotted in' around these in 'job families'. This allowed us to more accurately assess where a job would be pitched in the new pay structure. If the pay proposals are agreed, they will be effective from July 2004.

The pay of the senior staff will continue to be individually determined by the Remuneration Committee within a framework which was thoroughly reassessed in 2000. Pay rates are reviewed annually and the Remuneration Committee reviewed them again in September 2003.

Staff perception survey

A staff perception survey was undertaken in April/May 2003, to help determine staff's views of the state of the NCIs and help management to develop some of its future priorities. 50% of staff responded, which is above average for surveys of this kind. Staff working for the Council were of the view that they had interesting and enjoyable jobs (some 85% of those who responded) and that they were given sufficient authority and freedom to do their jobs effectively (83%), and they placed value on working for a Christian organisation (64%). It also showed areas that may need special attention by management: the management of change (64% of those who replied said that this needed to be improved); improved communications (50%); more appropriate rewards and benefits (38%) and better access to training and development, succession planning and career management (54%).

The findings from the survey were shared with staff at a series of presentations over the summer and their views and ideas sought to address these matters. The last survey had been carried out in 1998 and a comparison showed that staff very much enjoyed their jobs then, too, but that there were also concerns about lack of career opportunities, unsatisfactory communications and confusion over the organisations' goals. It does appear that local support for training and development has improved, however. Overall, after a time of change and uncertainty, the positive findings about job satisfaction are encouraging.

Equality for all

The Synod debate on the follow-up to the Stephen Lawrence report supported the recommendation that the NCIs become an example of best practice in providing racial awareness and cultural diversity training and mentoring support for minority ethnic staff. Advice and support is currently being given by the Home Office Network to minority ethnic staff, who are considering whether to set up a similar support network here. In 2004, the Equality For All Group is aiming to agree specific actions and targets to improve the opportunities for those from minority backgrounds. The recent Employment (Equality) Regulations 2003 relating to religion and belief, sexual orientation, disability and age have required us to look at our equal opportunities policy and the practices that surround it.

Health and safety

In March a professional health and safety advisor joined the HR department and has been active in establishing a cross institution Health and Safety Committee. The main objectives for 2004 are the development of an efficient health and safety management system to enable the NCIs to meet current legal and moral obligations and to ensure that provision is being made to meet changes in legislation such as the revised Management of Asbestos at Work regulations. Specific support is also being given to the Church Commissioners to improve the management of the health and safety of staff at See Houses.

All of this is in addition to day-to-day support and advice on employment matters, the management of recruitment activity that HR staff provide for staff and managers, and the technical management of restructuring processes such as the Accounting Services Review.

Legal

The high level of demand for the services of the Legal Office encountered in 2002 was maintained in 2003.

On the legislative front, Parliamentary approval and Royal Assent were obtained for the Clergy Discipline Measure and the first steps of what will be a long process of implementation put in hand (including the establishment of the Clergy Discipline Commission and the appointment of a 'Designated Officer'). Other legislation taken forward through the Synodical processes included the Care of Cathedrals (Amendment) Measure, the Church of England (Miscellaneous Provisions) Measure, the Stipends (Cessation of Special Payments) Measure, the Payments to the Churches Conservation Trust Order and the various instruments which will alter the size and composition of the General Synod as the last step in the process initiated by the Bridge Report.

A wide range of legal and procedural advice continued to be given to Synodical bodies, to the Archbishops' Council and the various bodies that report through it to the Synod and to the Commissioners' Board and Committees. Additionally, as in previous years, significant advice was required by review groups and working parties. They included the Review of the Dioceses and Pastoral Measures, the 'Working with the Spirit' Follow-up Group, the Clergy Discipline (Doctrine) Group, the Review of Marriage Law Working Group and the Review of Clergy Terms and Conditions of Service.

The Legal Office was required to play a significant role in enabling the NCIs effectively to respond to a large number of Government initiatives. Particular priorities were the draft regulations to implement the EU Employment Directive, the Gender Recognition Bill, the abolition of the office of Lord Chancellor and proposals to reform the law of charity.

On the conveyancing side, the Legal Office met the challenges of the biggest change for over 75 years in land registration law, as well as the introduction of stamp duty land tax. Much credit was due to the staff, who managed their consistently heavy case loads while becoming conversant with the new legal provisions, revised forms and corresponding changes in procedures.

The usual wide variety of property transactions was undertaken by the Church and Corporate Property Teams for the Commissioners, as well as for the Pensions Board in relation to the CHARM scheme. The Commissioners' investment property portfolio continues to give rise to some very significant and complex transactions, such as the sale jointly with the Commissioners' tenant of the freehold and leasehold interests in a substantial central London office block. The Corporate Property Team also advised the Central Board of Finance when the Board entered into a purchase and leaseback arrangement with Whitelands College in connection with the College's move from its present site to a new campus.

Finally, costs were successfully contained below both budget and 2002 levels. As in previous years, the cost of resourcing the corporate property team totalled approximately fifty percent of the running costs of the Legal Office, but roughly half of its work was again self-financing.

Governance

Governance issues have had a high profile in recent years. The Archbishops' Council keeps its governance arrangements under review in a number of ways. In 2002, it undertook a review of the structures of its Boards and Councils (the Guildford Review) and in 2003 began a review of the constitutions of the bodies answerable through it to the General Synod.

Risk Management

The Charity Commission in 2000 issued a revised Statement of Recommended Practice in respect of Accounting and Reporting by Charities. The Statement requires the trustees to include in its Annual Report a statement on the management of the major risks to which the charity is exposed.

In 2003 the Archbishops' Council identified the largest risks to which it and the wider Church are exposed and considered the results of an in-depth review of risks in Common Service departments. The Council's senior managers took steps to mitigate those risks and the Finance Committee and the Joint Employment & Common Services Board reviewed their actions. The Audit Committee continued to keep the risk management process under review.

Audit Committee

The Audit Committee is a committee of the Archbishops' Council, constituted in accordance with the Standing Orders of the General Synod. It is answerable to the Synod through the Archbishops' Council. Each year a report on the discharge of the Committee's functions is put before the Archbishops' Council and the General Synod.

As a follow up to the 2002 audit, the Committee considered Deloitte & Touche's post-audit report. Key recommendations covering the legal status of the Central Board of Finance and the use of designated and restricted funds are currently being taken forward. The report also highlighted areas where improvements could be made in the accounting function and these are being considered as part of the ongoing development of the common services Accounts department.

The Committee confirmed the appointment of Deloitte & Touche for the 2003 year end and discussed with them the scope of their audit. Two areas of particular focus were the form of the accounts and the accounting policies to be used.

The draft financial statements for 2003 were reviewed and recommended for approval.

The Committee considered a report from the Internal Auditing department on their review of research and statistics. They provided a positive assurance that reasonable reliance could be placed on the Council's data collection systems and made recommendations aimed at improving the dissemination of statistical results. They followed up the implementation of recommendations made in the earlier reviews of treasury functions and payments and receipts and found that the issues that had been raised were being adequately addressed.

A meeting of the chairmen and secretaries of the three audit committees representing the Council, Church Commissioners and Pensions Board took place to discuss matters of common interest. Observers from the audit committees of the Church Commissioners and the Pensions Board will in future be invited to attend the Council's Audit Committee when common service function issues are being discussed.

Environmental policy

The environmental policy of the National Church Institutions is formulated as follows:

‘The whole creation belongs to God. As human beings we are part of the whole and have a responsibility to love and care for what God has entrusted to us as temporary tenants of the planet. We are called to conserve its complex and fragile ecology, while recognising the need for responsible and sustainable development and the pursuit of social justice.

Therefore we, the National Church Institutions, with our wide-ranging involvement in issues that have an environmental and ethical dimension, accept an obligation to set an example in the way we conduct our business.

We commit ourselves to assessing the environmental impact of all our activities and to considering, within our trusteeship obligations, ways in which to minimise and mitigate any environmental damage they may cause.

We request the Environmental Working Group to assist with proposals to help us deliver this commitment.’

Ethical investment

The CBF, through its Investment Committee, supports the work of the Church’s Ethical Investment Advisory Group (EIAG), which develops and co-ordinates ethical investment policy on behalf of the three central Church investment bodies. The EIAG makes recommendations based upon considered research, but responsibility for accepting and implementing these rests with the CBF, the Church Commissioners and Church of England Pensions Board respectively.

The EIAG publishes an annual report of its work and this is available, together with other related publications, from the Socially Responsible Investment Unit at CCLA and is also available on the Church of England website. During 2003, the EIAG completed its work on human embryonic stem cell research, and drew up a recommended investment framework which the Investment Committee has endorsed.

Health and safety

HR support was provided during the year on the development of systems to provide more efficient and effective management of occupational health and safety both at Church House and across the NCIs.

Staff

The Council’s HR Panel exists to review progress of its HR strategy. It meets annually with staff representatives of the Council to discuss matters affecting the staff; acts for the employer on occasions (e.g. provides members for disciplinary appeal panels) and provides advice and guidance to the HR Director when necessary.

The Joint Employment & Common Services Board (JECSB) was established following the Turnbull report specifically to take the operational responsibility for the joint employment relationship between the NCIs and to manage the common services. The membership is made up from the chief executives of the four main NCIs (Archbishops’ Council, Church Commissioners, Pensions Board and Lambeth Palace), the First Church Estates Commissioner, the chair of the Pensions Board and the chair of the Council’s Finance Committee. One of the main areas of discussion during the year was the pay re-structuring exercise.

The JECSB has one sub-group – the Remuneration Committee – which sets senior pay levels and mandates the management side of the Joint Staff Council for negotiations and consultation with the trade unions.

Professional advisers

The Council’s advisers are listed on p.41. Their performance is critical to the effective operation of the Archbishops’ Council as a charity and the Council has a policy of regularly reviewing all professional adviser appointments.

On 1 August 2003 Deloitte & Touche, the Council’s auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Deloitte & Touche resigned with effect from this date and Deloitte & Touche LLP were appointed to fill the resultant vacancy.

Trustee training

New and existing Trustees have the opportunity to meet heads of department and other staff for briefing on the organisation as a whole, on particular areas of work and on their role as Trustees. Trustees also have the opportunity to learn about the Council and contribute to its development at close hand as members of Boards and Councils and of committees and working parties looking into specific areas of the Council’s work and operation.

