**ARCHBISHOPS' COUNCIL** **GS 1731**

# SPENDING PRIORITIES 2010 – 2015

1. Attached is the report from the group that the Archbishops' Council established in November to review our spending priorities over the lifetime of the next Synod. Its three main conclusions are summarised at paragraph 2. The Council discussed the group's consultation document on 28 April and considered the report on 11 June.

2. The Council wishes to place on record its gratitude to Andrew Britton (chair), the Ven Richard Atkinson, Katherine Macpherson, Sandra Newton and the Rt Revd David Urquhart for the time that they have invested in this important exercise. Their recommendations do not make for comfortable reading. But they have done the Council and the wider Church a service in reminding us that the scale and balance of what is spent nationally needs regularly to be challenged and reassessed.

3. As the group has rightly observed, the key question is whether all of the national work and activity supported by the Council's budget continues to be a sufficiently high priority to warrant drawing the necessary funds from parishes, via dioceses, to the Council. Much clearly is. But, the difficult, wider financial context means that the Church of England faces a series of significant decisions over the coming period over how best to use the resources of which is has stewardship.

4. The Council has accepted the Group's conclusion that, in the present circumstances, it would be wrong to enter the next five years on the assumption that finance will be found to enable existing plans and commitments to be maintained. We cannot go on as we are. The Council has, therefore, set itself the objective of ensuring that in 2011 and 2012 the money asked of the dioceses by way of apportionment should increase by at least 0.5% less than the rate of inflation and that for the following three years it should not exceed the rate of inflation.

5. The Council agrees with the Review Group that training for ordained ministry should continue to have a very high priority relative to its other expenditure. With a large number of retirements from stipendiary ministry due over the next decade the Church of England continues to need a good inflow of ordinands – both for stipendiary and non-stipendiary ministry – including a growing proportion of younger people.

6. Nevertheless, the case for better planning is compelling. Bishops and dioceses need to be setting recruitment targets that are consistent with their own costed plans for clergy numbers. In addition, there has to be some measure of financial control year by year to avoid a situation in which open-ended expenditure on Vote 1 requires even greater reductions to be made in Vote 2 and other Votes simply in order to stay within the overall cash limit for the apportionment.

7. The Council has, therefore, accepted the Review Group's proposal that the amount asked for by way of the apportionment for Vote 1 each year should not be more than 1% above the overall increase in the apportionment. The careful use of reserves should provide some additional scope for smoothing out peaks and troughs. But this new discipline will mean that the Ministry Council and DRACSC will, with the House of Bishops, need to carry through to a conclusion the work already under way to achieve more joining up between recruitment and deployment decisions.

8. The Council recognizes that the financial objective it has set itself will mean that some work currently funded by Vote 2 will have to stop. As the Review Group has noted, this is not because the work has been lacking in value. It is simply that a real terms reduction in overall funding will make difficult choices about priorities unavoidable.

9. At paragraph 50 the Review Group has drawn up a list of areas where it judges that work at national level might be discontinued or done differently by 2015 to the extent that is necessary to deliver the overall financial targets. It makes clear that this is a starting point and that there may be some instances here where further consideration could lead to a decision that the proposed reduction would in fact be counterproductive. It also notes that more extensive reductions may be required, including in areas which the Group has classified as operationally unavoidable, to achieve the overall financial targets that are recommended.

10. The Archbishops' Council accepts the Review Group's view that an initial list of this kind is necessary. The Council also acknowledges that if, in due course, reductions are not proceeded with in one or more of the areas identified, others will have to be added to achieve an equivalent level of saving. Indeed, to make the sums add up others may in any event have to be added.

11. The Council has reached no decision at this stage over what particular reductions should be made and when. This inevitably means that the next few years are going to be a time of uncertainty for our staff. It agrees with the Review Group that, wherever possible, savings should be secured by natural wastage, though that may not always be achievable. The status of the list remains, therefore, as the Group has recommended, a starting point for the future detailed consideration that the Council will need to give in preparation for decisions in the context of the 2011 and subsequent budget rounds.

+Rowan Cantuar +Sentamu Ebor

12 June 2009

## ARCHBISHOPS' COUNCIL

## FINANCIAL STRATEGY REVIEW

*Summary*


1. This review was set up to examine alternatives for the path of Council income and expenditure in respect of the activities funded by the apportionment over the five-year period 2011 to 2015 inclusive. We report in the context of a continuing recession and a fall in asset values which will have serious implications for the funding of clergy pensions and, potentially, for the distribution of funds by the Church Commissioners.

2. Our main conclusions can be summarised as follows:

   - **The total scale of the Council budget to be met by dioceses through the apportionment should increase by less than the rate of inflation in 2011 and 2012 and only by the rate of inflation for the following three years.**
   - **This strategy is based on the assumption that Vote 1 (training for ministry) can be planned and, if necessary, controlled.**
   - **The strategy requires a significant reduction in the activities funded by Vote 2 (national Church responsibilities) as compared with current commitments and expectations.**

3. The Church faces some tough decisions, in common with most other organisations, from households to the nation state. There is certainly a need for stringency, but there is another way of looking at the choices we face. A financial problem requires us to assess our priorities afresh. It may even be the occasion to introduce reforms which were needed, but hard to introduce, in easier times. The Church might emerge fitter as a result of facing financial challenges effectively, enabling it to grow and to fulfil its mission more effectively.


*Introduction*

4. At its meeting in November 2008 the Council commissioned a review of financial strategy to examine the options for its own budgets in the period 2011 to 2015. The members of the strategy review group are listed at Annex A below.

5. Our work has been very well supported by Church House staff. We are especially grateful to the heads of divisions who have met with us and shared very openly with us their plans for their future programmes of work. In April we circulated a consultation paper setting out several alternative projections and asking some quite specific questions. This was discussed by the Council itself, the Inter-diocesan Finance Forum, the Finance Committee and the House of Bishops. We also invited comments on the consultation paper from other stakeholders and received a total of 100 submissions from those set out in Annex B. Our report owes much to these discussions and submissions, but it remains our responsibility and expresses our views.

6. The Council submits to Synod each July a budget for the following calendar year. Within that relatively short time-frame the scope for changing the balance of expenditure is limited. The advantage of a strategic review over five years is that options are not constrained in the same way by the immediate financial pressures and by the present deployment of staff. It enables the Council to take a fresh look at the relative priority of its various objectives and the means of achieving them. If the financial strategy is used as a framework for setting budgets in subsequent years, then it should make for greater predictability both of income and of expenditure for the Council and for the dioceses that fund it.