On behalf of the Trustees

✘ ROWAN CANTUAR:

✘ DAVID EBOR:

Joint Presidents

Church House, Westminster
25 May 2004

The Archbishops' Council, its associated bodies and advisers

Archbishops' Council

The Archbishop's Council was established under the National Institutions Measure 1998 to 'co-ordinate, promote, aid and further the work and mission of the Church of England'. It oversees the activity of the national Boards, Councils and Divisions. The Council works closely with the General Synod, the House of Bishops, the other National Church Institutions and the wider Church. Members are the Trustees of the Archbishops' Council and Trustees and Directors of the Central Board of Finance of the Church of England. Membership from 1 January 2003 and up to the date of this report was as follows:

Ex officio Joint Presidents

The Most Revd and Rt Hon Dr Rowan Williams, Archbishop of Canterbury (from February)	(4)
The Most Revd and Rt Hon Dr David Hope, Archbishop of York	(6)

Elected by the House of Bishops

The Rt Revd John Gladwin, Bishop of Guildford (Bishop of Chelmsford from November)	(5)
The Rt Revd Michael Nazir-Ali, Bishop of Rochester	(5)

Prolocutors of the Lower Houses of the Convocations

The Revd Canon Bob Baker (Canterbury)	(5)
The Revd Canon Glyn Webster (York)	(6)

Elected by the House of Clergy

The Revd Canon Hugh Wilcox (until July)	(3)
The Revd Dr Richard Turnbull (from September)	(2)
The Very Revd Michael Perham (until March 2004)	(6)
The Revd David Houlding (from March 2004)	(-)

Elected by the House of Laity

Canon Dr Christina Baxter (Chairman) (ex officio)	(6)
Mr Brian McHenry (Vice-Chairman) (ex officio)	(6)
Dr Philip Giddings	(6)
Mr Ian Garden	(5)

Appointed by the Archbishops with the consent of the General Synod

Mr Michael Chamberlain	(6)
Mrs Katherine McPherson	(4)
Ms Jayne Ozanne	(5)
Mrs Anne Sloman	(6)
The Rt Revd Kenneth Stephenson, Bishop of Portsmouth	(2)
Professor Peter Toyne	(6)

A Church Estates Commissioner

Mr Andreas Whittam Smith, First Church Estates Commissioner	(5)
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The Council met six times in 2003; the figures in brackets indicate the number of meetings each member attended in 2003.

The membership of the Archbishops' Council is the same as that of the Central Board of Finance of the Church of England. The Archbishops' Council met twice as the CBF during 2003.

The CBF is a Trustee body with ultimate responsibility for the CBF Church of England Investment, Fixed Interest Securities, Property and Deposit Funds, for the Central Church Fund and a number of smaller trusts. In practice, this responsibility is discharged through the Finance Committee, acting as the CBF Executive Committee.

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

The CBF is a charity registered under no. 248711 and a company registered under no. 136413. Its registered office is the same as that of the Archbishops' Council.

Staff Directors of the Archbishops' Council

Mr William Fittall, Secretary General to the Council and the General Synod

Mr John Clark, Director of Mission & Public Affairs

Mr Shaun Farrell, Financial Secretary/Director of and Company Secretary

Mrs Paula Griffiths, Head of Cathedrals and Church Buildings Division

The Revd Canon John Hall, Chief Education Officer and General Secretary, National Society

Mr Steve Jenkins, Acting Director of Communications

The Ven. Dr Gordon Kuhrt, Director of Ministry

Mrs Su Morgan, Director of Human Resources

Mr Stephen Slack, Head of Legal Office and Chief Legal Adviser to the General Synod

Mr David Williams, Clerk to the Synod and Director of Central Services

Finance Committee

The Finance Committee is the financial executive of the Archbishops' Council. It is the focus for work formerly undertaken by the Central Board of Finance of the Church of England (CBF) as the financial executive of the General Synod and in relation to Christian Stewardship and for work formerly undertaken by the Church Commissioners concerning financial provision for the clergy, including the allocation of monies made available by the Church Commissioners to support the needier dioceses.

The Finance Committee is responsible for the management of the financial business of the General Synod and the Archbishops' Council. This includes the raising and administration of money voted by the General Synod for the Archbishops' Council and for other purposes, the apportionment of those costs between dioceses, the presentation of annual reports and accounts and the presentation of the annual budget. It is responsible for the provision of accounting management and financial control.

It comprises a chairman and up to fourteen other members, including up to three members appointed by the Archbishops' Council on the recommendation of the Appointments Committee with expertise in particular areas of the work of the Finance Committee and its sub-committees. Its membership during 2003 and up to the date of this report was as follows:

Chair

Mr Michael Chamberlain

Representative of the Archbishops' Council appointed by the Council

Canon Dr Christina Baxter

Elected by the General Synod

The Ven. Richard Blackburn

Mr John Booth

Mr Gavin Oldham

The Revd Dr Richard Turnbull

Elected by the Inter-diocesan Finance Forum

Mr Alan Cooper (Vice-Chairman)
Mr Philip Hamlyn Williams (until November)
Mr Alan King (until March)
Mr Peter Lowater (until November)
Mr David Kemp (from December)
The Revd Chris Lilley (from December)
Mr Brian Newey (from December)

Ex officio

Mr Allan Bridgewater, Chairman of the Church of England Pensions Board
Mr Andreas Whittam Smith, First Church Estates Commissioner

Appointed by the Archbishops' Council on the recommendation of the Appointments Committee to provide relevant expertise

Mrs Janet Atkinson
The Ven. Christine Hardman
The Rt Revd John Packer, Bishop of Ripon and Leeds

Audit Committee

The Audit Committee is a committee of the Archbishops' Council, constituted in accordance with the Standing Orders of the General Synod. It is answerable to the Synod through the Archbishops' Council. Its principal duties are:

- **External audit** - to consider all matters relating to the appointment and removal of the external auditors, to discuss with them the nature and the scope of their audit, and to review their management letter to the Council and its response;
- **Annual accounts** - to review the annual accounts, looking in particular at changes in accounting policies and practices, compliance with legal requirements and accounting standards, adjustments arising from the audit and significant areas of judgement;
- **Internal controls** - to monitor and review the effectiveness, timing and methods of implementation of the Council's policies and processes, looking at the internal control systems supporting them;
- **Other National Church Institutions** - to liaise with the Audit Committees of the Church Commissioners and the Church of England Pensions Board on matters of mutual concern;
- **Representations** - To consider representations made to it generally.

Each year a report on the discharge of the Committee's functions is put before the Archbishops' Council and the General Synod.

The Committee's membership from 1 January 2003 and up to the date of this report was as follows:

Chair

Mr Ian McNeil

Appointed by the Archbishops' Council

Mr Tony Hesselwood (vice chair)
Mr Ian Garden

Elected by the General Synod

Mr Harry Marsh
The Revd Simon Stokes

Shaun Farrell, the Council's Financial Secretary, acts as the Committee's secretary.

Bodies answerable to the General Synod through the Archbishops' Council

Audit Committee of the Archbishops' Council

Board of Education

Committee for Minority Ethnic Anglican Concerns

Council for Christian Unity

Council for the Care of Churches

Finance Committee

Ministry Division:

Committee for Ministry among Deaf People

Deployment, Recruitment and Conditions of Service Committee

Theological Education and Training Committee

Vocation, Recruitment and Selection Committee

Mission and Public Affairs Council

The Cathedrals Fabric Commission for England is an autonomous body, established by statute, but similar in many ways to those listed above (it is, for example, staffed and funded by the Archbishops' Council).

Other bodies

The Archbishops' Council and the General Synod have a number of other committees, commissions and similar bodies which report to them. Details are available in a number of publications, including the *Church of England Yearbook*, or on request.

National Church Institutions

The Archbishops' Council works in close partnership with the other National Church Institutions, *inter alia*: the Church Commissioners, the Church of England Pensions Board and the offices of the Archbishops of Canterbury and York.

Offices and advisers

Registered office: Church House, Great Smith Street, London SW1P 3NZ
Tel: 020 7898 1000 Fax: 020 7898 1558

Investment office: CCLA, 80 Cheapside, London EC2V 6DZ
Tel: 020 7489 6000 Fax: 020 7489 6126

Bankers: Barclays Bank PLC, 50 Pall Mall, PO Box 15162, London SW1A 1QB

Solicitors: The Head of Legal Office of the Archbishops' Council

Auditors: Deloitte & Touche LLP, Hill House, 1 Little New Street, London EC4A 3TR

Statement of responsibilities of the members of the Archbishops' Council

Charity law requires the members of the Archbishops' Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Archbishops' Council and of the net incoming or outgoing resources for that period. In preparing those financial statements, the members of the Archbishops' Council are required to:

- select suitable accounting policies and then apply them consistently;
- make adjustments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the ongoing concern basis unless it is inappropriate to presume that the charity will continue its activities.

The members of the Archbishops' Council are responsible for keeping the proper accounting records which disclose with reasonable accuracy at any time the financial position of the Archbishops' Council and enable them to ensure that the financial statements comply with the Charities Act 1993. They are responsible for safeguarding the assets of the Archbishops' Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

William Fittall
Secretary General

Financial Statements
year ended 31 December 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ARCHBISHOPS' COUNCIL

Year ended 31 December 2003

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ARCHBISHOPS' COUNCIL
YEAR ENDED 31 DECEMBER 2003**

We have audited the consolidated financial statements of the Archbishops' Council for the year ended 31 December 2003 which comprise the consolidated statement of financial activities, consolidated balance sheet, consolidated cash flow statement and related notes numbered 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members of the Council, as a body, in accordance with Regulation 6 of The Charities (Accounts and Reports) Regulations 1995. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditors' 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 Council and the members of the Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the members of the Council and auditors

The members of the Council are responsible for preparing the annual report and the financial statements as described in the Statement of the Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the provisions of the guidelines as specified by the Charities Act 1993 and Regulation 3 of the Charities (Accounts and Reports) Regulations 2000. We also report to you if, in our opinion, the annual report of the trustees is not consistent with the financial statements, if the Council has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Council, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the Council's state of affairs as at 31 December 2003 and of its incoming resources and application of resources for the year then ended and have been properly prepared in accordance with the Charities Act 1993 and Regulation 3 of the Charities (Accounts and Reports) Regulation 2000.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