7. This review was conducted under the shadow of a global economic crisis with serious implications for our Church, in our parishes, cathedrals, dioceses and national institutions. This makes it more important than ever that our first concern should be to weigh the priority of spending at the national level against that of spending by the dioceses and the parishes. Every pound spent on national costs is money not available for the direct support of mission and ministry in parishes, including the financial support of clergy and lay workers.

8. The Archbishops' Council's annual expenditure is funded by money requested from dioceses, which are in turn primarily dependent on money raised from the parishes. In 2009 dioceses are providing £27.6 million. This compares with total annual Church of England expenditure of over £1.1 billion[1]. For individual dioceses the proportion of their budget accounted for by the money raised by the Archbishops' Council varies from around 4% to 8%. So compared with the largest categories of church expenditure – clergy stipends, housing and working costs (£317 million), clergy pensions paid (£113 million) and building repairs and maintenance (£135 million), the Council's budget is not large.

9. Nevertheless, the sums involved are significant and the Church needs to be satisfied that they are necessary. In 2009 nearly 44% of the money provided to the Council by dioceses will be for funding ordination training, nearly 37% for the costs of work carried out nationally by Council staff, around 11% for subsidising the housing costs of retired clergy using the CHARM scheme run by the Pensions Board, about 6% for a range of grants to outside bodies and for legal aid costs and just under 3% for the pension contributions of clergy employed by the Partnership for World Mission (PWM) mission agencies.

[1] The figures for total expenditure relate to 2006: the latest available consolidated figures, see http://www.cofe.anglican.org/info/finance/financeoverview.pdf

10. The objectives of the Council, as set out in the document ‘Into the New Quinquennium’, are as follows:
    - *to enhance the Church’s mission by:*
        - o *promoting spiritual and numerical growth*
        - o *enabling and supporting the worshipping Church and encouraging and promoting new ways of being Church, and*
        - o *engaging with issues of social justice and environmental stewardship*
    - *to sustain and advance the Church’s work in education, lifelong learning and discipleship*
    - *to enable the Church to select, train and resource the right people, both ordained and lay, to carry out public ministry and to encourage lay people in their vocation to the world*
    - *to encourage the maintenance and development of the inherited fabric of Church buildings for worship and service to the community.*

11. In setting a financial strategy it is necessary to translate the aims of Council into a set of figures for its income and expenditure. This cannot be done over a five-year horizon in the same detail as it would be for an annual Budget. Nevertheless the construction of projections in numerical terms is an essential part of strategic planning. The arithmetic, with all its uncertainties, has to be there to ensure that the aspirations of Council are mutually consistent. We do have to have numerical projections, even if the uncertainties of the present time make such figure work even more hazardous than usual.

12. We have no way of predicting how long or how deep the downturn will be in national levels of economic activity or in asset prices. We hope, obviously enough, that it will be over well within the five years covered by this review. For the present, however, it is only prudent to adopt a financial strategy appropriate to a period of recession or slow growth in the national economy. It is just as impossible to forecast the rate of inflation (or deflation) in prices more than a year ahead. We have therefore to set a strategy in ‘real’ terms - that is in terms of the purchasing power of income and expenditure. But clearly Budgets that are set year by year within a strategic framework will need to take account of the condition of the economy at the time and to be set in terms of current prices.

13. In this report we present two projections, one with the apportionment rising somewhat in real terms in order to deliver existing policies and commitments - what might, in another context, be described as a ‘business-as-usual scenario’. We then present a second projection which takes account of the stringency of the present economic environment and assumes a lower growth rate for the apportionment. We see this as an appropriate response by the Council to the expected pressure on finance in the dioceses and the parishes, and a proper recognition of the ‘opportunity cost’ of expenditure at the centre in terms of the funds available to support the local mission of the Church.

14. This cannot be merely an arithmetic exercise. In the rest of our report we discuss how that projection might be realised over this five-year period. This takes us into some difficult questions about the relative priority of different areas of Council expenditure on which we recognise that there will be a variety of views. It also requires us to face some difficult issues about the predictability and control of spending under the various Votes.

*Current Commitments*

15. Our first scenario is constructed on the basis that the apportionment will rise each year to enable existing plans and commitments (broadly those embodied in the forecasts for 2009 and 2010) to be maintained. A rate of inflation (RPI) of 2% a year is assumed throughout. For each of the Votes, and the programmes within them, we have used projections provided by the divisions responsible. This is much the same exercise as has been carried out regularly for the longer-term projections given to the Council and to Synod with the annual budget each year. The detailed figure work is provided in Annex C and is based on the assumptions set out in Annex E.

16. This gives us a figure of about 2.7% a year, or 0.7% in real terms, for the likely growth in the total apportionment over the five years 2011 to 2015 if there were no change to existing policies and commitments. Anyone familiar with the problems of forecasting will know that this is subject to a very wide margin of error. Nevertheless it provides a starting point for our analysis of alternatives. It is useful to compare this projected rate with the increase in the apportionment in recent years. An increase of 0.7% in real terms would be less than the average growth rate of 0.9% a year in real terms between 2005 (when Vote 5 first came onto the Council's budget) and 2009. Even this scenario therefore implies a slowing down in the growth of total Council spending relative to recent trends.

17. Within that total the projected average annual increase in each of the five Votes over the five year period is as follows: Vote 1 (training for ministry) 3.0%; Vote 2 (national church responsibilities) 1.9%; Vote 3 (grants) 2.6%; Vote 4 (mission agency pension contributions) 1.0%; and Vote 5 (clergy retirement housing) 4.8%. Thus, even with current commitments retained there is set to be a continuing shift in the balance of expenditure towards clergy training and retirement housing. Those Votes are projected to rise significantly ahead of the rate of inflation whilst Vote 2 is actually projected to fall marginally in real terms.

*A Strategic Response*

18. Having set out the likely outcome if current commitments are unchanged, we now turn to the consideration of alternatives. We begin with the simple observation that the more the dioceses are asked to pay to the Council, the less they will have available to meet their own expenditure needs, especially to support mission and to provide resources for the parish clergy.

19. In the five years covered by this review it seems probable that diocesan finances will remain under pressure, even if the economy is, by then, recovering. Investment income and the return on cash balances have fallen and are unlikely to recover quickly to the levels of the recent past. The rate of contributions for clergy pensions is likely to remain high for the foreseeable future, whatever solutions are identified to present difficulties. From 2011 there is a high probability that the distribution of funds made available by the Church Commissioners will fall, in real if not in cash terms. The actual sums likely to be available for distribution will become clearer following the triennial actuarial review of the Commissioners' fund which will take place next Spring. And if, as seems likely, the recession has more than a short term effect on unemployment and the incomes of church members then dioceses will not wish – or indeed be able – to ask for large increases in parish share payments.