25 May 2004

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 December 2003

	Notes	Unrestricted Funds (notes 10, 11 & 20) £000	Restricted Funds (note 21) £000	Total	
				2003 £000	2002 £000
INCOMING RESOURCES					
Church Commissioners	3	-	20,810	20,810	20,688
Diocesan contributions:					
- Training for Ministry (Vote 1)	4	-	9,089	9,089	9,037
- National Church Responsibilities (Vote 2)	4	9,228	-	9,228	9,619
- Grants and Provisions (Vote 3)	4	-	1,194	1,194	1,269
- Inter-Diocesan Support - Mission Contribution (Vote 4)	4	-	550	550	464
National Church Institutions contributions to costs	5	3,656	-	3,656	3,452
Grants receivable	6	415	557	972	588
Investment income	7	94	793	887	900
Other income	8	739	447	1,186	1,797
Income from activities for generating funds	9	2,486	-	2,486	2,879
Total incoming resources		<u>16,618</u>	<u>33,440</u>	50,058	50,693
RESOURCES USED					
Grants payable:					
- Dioceses	12a	-	20,774	20,774	20,644
- Training for Ministry (Vote 1)	12b	-	8,796	8,796	8,796
- Grants and Provisions (Vote 3)	12c	-	1,194	1,194	947
- Inter-Diocesan Support - Mission Contribution (Vote 4)	12d	-	412	412	425
- Other	12e	13,200	450	13,650	394
Cost of activities in furtherance of the Council's objects		9,895	503	10,398	10,323
Support costs		3,193	-	3,193	2,849
Cost of managing and administering the Council		158	-	158	191
Costs of generating funds		2,508	30	2,538	2,935
Total resources used		<u>28,954</u>	<u>32,159</u>	61,113	47,504
Net (outgoing)/ incoming resources before transfers		(12,336)	1,281	(11,055)	3,189
Net transfers between funds	20,21	178	(178)	-	-
Net (outgoing)/ incoming resources		<u>(12,158)</u>	<u>1,103</u>	(11,055)	3,189
Surpluses/(deficits) on revaluation and realisation of assets					
Investments	14	-	1,674	1,674	(3,601)
Properties	15	13,450	300	13,750	-
Equity sharing loans	16	-	202	202	-
NET MOVEMENTS IN FUNDS FOR THE YEAR		<u>1,292</u>	<u>3,279</u>	4,571	(412)
Total funds at 1 January	20,21	4,427	21,892	26,319	26,731
Total funds at 31 December	20,21	<u>5,719</u>	<u>25,171</u>	30,890	26,319
Analysis of total funds at 31 December:					
Unrestricted Funds					
- General		3,124	-	3,124	1,309
- Designated		2,595	-	2,595	3,118
Restricted Funds		-	25,171	25,171	21,892
		<u>5,719</u>	<u>25,171</u>	30,890	26,319

All of the above results are derived from continuing activities. All gains and losses recognised in the year and prior year are included above.

Net outgoing resources arise as a result of the transactions in respect of Whitelands College, details of which are disclosed in notes 15 and 26c to the financial statements.

CONSOLIDATED BALANCE SHEET
as at 31 December 2003

	Notes	Unrestricted Funds £000	Restricted Funds (note 21) £000	Total 2003 £000	2002 £000
FIXED ASSETS					
Investments	14	-	17,016	17,016	14,732
Properties	15	250	300	550	-
Equity sharing loans	16	-	352	352	-
Other fixed assets	17	1,347	-	1,347	1,572
		<u>1,597</u>	<u>17,668</u>	<u>19,265</u>	<u>16,304</u>
CURRENT ASSETS					
Stocks		384	-	384	401
Debtors: amounts falling due within one year	18	16,326	106	16,432	3,591
Debtors: amounts falling due after more than one year	18	-	1,338	1,338	1,512
Short term deposits		1,333	3,073	4,406	4,947
Cash at bank and in hand		396	3,684	4,080	3,009
		<u>18,439</u>	<u>8,201</u>	<u>26,640</u>	<u>13,460</u>
CREDITORS: amounts falling due within one year	19	(14,317)	(698)	(15,015)	(3,445)
NET CURRENT ASSETS		<u>4,122</u>	<u>7,503</u>	<u>11,625</u>	<u>10,015</u>
NET ASSETS		<u>5,719</u>	<u>25,171</u>	<u>30,890</u>	<u>26,319</u>
ACCUMULATED FUNDS					
Unrestricted Funds					
- General	20	3,124	-	3,124	1,309
- Designated	20	2,595	-	2,595	3,118
		<u>5,719</u>	<u>-</u>	<u>5,719</u>	<u>4,427</u>
Restricted Funds					
	21	-	25,171	25,171	21,892
		<u>5,719</u>	<u>25,171</u>	<u>30,890</u>	<u>26,319</u>

Approved by the Archbishops' Council on 25 May 2004 and signed on its behalf by:

The Most Revd and Rt Hon Dr Rowan Williams, Archbishop of Canterbury

The Most Revd and Rt Hon Dr David Hope, Archbishop of York

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2003

	Notes	Total	
		2003 £000	2002 £000
Net cash inflow from operating activities	22	<u>334</u>	<u>1,223</u>
Returns on investment and servicing of finance			
Investment income		887	898
Net cash inflow from returns on investment and servicing of finance		<u>887</u>	<u>898</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(81)	(960)
Purchase of fixed asset investments		(610)	(301)
Net cash outflow from capital expenditure and financial investment		<u>(691)</u>	<u>(1,261)</u>
Management of liquid resources			
Decrease/(increase) in short term deposits	23	541	(1,149)
Net cash inflow/(outflow) from management of liquid resources		<u>541</u>	<u>(1,149)</u>
Increase/(decrease) in cash in the year	23	<u>1,071</u>	<u>(289)</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

1. BASIS OF PREPARATION AND CONSOLIDATION

The Archbishops' Council of the Church of England (the Council) was established as a body corporate under the National Institutions Measure 1998. Its objects are to co-ordinate, promote, aid and further the work and mission of the Church of England. It is a registered charity, number 1074857. The Council came into existence on 1 January 1999 on which date it took over responsibility from the Central Board of Finance of the Church of England (the CBF) for the funds provided by the dioceses pursuant to certain votes of the General Synod.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and in accordance with the recommendations set out in the Statement of Recommended Practice 'Accounting and Reporting by Charities' (October 2000) (the SORP), applicable United Kingdom accounting standards and the Charities Act 1993.

These financial statements consolidate the financial statements of the Council (comprising all of the Council's designated and restricted funds, including the Central Church Fund) and the CBF drawn up to 31 December each year. The separate balance sheet of the Council is set out in note 28. The separate financial statements of the CBF are available from the Council's Financial Secretary. Details of the Central Church Fund are disclosed in the Statement of Restricted Funds (note 21) and in Related Parties (note 27c).

(a) Central Board of Finance of the Church of England (CBF)

Members of the Council are also members and directors of the CBF. The membership of the Council is thus co-terminus with that of the CBF. Whilst the CBF remains a separate legal entity to fulfil certain activities (particularly related to its trustee responsibilities for the CBF Church of England Investment Funds and certain trusts, including the Central Church Fund), all significant decisions relating to the CBF are taken by members of the Council (in their capacity as the directors of the CBF) and hence the assets and liabilities held in the name of the CBF are included in the Council's financial statements.

(b) Funds

The Council receives and applies funds voted to it by the General Synod and provided by the dioceses. These funds are set out in the financial statements by reference to the following General Synod votes:

- The National Church Responsibilities funds (Vote 2) are shown within unrestricted funds. Funds for National Church Responsibilities' work that have been set aside for future use are shown as unrestricted but designated funds;
- Training for Ministry funds (Vote 1) are shown within restricted funds;
- Grants and Provisions for ecumenical work (Vote 3) are shown within restricted funds; and
- Inter-Diocesan Support Mission Contribution (Vote 4) is shown within restricted funds.

The Council and the CBF also have responsibility for a number of other funds which are also included in the Statement of Restricted Funds (note 21). Where the Council and the CBF act as custodian trustee for trust funds which have trustees separate and independent from the Council, those funds are not included in these financial statements but are disclosed in the Statement of Restricted Funds (note 21). Where the Council acts as custodian trustee and also has control over the trust funds, including with regard to the application of income from those funds to support the activities of the Council, those funds are not included in these financial statements, pending consultation with the Charity Commission, but are disclosed in the Statement of Restricted Funds (note 21).

Unrestricted Funds – General

Unrestricted Funds are funds of the Council which can be used for its general objects to co-ordinate, promote, aid and further the work and mission of the Church of England.

Unrestricted Funds – Designated

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 aim and use of each designated fund is set out in the Statement of Unrestricted Funds (note 20).

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003**

1. BASIS OF PREPARATION AND CONSOLIDATION (continued)

(b) Funds (continued)

Restricted Funds

Restricted Funds are subject to specific conditions imposed by the donor, these conditions being legally binding upon the Council. The purpose for which restricted funds are held is set out in Statement of Restricted Funds (note 21).

Fund transfers

The Council makes transfers of surpluses arising within Unrestricted Funds - General to specific Designated Funds. In addition, the Council makes transfers amongst its Designated Funds to establish, reallocate or redesignate such funds as the Council determines.

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. Such transfers primarily relate to donations from the Central Church Fund, as set out in Related Parties (note 27c).

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies are set out below. They have been applied consistently throughout the year and in the preceding year.

(a) Incoming resources

Income from the Church Commissioners, diocesan contributions, National Church Institutions' (NCIs) contributions to costs, grants, legacies and trading income are included in the consolidated statement of financial activities when the Council is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier of the Council or the CBF being notified of an impending distribution or the legacy being received.

Donations are recognised in accordance with the SORP on a cash basis. Dividends and interest are also credited to the consolidated statement of financial activities on a cash received basis as the Council is satisfied that there is no material difference between the use of the cash rather than the accruals basis.

(b) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to each category. Support costs have been allocated to activities on a basis consistent with the use of the resources.

The cost of activities in furtherance of the Council's objects includes the Mission and Public Affairs division and a number of key common service departments and Central Secretariat, which benefit the Church nationally. Support costs include the cost of the Human Resources and IT departments and a portion of the costs of the Finance division. The cost of generating funds primarily represents the expenditure of Church House Bookshop and Church House Publishing and investment management fees. Each expense category bears a proportion of the costs of office services and accommodation.

(c) Grants payable

Grants are recognised as a liability when a firm commitment to pay the grant is made. A firm commitment is deemed to be made when the grant is discussed and accepted within a formal meeting of the division making the grant.

(d) Revaluation and realisation of fixed assets

Investments: stated at market value.

Properties: stated at market value. In previous years they were stated at cost. Depreciation was charged on a straight-line basis over the properties' expected useful lives.

Equity sharing loans: individually revalued in line with indices of second-hand house prices and then discounted by 12% to reflect expected realisation values. In previous years the loans were stated at cost.

Surpluses or deficits on the revaluation and disposals of investments and properties are taken directly to the statement of financial activities. The surplus or deficit arising on the disposal of a property is recognised on completion or when the disposal is considered certain.

Investments and properties held by the Council and the CBF solely as custodian trustee are not included in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Revaluation and realisation of fixed assets (continued)

Other fixed assets: other fixed assets costing more than £2,500 are capitalised at cost including any direct costs of acquisition.

Depreciation is charged so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Bookshop fixtures and fittings	25%
Office equipment	25%
Leasehold improvements	10%

(e) Stocks

Stocks consist of books and other printed material held for resale. Stock is valued at the lower of cost and net realisable value.

(f) Pension costs

The Council participates in three principal pension funds and one other employee benefit scheme, as set out in Pensions (note 25). The defined benefit schemes are multi-employer schemes as defined in Financial Reporting Standard 17: Retirement Benefits. Paragraph 9(b) of the Standard requires the Council to account for pension costs on the basis of contributions payable to the schemes in the year. The pension contributions for the year shown in Staff Numbers and Costs (note 13) are equal to the contributions being paid by the Council.