20. All this seems to us to point to a need to constrain national budgets. A financial strategy is essentially an exercise in setting priorities. Within the Church the dispersed nature of decision making means that this is not a simple challenge but the attempt has to be made. Our judgement is that church members on the whole would regard the first priority as being the work and worship of local churches and the support of parish clergy. That this is so is borne out by the decisions that dioceses tend to take when faced with the need to reduce their own expenditure. They have cut, and are cutting, expenditure on activities at diocesan level before accepting, most reluctantly, that cuts are also unavoidable in the numbers of stipendiary clergy in parishes.

21. That is the negative way of making the point about priorities. It is just as important to see the positive side of this strategic choice. There are many areas of Church life which are celebrating renewal and growth, both spiritual and numerical. The current economic situation challenges local churches to be more active, not less. This reinforces the argument against drawing more resources from local churches to the centre.

22. In our consultation paper we asked a very direct question about the appropriate growth rate for the apportionment. There was an understandable reluctance to give an equally direct answer to that question. Nevertheless the balance of opinion was clearly weighted in favour of a rate of increase lower than that implied by current commitments. Some favoured a zero increase in real terms, others preferred the scenario we presented which implied a significant reduction in real terms continuing for the whole five-year period.

23. With this in mind, we have constructed our second scenario on the assumption that the apportionment will fall in real terms for two years and then remain constant in real terms for the rest of the period. Given our assumption of inflation at 2% a year, this implies an apportionment set to rise by 1.5 percent in 2011 and 2012, and then by 2.0% a year for three years thereafter. The details can be found in Annex D.

24. To illustrate one possibility the table in Annex D shows how that growth might be split between the five Votes of the apportionment. Vote 1 is held back a little relative to the first scenario and rises by an average of 2.7 % a year or 0.7% in real terms. Average annual increases in Votes 3, 4 and 5 would be at the same rate as in the first scenario: 2.6%, 1.0 % and 4.8% respectively. The main pressure is felt by Vote 2 which, over the five years, falls by an average of 0.4% p.a. at current prices, or by 2.4% p.a. in real terms.

25. The projected average annual growth rates in our two scenarios are summarised in the table below. Over the full five year period the second scenario implies that, by the end of the period, savings of 11% would be required in the Vote 2 budget in comparison with the first scenario.

| Illustration of average growth rates for the two scenarios 2011-2015 | | | |
|---|---|---|---|
| Vote | Description | Scenario 1 (Annex C)<br>% p.a. | Scenario 2 (Annex D)<br>% p.a. |
| 1 | Training for Ministry | 3.0 | 2.7 |
| 2 | National Support | 1.9 | (0.4) |
| 3 | Grants | 2.6 | 2.6 |
| 4 | Mission Agencies Clergy Pension Contributions | 1.0 | 1.0 |
| 5 | Clergy retirement housing | 4.8 | 4.8 |
| | **Total (nominal)** | **2.7** | **1.8** |
| | Total (real: net of inflation) | 0.7 | (0.2) |

26. Scenario 2 is the time path which seems to us to reflect best our own views and the views we have heard expressed about the need for economies at the centre, while safeguarding that work which is essential to the effective running of the Church and can most sensibly and economically be done at that level. We consider in the rest of this report how it might be delivered. This is a case where those who will the end must also will the means.

*Vote 1: Training for Ministry*

27. For the first scenario we have assumed that Vote 1 expenditure will reflect current Ministry Division projections of numbers coming forward for training, and current arrangements for financing that training at colleges and on courses. We have also assumed - and have been assured that it should be achievable - that the new funding arrangements with the Higher Education Funding Council for England (HEFCE) will be cash neutral for the Church. Under the second scenario however we have assumed, given the cumulative squeeze on the apportionment compared with present policies, that Vote 1 could not be completely exempt from the need to contribute some savings.

28. From the responses we received to our consultation document it was clear that the need to provide sufficient funds for ordination training is widely appreciated. Some quite radical changes were suggested, however, to reduce the cost to Vote 1. It was argued for example that some ordinands might raise some of the costs of their training themselves. It was also suggested that the training institutions themselves could be reduced in number, or at least be required to share their support functions. We are aware that these are ideas that have been considered in the past and we have not seen it as within our remit to re-examine the case for reforms of these kinds. It is for the Ministry Council to judge whether further work should be done to assess them. Our concern is simply that, by one means or another, the costs of Vote 1 should be constrained.

29. In our second scenario, we have, therefore, built in an assumption that the Vote 1 apportionment would not be allowed to rise, in any year, by more than one percent above the total apportionment increase. Thus, if the apportionment increase is set at say 1.5% in a particular year, the Vote 1 apportionment would not rise by more than 2.5% in that year. No doubt this is quite an arbitrary formula, and of course the question whether Vote 1 could or should, for the first time, be cash limited will need much more discussion. But without some control on Vote 1 it would be necessary to cut even more deeply into other areas of the budget in order to deliver the same overall restraint on the apportionment.

30. We do not see many further opportunities to constrain Votes 3 to 5. So, this would put the burden of adjustment disproportionately onto Vote 2. That has been the pattern of some recent budgets, but it is not one that can be relied on to produce the best outcome in terms of priority setting or the management of Council expenditure as a whole. There will remain some work that has to be done nationally rather than in dioceses, just as there is some work which can only be done at diocesan level rather than in parishes.

31. Forecasts of the costs of training our Church's future ministers are notoriously volatile, largely because of the unpredictability of numbers in training and the lack of any policy instruments to deliver a fixed budget for each year. Even during the short time that this review was being conducted the estimates of the numbers of ordinands entering training in 2009 and 2010 have changed substantially (on this occasion, as it happens, downwards, but recent experience has shown that the volatility does work both ways). Looking further ahead than that almost anything is possible - upwards or downwards.

32. This lack of predictability or control is arguably the most serious problem with Vote 1, rather than the average level of spending or its upward trend. When our consultation paper was discussed at the Finance Forum the proposal that Vote 1 should be planned and controlled was carried by acclamation, not, we suspect, because there was a wish to reduce the number of people being trained for ordination but because there is at present insufficient joining up between recruitment and deployment decisions, as evidenced by the increasing difficulty of finding sufficient stipendiary title posts for those completing their training .

33. We would judge that training for ministry, especially training for stipendiary ministry, would be rated by most church members as a very high priority relative to most of the other expenditure of the Council. There are also persistent complaints that the training institutions are under-funded. On the other hand there is concern that the increase in the average cost of training is due in part to a shift from the courses to the colleges. Whilst there has been support for giving a greater proportion of ordinands some experience of training in a residential setting, there has been no policy decision to shift the balance of training from courses to colleges (or indeed vice versa) and it is not entirely clear that the shift simply reflects the changing training needs of some of the ordinands involved.

34. Our concern is that this very significant block of Council expenditure should be better planned and controlled within the overriding objective of meeting the Church's future deployment requirements. This would be especially important in the sort of environment sketched out in our second scenario, where the expected growth rate of expenditure under Vote 1 is assumed to be cut back. But even in the first scenario, where there is a continuing increase in the total apportionment above the rate of inflation, we see a strong financial case for better planning, simply to reduce the volatility of spending and to make it more predictable.

35. We therefore envisage a situation in which the Council could each year set a financial target for expenditure on ministry training as part of the procedure for setting the annual budget. This tighter financial planning would be in the context of a longer-term projection, which would be part of the Council's financial strategy. Clearly this is not something that the Finance Division or even the Council, could do on its own. It would be a matter for planning in liaison with the Ministry Division, the training institutions and with the House of Bishops, having regard to the financial context. This must now be set in the new context created by changes in relation to HEFCE funding.

36. In the absence of a more sophisticated planning mechanism, it seems to us that a cash limit of some kind is warranted given the need for more control and predictability. But we share the view, now often expressed, that it would be much better if the annual plan reflected the accumulated view of bishops and dioceses developed through a process of planning for their future, affordable requirements. That might eventually remove the need for an arbitrary national cash ceiling, though the new, bottom up, system would need to prove itself first.

37. The well-received seminars that the Ministry Division has organised for dioceses with practitioners in ‘workforce planning’ from the Health Service and other organisations should help to create the capacity for a more intentional process which nevertheless preserves the distinctiveness needed within the Church for what, case by case, will remain a process of spiritual discernment.

*Vote 2: National Church Responsibilities*

38. Expenditure under this Vote covers a great variety of different activities, mostly involving the employment of staff by the Council. Fuller details of the divisions and their costs (in respect of the 2009 budget) are given in Annex F. Each year, as part of the process of budget setting, these costs are reviewed, and in recent years many useful efficiency gains have been secured. Over the period 2002-2009 the Vote 2 budget increased by 9.0% (an average of 1.2% p.a.), whilst RPI increased by 21.6% (2.8% p.a.) and average earnings by 24.7% (3.2% p.a.).

39. The search for further efficiency savings and benchmarking with other organisations will continue, although the conclusions of the Service Review exercise about present efficiency and effectiveness do not suggest that much by way of further cost reductions can be secured without stopping some of the work now being done. Our main concern in this review is rather different. We are looking at the various headings of expenditure with a view to assessing their relative priority.

40. Some activities could be classified as ‘operationally unavoidable’. Many of the common services, such as finance, legal, human resources, and communications, are needed if the Council is to retain anything like its present responsibilities. This is regardless of whether the Council provides the services itself or pays for services managed by the Church Commissioners or the Pensions Board. There has to be a secretariat to service the General Synod, the House of Bishops and the Council itself – not to mention the many other committees required by the present constitution. A similar point could be made about much of the work of the Ministry Division, for example the organisation of selection conferences.

41. These activities may all be required for the conduct of Council business, but the methods of working need to be kept under careful review. The Joint Employment and Common Services Board takes responsibility for the overall efficiency of those activities which are shared by the National Church Institutions. Over recent years some support services have been outsourced (e.g. the recruitment response handling service). Substantial savings have been achieved for the three largest of the NCIs as a result of economies of scale and joint location. It is especially important in the present financial situation that the search for such administrative savings continues.

42. The Council is considering a review of its constitution and committee structure at the same time as this review of financial strategy. If, as seems likely, this results in a substantial reduction in the amount of committee work, we would be disappointed if it did not also result in significant savings of staff time. Our main focus in this report, however, is not on administration, but on the core work of Council staff in such tasks as analysis, advice, co-ordination, guidance and general support for dioceses, parishes and church members.

43. We have formed the impression that the methods of working are not as cost-effective in some areas as they are in others. Sometimes a more flexible, 'lighter touch' approach may be appropriate. We note, for example, the success of some of the recent projects (such as the Weddings Project and the work leading to the publication of Churches and Faith Buildings: Realising the Potential) undertaken by teams assembled for a specific purpose, without the need to create more permanent staff posts. It seems to us that such a method of working might be appropriate to more of the work of Council divisions than at present. This could increase their flexibility in responding to issues as they emerge, as well as being a means of operating more efficiently by saving fixed staff costs.

44. Some such projects could make more use of the expertise of church members as (unpaid) consultants. In some cases more external co-funding could be found. In the second scenario, for which deep cuts in expenditure under Vote 2 are required, we would anticipate that a move to this type of working arrangement would need to be implemented across more of the Council's divisions. But time-limited project working is not a panacea. It requires significant managing and entails maintaining a cadre of experienced staff who understand how things work in the Church. Inevitably then deep cuts would involve stopping work which was valuable but had become unaffordable given limited funds and higher priorities.

45. In relation to those activities which are not 'operationally unavoidable' we have tried to judge both their value to the Church as a whole and the advantage of doing them nationally under the aegis of the Council. There is an important distinction here, in that an area of activity may be of the highest priority from the point of view of the Church as a whole, in the dioceses and the parishes, yet the contribution to that activity that can realistically be made by the Council by its own expenditure may be quite marginal. The priority of each area of Council spending needs, in our view, to be judged by what it can itself achieve.

46. The contribution of the national Church is clearly valued by many of those well placed to judge it. In addition, in our consultations, especially at the Inter-diocesan Finance Forum, the point was forcefully made to us that the dioceses do not relish the prospect of having further work devolved on them. It may cost them more to do that work themselves than it would to pay their share of the cost of a national resource or programme though the apportionment. The point was also made to us in the Council itself that, if work is devolved to dioceses and they are not equipped to carry it out, then the Church may find itself unable to function at all effectively in some areas of national life.

47. Looking five years ahead, it would be surprising if there were no changes in the range of activities financed under Vote 2. New opportunities for church growth and new, inescapable, needs will arise for which space will have to be found within the Council's budget by stopping yet further work of a less high priority. We have not attempted to anticipate what these new activities and needs might be. In our consultation paper we did try, however, to identify some of the Council's activities which, in our judgement, might conceivably decrease, be done differently or even be phased out by 2015. This was not intended as a reflection of the past or present value of these activities, but rather as the Review Group's assessment of their relative priority some years ahead. Our list covered a significant proportion of the Council's expenditure under Vote 2, though, even so, it was not long enough to deliver all the savings that might be needed in the most challenging scenarios.

48. Most of the written responses we received to our consultation paper were written to defend activities that were on that list. Many were eloquent and clearly heart-felt. Some essentially drew attention to the symbolic significance of national expenditure. Others explained in detail how the national work was essential to the mission of the Church as a whole. We are pleased that our exercise should have provoked some serious thought about the best use of the funds available to the national church. It is right that both the users and the producers of services should have a voice in this continuing debate. In these responses we see what could be the beginnings of a national debate about priorities, ultimately a debate about the kind of church we should become.