(g) Operating leases

Rentals applicable to operating leases are charged to the consolidated statement of financial activities in equal amounts over the period in which the cost is incurred.

(h) Taxation

The Council is a registered charity and as such is exempt from taxation on its income and gains to the extent that they are applied to its charitable purposes.

(i) Reserves policy

The Council holds funds within the General Fund for National Church Responsibilities to enable it to meet its continuing obligations and commitments which span more than one accounting period. Generally these funds are no greater than the equivalent of two months expenditure. The Council generally maintains the net assets of the General Fund at a level no greater than £1,500,000. The Finance Committee of the Council reviews this policy each year.

3. CHURCH COMMISSIONERS

Under the National Institutions Measure 1998, the Council receive monies from the Church Commissioners in order to support the payment of clergy stipends and parish ministry costs. This income has been received for the following purposes:

	Restricted Funds (note 21)	
	2003	2002
	£000	£000
Selective stipend and housing support to dioceses	17,090	15,013
Non-selective support to dioceses in respect of additional allocations	-	2,543
Parish mission and ministry support	3,500	2,900
Other benefits	220	232
	20,810	20,688

An analysis of expenditure by diocese of these funds received from the Church Commissioners is provided in Grants Payable (note 12a).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

4. DIOCESAN CONTRIBUTIONS

	Training for Ministry Vote 1 (Restricted) £000	National Church Responsibilities Vote 2 (Unrestricted) £000	Grants and Provisions Vote 3 (Restricted) £000	Inter-Diocesan Support - Mission Contribution Vote 4 (Restricted) £000	Total	
					2003 £000	2002 £000
Bath & Wells	238	259	34	15	546	525
Birmingham	123	148	19	9	299	327
Blackburn	209	216	28	13	466	494
Bradford	83	88	12	5	188	198
Bristol	154	149	19	9	331	334
Canterbury	142	156	20	9	327	361
Carlisle	134	132	17	8	291	307
Chelmsford	373	361	47	21	802	813
Chester	279	310	40	18	647	631
Chichester	401	406	52	24	883	888
Coventry	128	155	20	9	312	280
Derby	156	151	19	9	335	335
Durham	124	150	19	9	302	330
Ely	158	156	20	9	343	313
Exeter	285	228	30	13	556	550
Gloucester	211	188	24	11	434	411
Guildford	269	288	37	17	611	616
Hereford	137	108	14	6	265	266
Leicester	142	136	17	8	303	319
Lichfield	310	299	39	18	666	675
Lincoln	251	203	26	12	492	467
Liverpool	202	198	26	18	444	492
London	599	646	83	38	1,366	1,315
Manchester	295	239	31	14	579	582
Newcastle	110	107	14	6	237	272
Norwich	202	176	23	10	411	436
Oxford	503	546	70	32	1,151	1,184
Peterborough	174	161	21	10	366	365
Portsmouth	112	120	15	7	254	289
Ripon & Leeds	159	131	17	8	315	299
Rochester	258	254	33	15	560	554
St Albans	337	336	44	20	737	730
St Edmundsbury & Ipswich	191	166	21	10	388	397
Salisbury	334	277	36	16	663	660
Sheffield	131	137	18	8	294	317
Sodor & Man	25	19	2	1	47	48
Southwark	357	399	52	24	832	835
Southwell	73	136	18	8	235	257
Truro	125	101	13	6	245	261
Wakefield	90	139	18	8	254	306
Winchester	179	273	36	16	504	567
Worcester	185	151	20	9	365	344
York	165	229	30	14	438	473
Europe	(24)	-	-	-	(24)	(16)
	<u>9,089</u>	<u>9,228</u>	<u>1,194</u>	<u>550</u>	<u>20,061</u>	<u>20,407</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

5. NATIONAL CHURCH INSTITUTIONS CONTRIBUTIONS TO COSTS

The Council administers the common service departments of the NCIs. The full cost of these departments is recorded within the Council's accounting records. The NCIs are invoiced monthly for their share of the common service costs. The apportionment of costs varies according to department, but is mainly based on a timesheet system. The contributions receivable were as follows:

	Unrestricted Funds (note 10)	
	2003 £000	2002 £000
Church Commissioners	3,050	2,755
Church of England Pensions Board	552	617
National Society	44	57
Other Church bodies	10	23
	<u>3,656</u>	<u>3,452</u>

6. GRANTS RECEIVABLE

Grants include £91,000 (2002: £101,000) from the National Society for the work of the Board of Education. Grants were also received from a number of government departments, Ecclesiastical Insurance Group and other church organisations.

7. INVESTMENT INCOME

	Unrestricted	Restricted	Total	
	Funds £000	Funds (note 21) £000	2003 £000	2002 £000
Dividends from CCLA managed investments	7	770	777	784
Interest	87	23	110	116
	<u>94</u>	<u>793</u>	<u>887</u>	<u>900</u>

8. OTHER INCOME

	Unrestricted	Restricted	Total	
	Funds £000	Funds (note 21) £000	2003 £000	2002 £000
Legacies	739	16	755	362
Donations	-	3	3	410
Income donated by trusts for which the Council acts as custodian trustee (note 21)	-	428	428	88
Gain on redemption of long term housing loans	-	-	-	146
Release of deferred income	-	-	-	791
	<u>739</u>	<u>447</u>	<u>1,186</u>	<u>1,797</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003**

9. INCOME FROM ACTIVITIES FOR GENERATING FUNDS

	Unrestricted Funds (note 10)	
	2003	2002
	£000	£000
Common Services external income	210	166
Establishment costs	8	-
<i>Trading</i>		
Church House Publishing	1,151	667
Church House Bookshop	797	841
Mission and Public Affairs external income	49	27
Ministry Division external income	20	59
Statistics external income	12	-
<i>Income within designated funds (note 20):</i>		
Common Worship Fund	-	423
Digital Mapping Project Fund	12	196
Aerials Project Fund	202	500
Chancel Repairs fund	25	-
	<u>2,486</u>	<u>2,879</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003
10. UNRESTRICTED FUNDS - ANALYSIS OF INCOMING RESOURCES BY FUNCTION

	National Church Institutions contributions (note 5) £000	Grants (note 6) £000	Income from activities for generating funds (note 9) £000	Total	
				2003 £000	2002 £000
Council for Christian Unity	-	-	-	-	11
Statistics	-	-	12	12	11
Ministry Division	-	-	20	20	-
Board of Education	-	183	-	183	139
Mission and Public Affairs	-	191	49	240	169
Cathedral and Church Buildings	-	31	-	31	27
Finance Division	262	-	108	370	104
Internal Audit	118	-	-	118	78
Legal Office	845	-	37	882	925
Communications Unit	111	10	20	141	137
Human Resources	235	-	1	236	287
Information Technology	627	-	16	643	604
Records Centre	374	-	28	402	403
<i>Trading</i>					
Church House Publishing	-	-	1,151	1,151	667
Church House Bookshop	-	-	797	797	841
<i>Establishment Costs</i>					
Office Services	367	-	8	375	397
Accommodation	602	-	-	602	580
<i>Income within designated funds (note 20)</i>					
Staff Retirement Fund	79	-	-	79	94
Church House (Exterior) Fund	15	-	-	15	-
Chancel Repairs Fund	-	-	25	25	-
Legal Aid Fund	21	-	-	21	-
Digital Mapping Project Fund	-	-	12	12	196
Aerials Project Fund	-	-	202	202	500
Common Worship Fund	-	-	-	-	423
	<u>3,656</u>	<u>415</u>	<u>2,486</u>	<u>6,557</u>	<u>6,593</u>
Diocesan contributions (note 4)				9,228	9,619
Investment income (note 7)				94	97
Other income (note 8)				739	791
Total incoming resources (unrestricted)				<u>16,618</u>	<u>17,100</u>

Sales for the year of £147,000 between Church House Publishing and Church House Bookshop have been eliminated from income from activities for generating funds and costs of generating funds in the statement of financial activities.

Investment income (note 7) includes £42,000 that was generated by deposits held within the designated funds.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003
11. UNRESTRICTED FUNDS - ANALYSIS OF RESOURCES USED BY FUNCTION

	Activities in furtherance of the Council's objectives	Support costs	Managing and administering the charity	Cost of generating funds	Total	
	£000	£000	£000	£000	2003 £000	2002 £000
Central Secretariat	988	-	-	-	988	1,024
Council for Christian Unity	300	-	-	-	300	277
Statistics	218	-	-	-	218	205
Ministry Division	1,231	-	-	-	1,231	1,086
Board of Education	698	-	-	-	698	708
Mission and Public Affairs	1,187	-	-	-	1,187	1,070
Cathedral and Church Buildings	716	-	-	-	716	507
Finance Division	20	985	130	-	1,135	861
Internal Audit	-	166	-	-	166	138
Legal Office	1,322	-	-	-	1,322	1,220
Communications Unit	495	-	-	-	495	431
Human Resources	-	426	-	-	426	395
Information Technology	-	1,023	-	-	1,023	933
Records Centre	505	-	-	-	505	482
<i>Trading</i>						
Church House Publishing	-	-	-	1,292	1,292	672
Church House Bookshop	-	-	-	738	738	885
<i>Establishment Costs</i>						
Office Services	436	148	7	124	715	670
Accommodation	1,244	422	21	354	2,041	2,070
<i>Expenditure against designated funds</i>						
Staff Retirement Fund	185	-	-	-	185	536
Legal Aid Fund	38	-	-	-	38	2
Digital Mapping Project Fund	18	-	-	-	18	135
Relocation Fund	146	-	-	-	146	287
Pay Restructuring Fund	86	-	-	-	86	-
Aerials Project Fund	-	-	-	-	-	353
Legal Office System Upgrade Fund	3	-	-	-	3	-
Software Platform Update Fund	-	23	-	-	23	-
Broadcasting Studio Fund	16	-	-	-	16	-
Chancel Repairs Fund	41	-	-	-	41	-
Archdeacons Training Fund	2	-	-	-	2	-
Common Worship Fund	-	-	-	-	-	649
	<u>9,895</u>	<u>3,193</u>	<u>158</u>	<u>2,508</u>	<u>15,754</u>	<u>15,596</u>
Grant payable (note 12e)					<u>13,200</u>	<u>-</u>
Total resources used (unrestricted)					<u><u>28,954</u></u>	<u><u>15,596</u></u>

The fee for audit services for the year was £30,500 (2002: £29,500). Fees for non-audit services from the external auditors were £nil in both years.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003
12. GRANTS PAYABLE (Unrestricted and Restricted Funds)

	Dioceses (note 12a) £000	Training for Ministry Vote 1 (note 12b) £000	Grants and Provisions Vote 3 (note 12c) £000	Inter- Diocesan Support - Mission Contribution Vote 4 (note 12d) £000	Other (note 12e) £000	Total 2003 £000	2002 £000
Selective stipend and housing support	15,020	-	-	-	-	15,020	15,013
Non-selective support	2,070	-	-	-	450	2,520	2,543
Parish mission and ministry support	3,500	-	-	-	-	3,500	3,294
Other grants and benefits for clergy	184	-	-	-	-	184	188
Theological colleges and courses Anglican, ecumenical and other bodies	-	8,796	-	-	-	8,796	8,796
Mission agencies' clergy - pension contributions	-	-	1,194	-	-	1,194	947
Other (note 12e)	-	-	-	412	-	412	425
	-	-	-	-	13,200	13,200	-
	<u>20,774</u>	<u>8,796</u>	<u>1,194</u>	<u>412</u>	<u>13,650</u>	<u>44,826</u>	<u>31,206</u>

(a) Grants payable to dioceses

The Council applies the funds provided by the Church Commissioners (note 3) in respect of clergy stipends and housing in accordance with Section 2 of the National Institutions Measure 1998.