49. More immediately, however, the constraint on the total of Vote 2 expenditure will require some difficult, and perhaps painful, decisions to be taken over the next few years. We do not see it as part of our task to anticipate precisely what those decisions will be. We do need, however, to emphasise that such a constraint will mean that no area can be regarded as 'sacrosanct' or exempt from critical examination. Moreover, at the end of the consultation, we remain of the opinion that the scenario in which Vote 2 expenditure is reduced quite significantly is both achievable and appropriate to the financial situation of the Church as we see it now.

50. That conclusion would not be credible without some indication of the kind of savings which we think could be achieved over a five-year period. The list below is offered, in the light of the Council's stated objectives and of our consultations and discussions with staff, as an example of the sort of decisions which the Council might well be called to make:

- Fewer resources might be devoted to liturgy in the future now that Common Worship is established as the pattern throughout the dioceses and once the national programme of worship development has run its course.

- It may eventually be possible to devote less time to safeguarding at national level, once the systems and processes flowing from recent legislative changes are well established.

- The staff time in support of the Church of England's ecumenical work might be further reduced.

- The national support of chaplaincy in hospitals and in education might be brought together, with some saving of resources.

- Within the Mission and Public Affairs division the scale of resources devoted to urban and rural affairs, and the study of new religious movements might be reconsidered.

- The use of Council resources is now being reviewed in relation to the new strategy being developed for work with children and young people. Similarly the role of the Council in relation to lay discipleship might be reconsidered.

- The casework of the Cathedrals and Church Buildings division could be streamlined and, in the case of advisory work, stricter criteria adopted for references by dioceses.

- Some of the advisory (as opposed to operational) work of the Ministry division may not need to be a permanent activity.

- It has been suggested to us that economies could be achieved if the mandatory twice-yearly meetings of Synod were shorter. We note that the July meeting is to be reduced in length this year, with some saving to its cost.

- The programmes of many of the divisions are determined in part by the agenda of Synod and the scale of work that it requires. In the present financial situation we hope that the Council and the House of Bishops will take a particularly close look at the costs involved in servicing Synod debates, preparing paper, providing information and following up Synod motions.

51. The exclusion of an activity from this list does not, of course, mean that no economies in that area should be sought. If the Council decided to remove some items from the list then to achieve the equivalent level of saving it will need to identify others to take their place. To stay within the overall financial framework cuts may well, in any event, have to be made even in areas of expenditure we would regard now as 'operationally unavoidable' to the Council's work. This could involve a more fundamental change in the way that the Council works and also a big change in the expectations of Synod, the bishops, the dioceses and the Church generally as to the service that the Council could provide.

*Votes 3, 4 and 5: Grants, Mission Agencies Pension Contributions and CHARM*

52. We have not devoted so much time to these Votes in this review; two of them are small and the future of the third, which is more substantial, is bound up with other changes that are being worked on separately. This is not to deny their importance to the Council's overall responsibilities. It has simply been a matter of setting priorities for our own work within the rather tight timetable set for us. We would highlight, however, a few issues which the Council will need at some time to address.

53. Within Vote 3, the future level of grants to ecumenical institutions has already been discussed by the Council and in consultation with other churches and the ecumenical instruments. In constructing our scenarios we have factored in the lower level of funding now agreed from the beginning of 2010, resulting in a reduction of 8% in Vote 3.

54. The Council is building up a fund to meet the legal costs of defendants in clergy discipline cases. Contributions have been greater in recent years to build up a greater cushion following the enactment of the Clergy Discipline Measure 2005 and following the Church Commissioners' decision to withdraw funding, on a phased basis from 2007, for the 50% of such costs which they previously met. The size of fund needed has yet to be decided in the light of experience.

55. Vote 4, which pays pension contributions for clergy employed by Partnership for World Mission (PWM) mission agencies, is the smallest of the Votes. Although we have made allowance for the interim increase in the pension contribution rate payable from 1 January 2010 and an illustrative provision for an increase following next year's triennial review of the Funded Scheme, it is forecast that expenditure will continue to fall as there will be fewer clergy for whom pension contributions are paid. Under an agreement ratified by General Synod in July 2004, the amount payable by the Council in respect of these pension contributions is the lesser of: (a) Vote 4 budgeted expenditure in 2004 (£722,750) indexed in line with RPI and (b) the actual expenditure incurred.

56. Vote 5, in support of Clergy Housing in Retirement, is becoming an increasingly significant part of the Council's budget and one over which the Council itself has little, if any, control. A review of clergy retirement housing has recently been completed for the Council and we did not feel it necessary for us to look again at the issues that it addressed. But this did affirm the Church's wish to see a retirement housing scheme continue and approximately one third of those surveyed as part of that review indicated that they would be likely to wish to use the scheme on reaching retirement. The costs falling on Vote 5 have been successfully held back by the Pensions Board in recent years, but a faster rate of increase is now predicted.

57. The most important financial issue now outstanding in relation to Vote 5 is the future arrangement for financing the purchase of new housing by the Pensions Board. This has so far depended to a large extent on loans from the Church Commissioners – the interest being partially funded out of Vote 5 as part of the subsidy for clergy in retirement who cannot afford to house themselves unaided. The present state of the housing market and the prospect of a period of very low market interest rates make it especially difficult to foresee what type of new arrangements will be in place by, say, 2015.

58. The Commissioners have indicated that they intend to cease making money available for works to CHARM rented properties currently classed as capital improvements, as well as ceasing to fund new loans, when the current financing agreement expires in July 2010. Further discussions will be needed with the Commissioners about the consequence of these changes. We have not at this stage allowed for them in the projections. However, the projections do allow for the increased subsidy arising from the increase in the maximum purchase limits for the CHARM scheme made in 2007, funded from distributions from the Commissioners' fund until 2010, to come on to the Vote 5 budget from 2011.

*Implementing the Strategy*

59. The purpose of a financial strategy is to guide budget setting. Thus, in a year's time when the Council comes to set its budget for 2011, we recommend that it begins the process by reference to a strategy adopted now. If it was decided to adopt the lower scenario set out in this report, the starting point for debate (the 'default option') would be an increase in the apportionment of 1.5%.

60. That would not be the end of the debate however. It may be that the going rate of inflation (however measured) will be very different from our present assumption of 2%. It may also be that financial conditions have changed dramatically, for better or for worse. We are not suggesting that the Council should tie its hands. We are suggesting that an apportionment increase very different from the percent implied by a strategy commitment would need clear justification.

61. The strategy would then remain in place until a new one was adopted. We are not suggesting that a review similar to this one should be conducted every year. Ideally there would not be need for such a profound rethink for another five years, but circumstances could well arise which made it unavoidable.

62. As we have indicated, the implementation of the strategy would require some change in the way that Vote 1 expenditure is determined. The current lull in the demand for ordination training may not last for long. If a situation like that of 2008 were to arise again the whole process of financial planning could be thrown into disarray. This does add urgency to the plans now being discussed by the Ministry Division to make expenditure more predictable and controllable.

63. So far as Vote 2 is concerned the Council does have effective means of controlling expenditure, as has been evident in successive annual budgets. Nevertheless, further reductions of the kind envisaged here are not necessarily going to be achievable over the next five years by prudent management and by opportunistic changes and natural wastage alone. It needs to be recognised therefore that the possibility of temporary recruitment freezes and redundancies, undesirable though they are, cannot at this stage be ruled out.

64. It has been customary in the annual budget rounds for the Council to assume that the continuation of existing programmes needs no special justification. This has typically been the base line against which proposals to increase or reduce expenditure have been judged. To implement a financial strategy of the kind described in this report it would be necessary to question most expenditure plans and assess them as if they were new proposals against an alternative of no expenditure in the long term under that heading at all.

65. Many of the responses we have received in the course of this review referred in some detail to the work of particular departments. The ideas and opinions expressed in those responses will remain ‘on the record’ to inform and influence decisions over the coming years as the financial strategy is implemented.

66. Some of the decisions which the Council will need to take over the next five years will require especially careful analysis and wide consultation. It will be important that the Council’s Senior Management Group has the chance to shape the proposals that come forward for decision at member level. A proliferation of special reviews should be avoided, though there may be occasions, outside the normal budget cycle, when particular areas of work or even the programme of a whole division will require special scrutiny and when the Council will need to agree that its direction of work should change and new strategic aims be adopted. The financial implications of such decisions, although obviously not the only considerations, will need to be given their due weight.

67. In presenting a report of this kind we are acutely aware of the risk of fuelling the notion that the proper response to the present financial pressures is retrenchment and cutting back activity. That is not our intention. The vision remains for the Church to grow. That will mean remaining alert, within the Council's financial strategy, for grasping new opportunities that the Church can only take at the national level. Nevertheless, it is our conviction that the proposals in this report are necessary in the present context to ensure that as much resource as possible is available to the dioceses and to the parishes because that is where the growing points of the Church are most likely to be found.

Andrew Britton
Chair, Financial Strategy Review Group

Church House
London SW1
June 2009

Annex A

Members of the Finance Strategy Review Group

| | |
|---|---|
| Andrew Britton | Chair, Archbishops' Council Finance Committee (Chair) |
| Rt Revd David Urquhart | Bishop of Birmingham |
| Ven Richard Atkinson | Archdeacon of Leicester |
| Mrs Katherine McPherson | Archbishops' Council member |
| Canon Sandra Newton | Chair, Sheffield Diocesan Board of Finance |

Staff support:

| | |
|---|---|
| William Fittall | Secretary General |
| Simon Florence | Senior Budget Manager |
| Chris Griffiths | Strategy and Development Unit |
| Rachel Lindley | Financial Planner |
| David White | Head of Financial Policy and Planning |

Annex B

**Respondents to the Review Document**

Craig Abbott

Anglia Ruskin University – Chaplaincy Council

Anglican Adult Education Network

Dr John Appleby

Miss Anna Aprea

The Rev'd Ian Arch

The Rev'd Robert Barlow

The Rev'd Robert Beaken

The Rev'd William B Beer

The Bible Reading Fellowship

The Rev'd Canon David Bird

The Rev'd Sue Brooks

The Rev'd Dr Malcolm Brown

Prof. Richard Burridge

The Rev'd Canon Derek Carpenter

Central Safeguarding Liaison Group

The Rev'd Nigel Chapman

The Archdeacon of Chichester

Children Matter!

The Children's Society

The Church Army

Churches Higher Education Liaison Group

The Church of England Board of Education

Ian Clark

The Rev'd Mark Cobb

Consultative Group on Ministry Amongst Children

Mr Nigel Cooper

The Council of Church Universities and Colleges

Mrs A P Coulton

The Archdeacon of Croydon

The Rev'd Judith Daley

Dare2engage Core Group

Mr Christopher Daws

The Rev'd Richard Deimel

Fr Iain M Delinger

Diocesan Directors of Education Association

Diocesan Youth and Children's Officers Network

The Rev'd Cate Edmonds

Canon Tim Elbourne

The Bishop of Exeter

Mr Shaun Farrell

FE and Sixth-Form Initiative (FESTIVE)

Filton College, Bristol

The Rt Hon Frank Field, MP

Mr John Freeman

Jackie Freestone

Dr Philip Giddings

Joy Gilliver

The Rev'd John Gooding

Janet Gough (on behalf of Cathedrals & Church Buildings Division staff)