Selective stipend and housing support is allocated to dioceses in line with the current Selective Allocations formula, and in accordance with direction from the dioceses for the division of the sum allocated between stipend support and housing allocations.

Selective stipend and housing support, additional allocations and parish ministry and mission support to the dioceses were as follows:

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

12. GRANTS PAYABLE (continued)**(a) Grants payable to dioceses (continued)**

	Selective stipend and housing support £000	Additional allocations £000	Parish mission and ministry support £000	Total	
				2003 £000	2002 £000
Bath & Wells	-	58	30	88	95
Birmingham	938	33	139	1,110	1,031
Blackburn	418	49	102	569	700
Bradford	682	20	59	761	761
Bristol	-	33	68	101	96
Canterbury	312	35	62	409	421
Carlisle	191	30	23	244	237
Chelmsford	741	81	239	1,061	815
Chester	-	70	103	173	276
Chichester	-	91	74	165	165
Coventry	-	35	-	35	40
Derby	520	34	82	636	523
Durham	1,713	33	147	1,893	1,733
Ely	-	35	33	68	72
Exeter	263	51	69	383	348
Gloucester	-	42	18	60	67
Guildford	-	65	34	99	108
Hereford	42	24	8	74	64
Leicester	348	31	73	452	404
Lichfield	996	67	166	1,229	1,273
Lincoln	47	46	55	148	150
Liverpool	1,038	44	141	1,223	1,331
London	442	145	245	832	1,019
Manchester	949	54	179	1,182	1,054
Newcastle	818	24	68	910	945
Norwich	324	40	52	416	215
Oxford	-	123	102	225	238
Peterborough	-	36	49	85	88
Portsmouth	-	27	55	82	79
Ripon & Leeds	178	29	60	267	337
Rochester	-	57	75	132	135
St. Albans	-	76	108	184	181
St. Edmundsbury & Ipswich	239	37	27	303	396
Salisbury	-	62	-	62	75
Sheffield	904	31	113	1,048	930
Sodor & Man	-	-	4	4	7
Southwark	221	90	183	494	704
Southwell	795	31	93	919	895
Truro	340	23	32	395	345
Wakefield	737	31	97	865	951
Winchester	-	61	70	131	141
Worcester	-	34	56	90	88
York	824	52	107	983	923
	<u>15,020</u>	<u>2,070</u>	<u>3,500</u>	20,590	20,456
Grants paid to clergy				14	18
Other benefits for clergy				170	170
				20,774	20,644

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

12. GRANTS PAYABLE (continued)

(b) Grants payable through Training for Ministry (Vote 1)

Through this Vote, funding is provided by the national Church of England for training for the ordained ministry. Ordinands, training on a full-time basis at a theological college, receive grants to cover college tuition fees and maintenance. Ordinands training on one of the part-time regional courses are eligible for grants to cover course fee, book and travel expenses. Training of ordination candidates under the Ordained Local Ministry Schemes is funded in partnership with the local sponsoring dioceses.

	2003 £000	2002 £000
College costs and allowances	5,588	5,692
Course costs and allowances	2,644	2,565
University fees	265	252
Ordained Local Ministry	278	260
Mixed mode training	17	22
Pre-theological training	4	5
	<u>8,796</u>	<u>8,796</u>

(c) Grants payable through Grants and Provisions (Vote 3)

This Vote encompasses national Church of England contributions to the work of the Anglican Communion office and to the national and international ecumenical instruments. It also makes an annual grant towards the administrative costs of the Church Urban Fund.

	2003 £000	2002 £000
Inter Anglican grant	360	360
Church Urban Fund	181	249
Churches together in England	173	173
Churches together in Britain and Ireland	206	157
World Council of Churches	108	113
Conference of European Churches	72	102
Church Commissions - mission and justice	35	63
Other	59	17
	<u>1,194</u>	<u>1,234</u>
Release of provisions established in previous years	-	(287)
	<u>1,194</u>	<u>947</u>

(d) Grants payable through Inter-Diocesan Support - Mission Contribution (Vote 4)

The Church Commissioners are statutorily required under the Pensions Measure 1997 to meet the pension costs of clergy who are employed by Church of England members of the Partnership for World Mission. It was agreed with the Commissioners and dioceses that responsibility for funding this liability would, over a six year period 1998-2004, transfer to the Council to be met through this vote. Accordingly, as this was the fifth year of the progressive transfer, the Council met five-sixths (2002: two-thirds) of the cost for 2003 in the sum of £412,000 (2002: £425,000). The contribution was made in respect of an average number of clergy of 134 (2002: 143).

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003**

12. GRANTS PAYABLE (continued)

(e) Other grants payable

Grants of £255,000, ranging from £1,000 to £10,000, are funded by the Central Church Fund and the recipients are parishes and dioceses for the purposes of community development. In addition, various other grants were made for the following purposes:

	Unrestricted Funds £000	Restricted Funds £000	Total 2003 £000	2002 £000
Small grants scheme - parishes and dioceses	-	284	284	272
Training for the Ministry	-	154	154	64
Augmentation of clergy stipends	-	-	-	31
Augmentation of clergy pensions	-	-	-	11
Board of Mission activities	-	12	12	7
Other (see below)	13,200	-	13,200	9
	<u>13,200</u>	<u>450</u>	<u>13,650</u>	<u>394</u>

The grant made from Unrestricted Funds relates to the amounts committed by the CBF to the Whitelands College Foundation for the development of the Parkstead site. Further details are disclosed in Properties (note 15) and Commitments and Contingencies (note 26).

13. STAFF NUMBERS AND COSTS

The Council is a member of the NCIs' Joint Employer Scheme. The average number of staff for whom the Council is the managing employer was:

	2003	2002
By activity		
Common Services	123	106
Establishment	47	47
Trading	26	22
Ministry	26	25
Mission & Public Affairs	27	25
Education	15	14
Cathedral and Church Buildings	13	14
	<u>277</u>	<u>253</u>

The analysis by activity reflects the Council's organisational structure following the implementation of the recommendations of the Guildford Review. The 2002 comparatives have been reclassified accordingly.

In 2003, Common Services include staff from the accounting functions for the NCIs who merged to form a common services Accounts department in November 2003. The Council is now the managing employer for Accounts staff whose managing employer was previously the Church Commissioners or the Church of England Pensions Board. This represents the main difference between the 2002 and 2003 figures above.

	2003 £000	2002 £000
Staff costs for the above employees		
Salaries	7,563	7,552
National Insurance contributions	616	568
Pension costs (note 25)	1,620	1,254
	<u>9,799</u>	<u>9,374</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

13. STAFF NUMBERS AND COSTS (continued)

	2003 No	2002 No
Employees earning more than £50,000		
£50,001 to £60,000	8	12
£60,001 to £70,000	6	6
£70,001 to £80,000	1	-
£80,001 to £90,000	1	1
£90,001 to £100,000	1	1
£110,001 to £120,000	1	1
	<u>18</u>	<u>21</u>

For those staff earning more than £50,000 there are 18 (2002: 21) to whom retirement benefits are accruing under a defined benefit scheme.

Members of the Council

Payments made to 16 members of the Council, being the reimbursement of expenses, amounted to £12,300 (2002: £17,575). Expense payments made to 8 members of the Finance Committee, who are not members of the Council, amounted to £3,030 (2002: £5,440). No remuneration or pension benefits accrue to any members of the Council as a result of their services to the Council.

14. INVESTMENTS

	Restricted Funds	
	2003 £000	2002 £000
Valuation		
At 1 January	14,732	18,032
Additions	610	301
Net surplus/(deficit) on revaluation	<u>1,674</u>	<u>(3,601)</u>
At 31 December	<u>17,016</u>	<u>14,732</u>
Historic cost	4,157	3,246
Market value surplus on historic cost	<u>12,859</u>	<u>11,486</u>
At 31 December	<u>17,016</u>	<u>14,732</u>

The accounting policy for the revaluation of investments is disclosed in the Principal Accounting Policies (note 2d).

All the investments are held within the CBF Church of England funds managed by CCLA Investment Management Ltd (note 27b).

The structure of the total portfolio under the control of the Council at 31 December 2003 was as follows:

	2003 %
CBF Church of England Investment Fund - Income Shares	95.1
CBF Church of England Property Fund	4.8
CBF Church of England Fixed Interest Securities Fund	<u>0.1</u>
	<u>100</u>

At 31 December 2003, the CBF Church of England Investment Fund comprised 64.7% UK equities, 15.2% overseas equities, 7.7% property, 6.6% UK bonds, 3.5% overseas bonds and 2.3% cash.

The CBF Church of England Property Fund is fully invested in commercial property in the UK.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

15. PROPERTIES

	Unrestricted Funds £000	Restricted Funds £000	Total 2003 £000	2002 £000
At 1 January	-	-	-	-
Additions	8,000	-	8,000	-
Disposals	(8,000)	-	(8,000)	-
Net surplus on disposals and revaluation	250	300	550	-
At 31 December	250	300	550	-

The accounting policy for the revaluation and realisation of properties is disclosed in the Principal Accounting Policies (note 2d).

At 31 December 2003, the properties comprise the freehold interests in St Katharine's College, Childwall, Wavertree, Liverpool and 131 Sunderland Grove, London SW18.

St Katharine's College, Liverpool

Liverpool Hope University holds a long leasehold interest in the college.

131 Sutherland Grove

The property forms part of Whitelands College, West Hill, London SW15.