The Bishop of Hereford

English Heritage

Rachel Harden

Angela Heywood

The Bishop of Hull

The Rev'd Nancy Johnson

The Rev'd Janice Jones

The Rev'd Martin Kerry

Debra Legge

Dr Tim Ling

The Rev'd Dennis Lloyd

The Rev'd Keith Lowe

The Ven. Christopher Lowson

Colin McArthur

Sarah McConnaughie

The Rev'd Philip Maddock

Alan Millward

Ben Mizen

National Amenity Societies' Joint Committee

The National Council of Faiths and Beliefs in Further Education

The Rev'd Mark Newitt

Rona Orme

The Rev'd Derek Ormston

Oxford and Cherwell Valley College

Canon Chris Peck

Ed Poole

Andrew Presland

Gordon Randall

Prof. Muriel Robinson

The Rev'd Gareth Rowlands

Rural Bishops' Panel

Rural Strategy Group

Mr Mark Russell

Nic Sheppard

The Society for the Protection of Ancient Buildings

The Bishop of Southampton

Rebecca Swinson

Jeremy Taylor

The Rev'd Chris Terry

The Bishop of Tonbridge

Mr Michael Topliss

Mr Shane Waddle

Linda Wainscot

The Bishop of Wakefield

Tony Washington

The Rev'd Paul Waters

West Midlands Churches' Further Education Council

Margaret Withers

Prof. Michael Worton

Kim Wright

# Case 1: Apportionment = Net Expenditure

| ARCHBISHOPS' COUNCIL<br>Financial Projects 2010-2015 | | Budget 2009 £ | (Apr 09) Forecast 2009 £ | Draft Budget 2010 £ | Projection 2011 £ | Projection 2012 £ | Projection 2013 £ | Projection 2014 £ | Projection 2015 £ |
|---|---|---|---|---|---|---|---|---|---|
| **VOTE 1**<br>**Training for Ministry** | | | | | | | | | |
| **Total Vote 1 Expenditure net of Income** | | **12,553,600** | **11,599,900** | **11,803,600** | **12,090,804** | **12,393,000** | **12,724,337** | **13,196,933** | **13,697,160** |
| Less Diocesan Contributions | **Vote 1** | -12,033,600 | -12,033,600 | -11,803,600 | -12,090,804 | -12,393,000 | -12,724,337 | -13,196,933 | -13,697,160 |
| Movement (to) / from Reserves **OR** SAVINGS REQUIRED | | 520,000 | -433,700 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Apportionment increase / (decrease)* | | *13.0%* | *13.0%* | *-1.9%* | *2.4%* | *2.5%* | *2.7%* | *3.7%* | *3.8%* |
| **VOTE 2**<br>**National Church Responsibilities** | | | | | | | | | |
| **Total Vote 2 Expenditure net of Income** | | **10,021,784** | **10,045,966** | **10,300,258** | **10,450,855** | **10,783,342** | **10,977,250** | **11,130,352** | **11,318,577** |
| Less Diocesan Contributions | **Vote 2** | -10,147,954 | -10,147,954 | -10,300,258 | -10,450,855 | -10,783,342 | -10,977,250 | -11,130,352 | -11,318,577 |
| Movement (to) / from Reserves **OR** SAVINGS REQUIRED | | -126,170 | -101,988 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Apportionment increase / (decrease)* | | *0.9%* | *0.9%* | *1.5%* | *1.5%* | *3.2%* | *1.8%* | *1.4%* | *1.7%* |
| **VOTE 3**<br>**Grants** | | | | | | | | | |
| **Total Vote 3 Expenditure** | | **1,668,200** | **1,668,200** | **1,535,450** | **1,592,808** | **1,644,224** | **1,687,299** | **1,720,148** | **1,740,589** |
| Diocesan Contributions | **Vote 3** | -1,668,200 | -1,668,200 | -1,535,450 | -1,592,808 | -1,644,224 | -1,687,299 | -1,720,148 | -1,740,589 |
| Movement (to) / from Reserves | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Apportionment increase / (decrease)* | | *4.5%* | *4.5%* | *-8.0%* | *3.7%* | *3.2%* | *2.6%* | *1.9%* | *1.2%* |
| **VOTE 4**<br>**Mission Agency / Clergy Pensions** | | | | | | | | | |
| **Total Vote 4 Expenditure** | | **800,000** | **780,000** | **830,625** | **847,238** | **864,182** | **872,783** | **871,998** | **871,213** |
| Diocesan Contributions | **Vote 4** | -800,000 | -800,000 | -830,625 | -847,238 | -864,182 | -872,783 | -871,998 | -871,213 |
| Movement (to) / from Reserves | | 0 | -20,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Apportionment increase / (decrease)* | | *1.1%* | *1.1%* | *3.8%* | *2.0%* | *2.0%* | *1.0%* | *-0.1%* | *-0.1%* |
| **VOTE 5**<br>**Retired Housing (CHARM)** | | | | | | | | | |
| **Total Vote 5 Expenditure** | | **3,099,000** | **3,076,305** | **3,252,900** | **3,403,000** | **3,571,000** | **3,746,000** | **3,930,000** | **4,122,000** |
| Diocesan Contributions | **Vote 5** | -2,949,000 | -2,949,000 | -3,252,900 | -3,403,000 | -3,571,000 | -3,746,000 | -3,930,000 | -4,122,000 |
| Movement (to) / from Reserves | | 150,000 | 127,305 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Apportionment increase / (decrease)* | | *4.8%* | *4.8%* | *10.3%* | *4.6%* | *4.9%* | *4.9%* | *4.9%* | *4.9%* |
| Total Expenditure (net of Income) | | 28,142,584 | 27,170,372 | 27,722,833 | 28,384,704 | 29,255,748 | 30,007,669 | 30,849,430 | 31,749,540 |
| Total Movements (to) / from Reserves **OR** SAVINGS REQUIRED | | 543,830 | -428,382 | 0 | 0 | 0 | 0 | 0 | 0 |
| **OVERALL APPORTIONMENT TO DIOCESES** | | **27,598,754** | **27,598,754** | **27,722,833** | **28,384,704** | **29,255,748** | **30,007,669** | **30,849,430** | **31,749,540** |
| ***Overall Apportionment increase / (decrease)*** | | ***6.5%*** | ***6.5%*** | ***0.4%*** | ***2.4%*** | ***3.1%*** | ***2.6%*** | ***2.8%*** | ***2.9%*** |

| | |
|---|---|
| Average apportionment increase 2011-2015 | **2.7%** |
| Average apportionment increase 2010-2015 | **2.4%** |