Whitelands College, West Hill, London SW15

In respect of Whitelands College, West Hill, London, following an agreement with the Whitelands College Foundation (the Foundation) which held a long leasehold over the site, and the University of Surrey, Roehampton which held a sub leasehold interest, contracts for the sale of the site to a property developer were exchanged in 2002. The Directors' assessment is that the sale became certain in 2003 and therefore consider it appropriate to recognise it in the year. The CBF's share (approximately one third) of the unconditional sale proceeds of £40 million amounted to £13.2 million. As the CBF's interest in Whitelands College was in previous years stated at depreciated cost of £nil, the sale of its interest does not give rise to any fixed asset accounting entries. Amounts receivable in respect of the sale are disclosed in debtors (note 18). The CBF has committed to use its share of the sale proceeds to the extent that they are required, subject to certain conditions, to develop the Parkstead site so Whitelands College can be relocated closer to the site of the University of Surrey, Roehampton to which it is affiliated. This commitment is disclosed in creditors (note 19).

A new site, Parkstead, was also identified, the freehold of which was purchased by the Foundation in 2002. During 2003 the freehold of the residential part of Parkstead was acquired by the CBF for £8 million. It was subsequently leased back to the Foundation for a term of 99 years on the payment of £7.5 million. The shortfall of £0.5 million between the purchase and leaseback considerations has been offset against the sale proceeds of the West Hill site. An agreement with the Whitelands College Foundation was also entered into in 2003 under which the CBF has a contractual right to receive from the Foundation, at nil cost, the freehold of the remaining (academic) part of Parkstead on completion of the sale of the West Hill site, subject to the Foundation's auditors issuing a solvency certificate and the CBF granting to the Foundation a 99 year lease in an agreed form.

Further details in respect of commitments and contingencies in respect of Whitelands College are disclosed in Commitments and Contingencies (note 26c).

16. EQUITY SHARING LOANS

	Restricted Funds	
	2003 £000	2002 £000
At 1 January	-	-
Reclassification from debtors due after more than one year (note 18)	150	-
Net surplus on revaluation	202	-
At 31 December	352	-

The accounting policy for the revaluation of equity sharing loans is disclosed in the Principal Accounting Policies (note 2d).

Equity sharing loans are granted to support clergy housing. On disposal of a property the Central Church Fund is entitled to a share of the proceeds corresponding to the proportion of the original purchase price which was financed by the loan. Interest is chargeable at 5% per annum and classified as investment income.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003
17. OTHER FIXED ASSETS

	Bookshop fixtures and fittings £000	Office equipment £000	Leasehold improvements £000	Total £000
Fixed assets				
At 1 January 2003	64	634	2,097	2,795
Additions	34	47	-	81
Write offs	(36)	(195)	-	(231)
At 31 December 2003	<u>62</u>	<u>486</u>	<u>2,097</u>	<u>2,645</u>
Depreciation				
At 1 January 2003	49	555	619	1,223
Charge for the year	22	74	209	305
Write offs	(36)	(194)	-	(230)
At 31 December 2003	<u>35</u>	<u>435</u>	<u>828</u>	<u>1,298</u>
Net book value				
At 31 December 2003	<u>27</u>	<u>51</u>	<u>1,269</u>	<u>1,347</u>
At 31 December 2002	<u>15</u>	<u>79</u>	<u>1,478</u>	<u>1,572</u>

The accounting policy for the revaluation and realisation of tangible fixed assets is disclosed in the Principal Accounting Policies (note 2d).

18. DEBTORS

	Unrestricted Funds £000	Restricted Funds (note 21) £000	Total 2003 £000	2002 £000
Amounts due within one year				
Trade debtors	225	-	225	769
Prepayments	485	-	485	1,723
Publishing debtors	260	-	260	202
Diocesan contributions receivable	49	46	95	40
VAT recoverable	70	-	70	50
Staff season ticket loans	110	-	110	120
Staff car loans	18	-	18	14
Theological colleges	-	-	-	73
Amounts due from NCIs for other costs	557	-	557	600
Amounts due in respect of Whitelands College (note 15)	13,200	-	13,200	-
Other debtors	1,352	60	1,412	-
	<u>16,326</u>	<u>106</u>	<u>16,432</u>	<u>3,591</u>
Amounts due after more than one year				
Church colleges of education	-	925	925	930
Theological colleges	-	66	66	36
Church schools	-	347	347	396
Central Church Fund - clergy staff house loans	-	-	-	150
	-	<u>1,338</u>	<u>1,338</u>	<u>1,512</u>
	<u>16,326</u>	<u>1,444</u>	<u>17,770</u>	<u>5,103</u>

In 2003 clergy staff house loans are disclosed as Equity Sharing Loans (note 16).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003
19. CREDITORS

	Unrestricted Funds £000	Restricted Funds (note 21) £000	Total 2003 £000	2002 £000
Amounts due within one year				
Trade creditors	-	-	-	264
Publishing creditors	-	-	-	154
PAYE, NIC & pension contributions	609	-	609	584
World Council of Churches	-	-	-	15
The Corporation of the Church House	-	-	-	902
Grants payable	13,450	99	13,549	752
Other creditors	198	599	797	93
Accruals and deferred income	60	-	60	681
	<u>14,317</u>	<u>698</u>	<u>15,015</u>	<u>3,445</u>

20. STATEMENT OF UNRESTRICTED FUNDS

	At 1 January 2003 £000	Income £000	Expenditure £000	Fixed asset surpluses £000	Transfers £000	At 31 December 2003 £000
GENERAL FUNDS	<u>1,309</u>	<u>16,223</u>	<u>(28,396)</u>	<u>13,450</u>	<u>538</u>	<u>3,124</u>
DESIGNATED FUNDS						
Lambeth Conference Fund	27	-	-	-	(27)	-
WCC Assembly Fund	11	-	-	-	(11)	-
Staff Retirement Fund	745	106	(185)	-	-	666
Legal Aid Fund	17	21	(38)	-	-	-
Representative Expenses Fund	11	-	-	-	(11)	-
Ecclesiastical Expenses Fund	13	-	-	-	(13)	-
Legal Office System Upgrade Fund	14	-	(3)	-	-	11
Software Platform Upgrade Fund	35	-	(23)	-	-	12
Inter-Church Relations Fund	22	-	-	-	(22)	-
Inauguration of Synod Fund	5	-	-	-	(5)	-
Common Worship Fund	401	-	-	-	(401)	-
Church Urban Review Fund	2	-	-	-	(2)	-
Digital Mapping Project Fund	-	12	(18)	-	6	-
Church House (Exterior) Fund	348	28	-	-	95	471
Church House (Interior) Fund	40	1	-	-	-	41
Archdeacons' Training Fund	5	-	(2)	-	-	3
Relocation Fund	1,025	-	(146)	-	-	879
Pay Restructuring Fund	86	-	(86)	-	130	130
Accounting Services Review Fund	100	-	-	-	88	188
Chancel Repairs Fund	70	25	(41)	-	(54)	-
Aerials Project Fund	141	202	-	-	(149)	194
Broadcast Studio Fund	-	-	(16)	-	16	-
	<u>3,118</u>	<u>395</u>	<u>(558)</u>	<u>-</u>	<u>(360)</u>	<u>2,595</u>
TOTAL UNRESTRICTED FUNDS	<u>4,427</u>	<u>16,618</u>	<u>(28,954)</u>	<u>13,450</u>	<u>178</u>	<u>5,719</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003**

20. STATEMENT OF UNRESTRICTED FUNDS (continued)

(a) General funds

These funds represent the Unrestricted Funds of the Council for general use in meeting National Church Responsibilities which are not designated for particular purposes.

(b) Designated funds

These funds comprise Unrestricted Funds of the Council which have been set aside for the stated purposes and a brief description of the principal funds is given below:

The Relocation Fund comprises funds from dioceses and NCIs to be used to offset future depreciation charges relating to office improvement costs incurred by the Council.

The Staff Retirement Fund comprises funds to meet payments to personnel as a result of future restructuring of the Council.

The Church House (Exterior) and (Interior) Funds comprises accumulated amounts set aside to meet periodic maintenance costs as required under the lease.

The Aerials Project Fund comprises the funds received from the Approved Operator set aside to meet future direct project costs.

The Accounting Services Review Fund comprises funds to meet the Council's share of the costs of setting up the common services Accounts department.

The Pay Restructuring Fund comprises funds for the harmonisation of NCI pay structures.

(c) Transfers

In 2003, the following significant transfers were made between the Council's funds:

General Funds to Designated Funds

The major transfers in the year were as follows:

The Church House (Exterior) Fund: £95,000 was transferred in the year from the surplus on Vote 2.

The Accounting Services Review Fund: £88,000 was transferred from the surplus on Vote 2.

The Pay Restructuring Fund: £130,000 was transferred from the surplus on Vote 2.

Restricted Funds to General Funds

The principal transfer was the annual grant of £230,000 made to the Council by the Central Church Fund as detailed in Related Parties (note 27c).

Designated to General Funds

The Common Worship Fund: £401,000 was transferred in the year to the Vote 2 General Reserve on the closure of the Fund. A number of smaller funds were deemed to be no longer required and £88,000 was transferred to the Vote 2 General Reserve.

Designated to Restricted Funds

A number of smaller funds were reclassified with £13,000 transferred to Restricted Funds. A further £38,000 was transferred to Vote 3 Reserve through the closure of designated funds.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

21. STATEMENT OF RESTRICTED FUNDS

	At 1 January 2003 £000	Income £000	Expenditure £000	Fixed asset surpluses £000	Transfers £000	At 31 December 2003 £000
Training for Ministry Fund (Vote 1)	2,035	9,217	(8,796)	-	-	2,456
Grants and Provisions Fund (Vote 3)	127	1,194	(1,194)	-	38	165
Inter-Diocesan Support Fund (Vote 4)	104	550	(412)	-	-	242
Grants Payable to Dioceses Fund	67	20,810	(20,774)	-	-	103
Central Church Fund	15,557	590	(298)	1,832	(2,717)	14,964
Clergy Support Funds (note 28)	-	186	(139)	290	2,487	2,824
CBF Lump Sum Pension Fund (note 25d)	102	3	-	-	1	106
Church Conservation Fund	(125)	442	(284)	-	-	33
Board of Mission Special Fund	138	12	(15)	14	3	152
Board of Social Responsibility Special Fund	144	6	(6)	13	-	157
Church Colleges of Education Fund	1,089	5	(6)	-	-	1,088
Theological Colleges and Training Houses Fund	399	16	-	-	-	415
Simon of Cyrene Theological Institute Fund	196	-	(1)	-	-	195
Church Schools Fund	700	11	-	-	-	711
Training for Ministry Special Fund	888	231	(155)	6	(2)	968
Sundry funds						
General Synod sundry funds	165	-	-	18	-	183
Central Secretariat sundry funds	21	-	-	-	-	21
Board of Education sundry funds	48	109	(44)	-	(40)	73
Hospital Chaplaincies sundry funds	3	-	-	-	9	12
Communications Unit sundry funds	16	-	-	-	(15)	1
Ministry Division sundry funds	78	-	-	-	-	78
Board for Social Responsibility sundry funds	16	1	(1)	-	-	16
Council for Deaf sundry funds	6	1	-	-	-	7
Council for Care of Churches sundry funds	79	5	(3)	3	51	135
Church Urban Life Fund	-	50	(11)	-	-	39
Other sundry funds	39	1	(20)	-	7	27
TOTAL RESTRICTED FUNDS	21,892	33,440	(32,159)	2,176	(178)	25,171

Income for Training for Ministry Fund (Vote 1) includes diocesan contributions of £9,089,000 (2002: £9,037,000) and other income of £128,000 (2002: £89,000).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

21. STATEMENT OF RESTRICTED FUNDS (continued)

The restricted funds are represented by:

	Fixed assets (notes 14,15 and 16) £000	Cash and short term deposits £000	Debtors (note 18) £000	Creditors (note 19) £000	Net assets £000
Training for Ministry Fund (Vote 1)	-	2,307	174	(25)	2,456
Grants and Provisions Fund (Vote 3)	-	137	28	-	165
Inter-Diocesan Support Fund (Vote 4)	-	239	3	-	242
Grants Payable to Dioceses Fund	-	103	-	-	103
Central Church Fund	14,390	857	7	(290)	14,964
Clergy Support Funds	2,741	543	(79)	(381)	2,824
CBF Lump Sum Pension Fund (note 25)	-	106	-	-	106
Church Conservation Fund	-	8	25	-	33
Board of Mission Special Fund	138	7	7	-	152
Board of Social Responsibility Special Fund	126	33	-	(2)	157
Church Colleges of Education Fund	-	163	925	-	1,088
Theological Colleges and Training Houses Fund	-	415	-	-	415
Simon of Cyrene Theological Institute Fund	-	195	-	-	195
Church Schools Fund	-	364	347	-	711
Training for Ministry Special Fund	55	906	7	-	968
Sundry funds					
General Synod sundry funds	176	7	-	-	183
Central Secretariat sundry funds	-	21	-	-	21
Board of Education sundry funds	-	73	-	-	73
Hospital Chaplaincies sundry funds	-	12	-	-	12
Communications Unit sundry funds	-	1	-	-	1
Ministry Division sundry funds	-	78	-	-	78
Board for Social Responsibility sundry funds	-	16	-	-	16
Council for Deaf sundry funds	4	3	-	-	7
Council for Care of Churches sundry funds	38	97	-	-	135
Church Urban Life Funds	-	39	-	-	39
Other sundry funds	-	27	-	-	27
TOTAL RESTRICTED FUNDS	17,668	6,757	1,444	(698)	25,171

All Restricted Funds are for specific educational, mission, ecumenical, charitable and maintenance purposes. Explanations of the application of the main funds in the year are given in Grants Payable (note 12).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

21. STATEMENT OF RESTRICTED FUNDS (continued)

Other restricted funds controlled by the Council but not included above

The CBF acts as the custodian trustee for a number of trusts over which the Council has control, including with regard to the application of income from these funds to support the Council's activities (note 8). These trusts have not been included within the Council's financial statements pending consultation with the Charity Commission as to the future treatment and status of the trusts. In 2003, these trusts have combined income of £69,093 (2002: £62,995) and expenditure of £42,349 (2002: £49,655) and, at 31 December 2003, net assets of £4,101,795 (2002: £2,554,005). The objects and activities of these trusts are set out below.

<u>Trust or fund</u>	<u>Object and activity</u>
*Charlesworth Trust	To make provision for assisting in or towards the training and maintenance for holy orders in the Church of England
*General Ordination Exam Trust	To assist in providing training for suitable candidates desirous of becoming clergymen
*Clergy Elocution Fund	To meet the cost of a scheme of training in voice production, elocution and singing to be given to ordinands or clergy
*Hawarden Fund for Ordinands	Towards defraying the cost of training ordination candidates for the Church of England and the Church in Wales
Davidson Portrait Fund	For the insurance and other expenses of the portrait of Archbishop Davidson in Church House
*St Stephen's Scholarship Trust	For the training of students for the Ministry in the Church of England
Miss MA Carver Trust	To be disbursed by the Board of Mission Special Funds
The Rev DS Guy Trust	To be used for the general purposes of the Board of Mission
*The Rev Henry Dann Trust	Assisting in or towards the training and maintenance of candidates for holy orders in the Church of England
Miss GC Anson Trust	To be held in trust for the CBF to be applied in or towards carrying out the objects of the Missionary Council of the Church Assembly
Margaret Ann Clark Trust	For the maintenance of the fabric of the tower of Barnack parish church
*Philip Usher Memorial Fund	To establish a scholarship to enable a student to spend a period in a country in which part of the population practises the Christian religion
*Home Bishopric Endowment Fund	For, or towards, the endowment of a new Diocese of the Church of England or Wales
JH Jackson Trust	For the purposes of Anglo Catholic Churches and Missionary Work Overseas
*Truro Training College Fund	For the benefit of Church of England Colleges for the training of Women Teachers in Devon and Cornwall
*Musical Training Ordination Candidates Fund	The musical training of ordination candidates of the Church of England or any Church in Communion with the appropriate body of the Church Assembly
*William Temple House Fund	Maintenance and upkeep of the William Temple House as a hostel for students studying in the UK who have a need for Christian surroundings.
*White Cross Fund	The promotion of moral welfare work among men and boys and in assisting the moral strengthening or rehabilitation of men or boys
JC Parker Trust	Ornamenting the Parish Church of High Wycombe
*Stanley Fund	Training of candidates for ordination in the Church of England
*Constance Goffe Trust	The training of elderly ordination candidates or the maintenance of families or dependents of men under training
*Rupert Gunnis Memorial Trust Fund	Discharging the cost of repairing, cleansing and preserving monuments, tombs and tablets erected between 1660 and 1860 in English Cathedrals and Churches
Lord Barnard Trust Fund	For the administration expenses of the CBF
*Ordination Candidates Exhibition Trust Fund	To assist in providing training for suitable candidates desirous of becoming clergymen but lacking pecuniary means
Cryer Memorial Fund	Training of candidates for ordination in the Church of England
*Eeles Bequest Trust	For the repair and maintenance of such Churches and Chapels belonging to the Church of England
Alison Ley Benefaction	Sponsorship of ordinands
*Women's Continuing Ministerial Trust	To assist ordained women
* <i>Separate registered charity</i>	

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

21. STATEMENT OF RESTRICTED FUNDS (continued)

Other restricted funds controlled by the Council but not included above(continued)

In addition to the above, there are a further 40 trusts for which the CBF acts as custodian trustee. A number of these trusts have other external trustees and the CBF manages the trusts' investments on their behalf. In 2003, these trusts have combined income of £119,680 (2002: £177,771) and expenditure of £93,720 (2002: £139,360) and, at 31 December 2003, net assets of £4,116,358 (2002: £4,958,380). These additional trusts are listed below.

York House of Laymen Trust	*Montgomery Lectureship Fund
*Alfred Henry Hobhouse Memorial Trust	Chute Trust Fund
The Wakefield Trust	*William Temple Memorial Fund
Eleanor Brougham Trust	*Mary Ann Lander Bequest Fund
Chaplaincy at the Hague Fund	*HD Ackland Divinity Prize Fund
St Anselm's Endowment Trust	*Fellowship of St Michaels & All Angels Fund
Edward Bathurst Cotton Trust	The Society of the Treasury of God Fund
*St Mary's Church, Hitchin Trust	*Archbishops' Appeal Fund for the Church in China
Champneys Trust (London)	Commander HR Munro Trust Fund
Champneys Trust (Chichester)	Isabella Gilmore Trust Fund
Badcock Trust	*Anglican & Eastern Churches Association Trust Fund
	*Canon WH Elliott Memorial Trust Fund
*Tindall Trust	*Community of the Resurrection of Our Lord Trust
Jerusalem Bishopric Fund	BP Payne Deceased Trust Fund
Miss B A Jewell Trust	Stephen Furness Trust Fund
Council on Foreign Relations Fund	*Turvey Legacy Fund
Diocese of Yukon (Miss Stevens) Trust	*Cathedral Amenities Trust Fund
William Thomas Oliver Trust	English Cathedral Repairs Fund Baddeley Trust
Harriet McKenzie Trust	*Church Funeral Services Fund
Miss A R B Speckman Fund	*Sandford St Martin Trust
Miss Bessie Hacker Trust	

* *Separate registered charity*

The assets of the trusts, primarily investments and cash are maintained separately from those of the Council.

The CBF is also the trustee of the CBF Church of England Funds as detailed in Related Parties (note 27a).

22. RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003	2002
	£000	£000
Net (outgoing)/incoming resources during the year	(11,055)	3,189
Depreciation	305	510
Investment income	(887)	(900)
Surplus on realisation of fixed asset	13,200	-
Decrease in stocks	17	133
Increase in debtors	(12,516)	(1,061)
Increase/(decrease) in creditors	11,270	(648)
Net cash inflow from operating activities	334	1,223

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003

23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003 £000	2002 £000
Increase/(decrease) in cash in the year	1,071	(289)
(Decrease)/increase in short term deposits	<u>(541)</u>	<u>1,149</u>
Net funds at 1 January	530	860
Net funds at 31 December	<u>7,956</u>	<u>7,096</u>
	<u>8,486</u>	<u>7,956</u>

24. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2003 £000	Cash flows £000	At 31 December 2003 £000
Cash at bank and in hand	3,009	1,071	4,080
Short term deposits	4,947	<u>(541)</u>	<u>4,406</u>
	<u>7,956</u>	<u>530</u>	<u>8,486</u>

25. PENSIONS

Benefits for staff in respect of the three main schemes are provided by the Church Workers Pensions Fund, the Church Administrators Fund and the Church of England Funded Pension Scheme, all administered by the Church of England Pensions Board.

The contributions to the three main schemes have been assessed by an independent qualified actuary using the projected unit method of valuation and are detailed below.

The three main schemes are all defined benefit schemes but the Council is unable to identify its share of the underlying assets and liabilities.

For such schemes, paragraph 9(b), Financial Reporting Standard 17: Retirement Benefits requires the Council to account for pension costs on the basis of contributions payable to the schemes in the year. The pension contributions for the year shown in Staff Numbers and Costs (note 13) are equal to the contributions being paid by the Council.

Fuller details of the schemes will be disclosed in the financial statements of the Church of England Pensions Board.

(a) The Church Workers Pension Fund

The Church of England Defined Benefits Scheme is part of the Church Workers Pension Fund. The Council made contributions of £nil (2002: £nil) during the year in respect of 2 employees (2002: 2) as the Fund was in surplus as at 31 December 2001, the date of the last valuation.

(b) The Church Administrators Pension Fund

A full valuation of the Fund was undertaken as at 31 December 2002. Based on the valuation, there was a shortfall of £4.8m of the market value of the assets compared to the amount required to cover the benefits that had accrued to members after allowing for expected future increases in salaries. In the light of these results and in consultation with the other NCIs, the Council has ceased to benefit from an allocation of past surpluses of £540,000 per annum and has paid an additional contribution of £150,000 in 2003. With effect from 1 January 2003, the Council increased its contribution rate from 20% to 22.5% of salaries. This contribution plan is designed to remove the shortfall over members' future working lives. The Council paid contributions to the Fund totalling £1,550,000 (2002: £773,000) in respect of 254 employees (2002: 244).