# Case 2: Apportionment @ 1.5% p.a. 2011 & 2012 then 2.0% p.a. 2013-2015

| ARCHBISHOPS' COUNCIL Financial Projects 2010-2015 | | Budget 2009 £ | (Apr 09) Forecast 2009 £ | Draft Budget 2010 £ | Projection 2011 £ | Projection 2012 £ | Projection 2013 £ | Projection 2014 £ | Projection 2015 £ |
|---|---|---|---|---|---|---|---|---|---|
| **VOTE 1 Training for Ministry** | | | | | | | | | |
| **Total Vote 1 Expenditure net of Income** | | **12,553,600** | **11,599,900** | **11,803,600** | **12,090,804** | **12,393,000** | **12,724,337** | **13,196,933** | **13,697,160** |
| Less Diocesan Contributions | **Vote 1** | -12,033,600 | -12,033,600 | -11,803,600 | -12,090,804 | -12,393,000 | -12,724,337 | -13,106,068 | -13,499,250 |
| Movement (to) / from Reserves **OR** SAVINGS REQUIRED | | 520,000 | -433,700 | 0 | 0 | 0 | 0 | 90,865 | 197,911 |
| *Apportionment increase / (decrease)* | | *13.0%* | *13.0%* | *-1.9%* | *2.4%* | *2.5%* | *2.7%* | *3.0%* | *3.0%* |
| **VOTE 2 National Church Responsibilities** | | | | | | | | | |
| **Total Vote 2 Expenditure net of Income** | | **10,021,784** | **10,045,966** | **10,300,258** | **10,450,855** | **10,783,342** | **10,977,250** | **11,130,352** | **11,318,577** |
| Less Diocesan Contributions | **Vote 2** | -10,147,954 | -10,147,954 | -10,300,258 | -10,204,826 | -10,088,349 | -10,101,552 | -10,086,397 | -10,075,850 |
| Movement (to) / from Reserves **OR** SAVINGS REQUIRED | | -126,170 | -101,988 | 0 | 246,028 | 694,993 | 875,698 | 1,043,955 | 1,242,727 |
| *Apportionment increase / (decrease)* | | *0.9%* | *0.9%* | *1.5%* | *-0.9%* | *-1.1%* | *0.1%* | *-0.2%* | *-0.1%* |
| **VOTE 3 Grants** | | | | | | | | | |
| **Total Vote 3 Expenditure** | | **1,668,200** | **1,668,200** | **1,535,450** | **1,592,808** | **1,644,224** | **1,687,299** | **1,720,148** | **1,740,589** |
| Diocesan Contributions | **Vote 3** | -1,668,200 | -1,668,200 | -1,535,450 | -1,592,808 | -1,644,224 | -1,687,299 | -1,720,148 | -1,740,589 |
| Movement (to) / from Reserves | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Apportionment increase / (decrease)* | | *4.5%* | *4.5%* | *-8.0%* | *3.7%* | *3.2%* | *2.6%* | *1.9%* | *1.2%* |
| **VOTE 4 Mission Agency / Clergy Pensions** | | | | | | | | | |
| **Total Vote 4 Expenditure** | | **800,000** | **780,000** | **830,625** | **847,238** | **864,182** | **872,783** | **871,998** | **871,213** |
| Diocesan Contributions | **Vote 4** | -800,000 | -800,000 | -830,625 | -847,238 | -864,182 | -872,783 | -871,998 | -871,213 |
| Movement (to) / from Reserves | | 0 | -20,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Apportionment increase / (decrease)* | | *1.1%* | *1.1%* | *3.8%* | *2.0%* | *2.0%* | *1.0%* | *-0.1%* | *-0.1%* |
| **VOTE 5 Retired Housing (CHARM)** | | | | | | | | | |
| **Total Vote 5 Expenditure** | | **3,099,000** | **3,076,305** | **3,252,900** | **3,403,000** | **3,571,000** | **3,746,000** | **3,930,000** | **4,122,000** |
| Diocesan Contributions | **Vote 5** | -2,949,000 | -2,949,000 | -3,252,900 | -3,403,000 | -3,571,000 | -3,746,000 | -3,930,000 | -4,122,000 |
| Movement (to) / from Reserves | | 150,000 | 127,305 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Apportionment increase / (decrease)* | | *4.8%* | *4.8%* | *10.3%* | *4.6%* | *4.9%* | *4.9%* | *4.9%* | *4.9%* |
| Total Expenditure (net of Income) | | 28,142,584 | 27,170,372 | 27,722,833 | 28,384,704 | 29,255,748 | 30,007,669 | 30,849,430 | 31,749,540 |
| Total Movements (to) / from Reserves **OR** SAVINGS REQUIRED | | 543,830 | -428,382 | 0 | 246,028 | 694,993 | 875,698 | 1,134,820 | 1,440,638 |
| **OVERALL APPORTIONMENT TO DIOCESES** | | **27,598,754** | **27,598,754** | **27,722,833** | **28,138,676** | **28,560,756** | **29,131,971** | **29,714,610** | **30,308,903** |
| ***Overall Apportionment increase / (decrease)*** | | **6.5%** | **6.5%** | **0.4%** | **1.5%** | **1.5%** | **2.0%** | **2.0%** | **2.0%** |

| | |
|---|---|
| Average apportionment increase 2011-2015 | **1.8%** |
| Average apportionment increase 2010-2015 | **1.6%** |

## List of main assumptions

The key assumptions used within the three scenarios are outlined in the table below:

| | Projections | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| **Vote 1 - main assumptions** | | | | | | |
| Numbers in training (FTEs) | | | | | | |
| Colleges | 540 | 540 | 540 | 546 | 566 | 579 |
| Courses (incl pre-theological education) | 730 | 734 | 741 | 741 | 741 | 741 |
| Training cost inflation | | | | | | |
| Colleges | 4.0% | 2.8% | 2.8% | 2.8% | 2.8% | 2.8% |
| Courses | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| **Vote 2 - main assumptions** | | | | | | |
| RPI inflation | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Annual staff pay award | 2.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Change to DB pension scheme cont'n rate | 25.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Annual CH rent increase | 5.0% | 5.0% | 5.0% | 5.0% | 2.0% | 2.0% |
| Annual CH service charge increase | -5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| **Vote 3 - main assumptions (for change in grant levels)** | | | | | | |
| Inter-Anglican budget | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| UK Ecumenical instruments | -36.6% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| WCC/CEC/CUF | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Legal Aid Fund | 0.0% | 10.0% | 7.5% | 5.0% | 2.5% | 0.0% |
| **Vote 4 - main assumptions** | | | | | | |
| Change to membership numbers | -3.0% | -3.0% | -3.0% | -3.0% | -3.0% | -3.0% |
| Change in clergy stipends | 2.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Change to Clergy Pension contribution rate | 13.4% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Vote 5 - main assumptions** | | | | | | |
| Annual rental increases (RPI +1%) | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Change to total interest payable | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Change in repairs & admin charge | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |

| Analysis of Vote 2 expenditure | No of Staff (FTE) | 2009 budget Net Cost to AC * £'000 |
|---|---|---|
| **AC 'core' divisions** | | |
| Central Secretariat | 24.6 | 1,818 |
| Ministry Division (including Crockford) | 25.5 | 1,492 |
| Education | 13.4 | 671 |
| Mission & Public Affairs | 19.5 | 1,286 |
| Cathedral & Church Buildings (including Statutory Advisory Council) | 14 | 809 |
| Church House Publishing | 10.6 | 33 |
| **Total 'core' divisions** | **107.6** | **6,110** |
| **AC share of Common Services** | | |
| Communications | 7.3 | 454 |
| Human Resources | 3.3 | 276 |
| Legal | 7.6 | 646 |
| Finance & Resources | 14.6 | 843 |
| IT & Office Services | 8.1 | 552 |
| Records | 2.5 | 95 |
| Internal Audit | 1.1 | 74 |
| **Total share of Common Services** | **44.5** | **2,940** |
| **Other Vote 2 costs** | | |
| Accommodation | | 1,338 |
| Depreciation | | 207 |
| Contingency | | 50 |
| **Total 'other' Vote 2** | | **1,595** |
| **Total expenditure excl 'General income'** | **152.1** | **10,644** |
| General Income | | -496 |
| **Total Apportionment** | | **10,148** |

* The net cost includes all divisional costs net of divisional income. The proportion of the total staff cost met by the AC budget varies greatly from department to department: the common service departments are part funded by the other NCIs, Education Division by the National Society and CHP by trading income received. In addition, some departments receive external funding for a number of posts.