(c) The Church of England Funded Pensions Scheme

Each employer in the Scheme, including dioceses and parishes, pays a common contribution rate. The first valuation of the Scheme was carried out as at 31 December 2000. The contribution rate increased from 21.9% to 29.1% of pensionable stipends with effect from 1 April 2002 and to 29.5% from 1 January 2003. The Council paid contributions to the Scheme totalling £70,000 (2002: £75,000) in respect of 13 employees (2002: 15).

A valuation of the Scheme is being carried out as at 31 December 2003.

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003**

25. PENSIONS (continued)

(d) Central Board of Finance Lump Sum Scheme

The sum of £106,000 (note 21) has been set aside within Restricted Funds to meet the Council's liabilities of deferred benefits under the former Central Board of Finance Lump Sum Scheme. The Scheme provides for a lump sum payments to 64 former CBF employees upon reaching retirement age. The Scheme has Inland Revenue approval under section 20 of the Finance Act 1970.

26. COMMITMENTS AND CONTINGENCIES

(a) Training for Ministry candidates

There is a commitment in respect of those candidates who at 31 December 2003 had either started their training or had been selected for training. As such training usually involves courses lasting up to 3 years, at each year end the Council effectively has a commitment to fund candidates for the remaining one or two years of their courses. This commitment will continue to be met from Training for Ministry Funds (Vote 1) when such funds are provided by the dioceses in the future.

(b) Common Employer Scheme

The Council is a member of the Common Employer Scheme covering the National Church Institutions and, as such, has a contingent liability for salaries and other employment costs in the event of a default by any of the other member bodies.

(c) Whitelands College

Actual completion of the sale of the West Hill site will take place in stages in 2004 and 2005. The CBF's share (approximately one third) of the unconditional sales proceeds of £40 million will, in due course, be augmented by additional payments relating to overages, which could amount to approximately £10 million. The additional payments are in part dependent on levels of planning approval. These funds, under a Memorandum of Understanding signed by the Foundation and the CBF, have been committed to help finance the development of Parkstead to the extent that they are required, subject to certain conditions. Upon completion of the transaction the CBF will own all of the freehold of Parkstead subject to a 99 year lease to the Foundation. The CBF's share of the total unconditional sale proceeds of £40 million are committed to finance the purchase and ongoing redevelopment of Parkstead and are disclosed in creditors (note 19).

In January 2004 the CBF received the first instalment of the sales consideration amounting to £3.3 million.

The purchase and development of Parkstead is funded, in part, by bank loans to the Foundation. The loans are secured by a charge on the Parkstead site. In addition, the CBF is guaranteeing the drawdown on these loans up to a maximum of the sales proceeds it receives for the West Hill site. Should the structure of the transaction change and the Foundation remain at Whitelands, the CBF have a secondary charge over Parkstead to recover any monies paid over under the guarantee detailed above.

(d) Contingent assets

Repayment of grants provided to Theological Colleges and Church Colleges of Education

Over many decades, the CBF has provided grants to various theological colleges and church colleges of education. These grants enabled the colleges to provide a Christian based education and courses for their students. The grants are conditional upon the colleges continuing to fulfil certain criteria and are therefore not included in the consolidated balance sheet.

Any grant given by the CBF from the Theological Colleges and Training Houses Fund to a theological college may be retained by that college as long as the college, or a regional course based at the college, continues to be recognised for ordination training by the House of Bishops.

Any grant originally given by the CBF on behalf of the Church Assembly to a college upon condition that the property acquired thereby "shall be used for the purpose of a Church Training College" or any subsequent grant or loan from the Church Colleges of Higher Education Fund, may be retained by that college as long as:

- a majority of the members of the Governing Body (or of the Trustees, where this is a separate body) continues to be appointed by an Anglican foundation or to be required to be communicant members of the Church of England;

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

26. COMMITMENTS AND CONTINGENCIES (continued)

(d) Contingent assets (continued)

- all other requirements of the Trust Deed (or other Governing instrument) pertaining to the Anglican nature of the college (including the appointment of an Anglican Chaplain) continue to be fulfilled;
- the college continues to provide or to have a responsibility for the provision of higher education with government financial support.

If the colleges fail to meet these criteria, the grants are repayable in full to the Council. The conditional grants outstanding at 31 December 2003 and 31 December 2002 were as follows:

Conditional grants to Church colleges

Church college	£
Christ Church, Canterbury	249,485
Whitelands College, Putney	202,799
St Martin's College, Lancaster	275,472
St Katharine's College, Liverpool	129,999
University of Gloucestershire	291,647
College of York St John	373,100
University College, Chichester	176,052
Chester College	204,032
St Mark & St John, Plymouth	128,912
King Alfred's, Winchester	164,547
Bishop Grosseteste, Lincoln	126,499
Total outstanding at 31 December 2003	2,322,544

Conditional grants to theological colleges and training houses

Theological college	£
Birmingham - Queen's College	150,400
Bristol - Trinity	56,700
Cambridge - Ridley Hall	20,522
Cambridge - Westcott House	16,270
Ripon - Cuddesdon	36,295
Durham - St Chad	45,000
Durham - St John	46,378
Lincoln	23,400
London - Oakhill	37,000
Nottingham - St John	53,061
Oxford - St Stephen House	32,300
Oxford - Wycliffe Hall	22,243
Salisbury & Wells	33,411
Total outstanding at 31 December 2003	572,980

Interest receivable on loans provided to Theological Colleges and Church Colleges of Education

In addition to the grants noted above, loans have also been provided to theological colleges and church colleges of education. The loans to theological colleges are interest free. The loans to church colleges are interest bearing but payment of the interest accrued over the life of the loan does not fall due until the final repayment date. The receipt of this interest is not certain as the Council may waive certain interest payments or roll the loans into additional financing to the colleges. The total amount of interest accrued and not recognised in the financial statements at 31 December 2003 is £1,111,665 (2002: £1,014,706).

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003**

27. RELATED PARTIES

(a) CBF Church of England Funds

The CBF is the trustee of the CBF Church of England Funds (the Funds), which had a value of £1,617 million as at 31 December 2003. The Council and in the Funds (Investment, Fixed Interest Securities, Deposit and Property). The Council's share of total investments in the Funds is less than 1% and is disclosed in note 14.

(b) CCLA Investment Management Limited

Members of the Council are also directors of the CBF. The membership of the Council is thus co-terminus with the CBF. The CBF can appoint two non-executive directors to the board of CCLA Investment Management Limited (CCLA). The board of CCLA comprises 4 executive and 4 non-executive directors.

The CBF Church of England Investment Fund owns 60% of CCLA's share capital and the CBF, as trustee of the Fund, has the voting rights, amounting to 67%, in respect of these shares in CCLA. The responsibility for administering and managing this shareholding is that of the Investment Committee of the CBF.

Under CCLA's Articles of Association, decisions relating to the operation of the business including the declaration of dividends and the variation of the structure, require the agreement of all shareholders, ie COIF Charities Investment Fund and the Local Authorities' Mutual Investment Trust, as well as the CBF Church of England Investment Fund.

Accordingly, in the opinion of the Council, CCLA does not constitute either a subsidiary or an associated undertaking and the results of CCLA are not included in these financial statements.

(c) Central Church Fund

The CBF is the sole trustee of the Central Church Fund (CCF). Under a trust deed of 12 March 1998, the CCF was established as a formal trust to be run by a Committee acting as Administrative Trustee. The Committee consists of not less than five members, each appointed by the Executive Committee of the CBF, one of whom is appointed Chairman. Two further members may be co-opted by the Committee. The Executive Committee of the CBF has the power to fix the terms of reference of the Committee having regard to the prevailing needs of the Church.

In 2003 a grant of £230,000 (2002: £230,000) was paid to the Council and has been credited in these financial statements to the Council's unrestricted funds (note 18) as a transfer of funds. Further grants of £255,296 (2002: £272,165) were agreed for Church projects throughout England. The separate audited financial statements of the CCF are available from the Financial Secretary of the Council.

(d) Church Commissioners, Church of England Pensions Board and other NCIs

Under the National Institutions Measure 1998, the Church Commissioners provide funds to the Council for distribution to the dioceses of the Church of England. The income is disclosed in the consolidated statement of financial activities.

The Council manages common services, such as accounting, human resources, information technology support and the Church of England Records Centre, for the other NCIs. The costs of these services are shared between the NCIs on the level of usage. The amounts receivable by the Council for them are disclosed in National Church Institutions Contributions to Costs (note 5).

The Church of England Pensions Board is responsible for several pension schemes of which employees of the Council are members. The contributions paid by the Council to the Church of England Pensions Board are disclosed in Pensions (note 25).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

28. SEPARATE BALANCE SHEET OF THE COUNCIL EXCLUDING THE CBF AND THE CENTRAL CHURCH FUND

	Unrestricted Funds	Restricted Funds	Total 2003	2002 restated
	£000	£000	£000	£000
FIXED ASSETS				
Investments	-	3,728	3,728	2,934
Other assets	1,347	-	1,347	1,572
	<u>1,347</u>	<u>3,728</u>	<u>5,075</u>	<u>4,506</u>
CURRENT ASSETS				
Stocks	384	-	384	401
Debtors: amounts falling due within one year	2,747	99	2,846	3,440
Debtors: amounts falling due after more than one year	-	1,338	1,338	1,512
Short term deposits	1,333	2,587	3,920	3,869
Cash at bank and in hand	36	3,313	3,349	2,736
	<u>4,500</u>	<u>7,337</u>	<u>11,837</u>	<u>11,958</u>
CREDITORS: amounts falling due within one year	(1,097)	(408)	(1,505)	(3,215)
NET CURRENT ASSETS	<u>3,403</u>	<u>6,929</u>	<u>10,332</u>	<u>8,743</u>
NET ASSETS	<u>4,750</u>	<u>10,657</u>	<u>15,407</u>	<u>13,249</u>
ACCUMULATED FUNDS				
Unrestricted Funds				
- General	2,155	-	2,155	1,309
- Designated	2,595	-	2,595	3,118
	<u>4,750</u>	<u>-</u>	<u>4,750</u>	<u>4,427</u>
Restricted Funds				
	-	10,657	10,657	8,822
	<u>4,750</u>	<u>10,657</u>	<u>15,407</u>	<u>13,249</u>

Following a review of the nature and purpose of Restricted Funds during 2003, it has been agreed that Clergy Support Funds of £2,487,229 previously accounted for by the Central Church Fund should be accounted for by the Council. The 2002 comparatives have been restated accordingly.