

GENERAL SYNOD

Background note on Archbishops' Council finances

Introduction

1. When considering the Archbishops' Council's annual report and financial statements and supplementary information, the Council's Audit Committee suggested that Synod members might find it helpful to have a background note on the Council's finances.
2. The Council's income comes from four main sources which are discussed in more detail in this paper:
 - (i) The diocesan apportionment which provides funding towards the costs of Votes 1-5 (see GS2309);
 - (ii) The Church Commissioners which provides grant funding for the Council to use to make grants to dioceses and other partners, and contributes to the Council's own costs;
 - (iii) Grants from other bodies which can be other charities such as the Corporation of the Church House and Benefact for specific purposes;
 - (iv) Investment income from reserves – mainly restricted and endowment funds - held by the Council.

(i) Diocesan apportionment

3. The diocesan apportionment provides all or part of the funding for the five Votes considered by the General Synod each year. The five Votes are:
 - (1) **Training for Ministry.** This reflects the costs of pre-ordination training for clergy (dioceses pay family maintenance grants direct). The majority of Vote 1 expenditure is funded by diocesan apportionment. Since 2000 it has been supplemented by an 'additional ordinand funding' grant from the Church Commissioners. This was agreed to support the cost of increasing numbers of ordinands and varies depending on the number of ordinands. The current agreement is that the diocesan apportionment for Vote 1 will vary in line with the overall apportionment.
 - (2) The Council's **Operating Budget.** This incorporates statutory and necessary activities which are most effectively and efficiently carried out at national level. It includes the Council's core departments such as Ministry & Development, Faith & Public Life, Vision & Strategy, Central Secretariat etc. as well as the Council's share of the central services teams and the cost of occupying Church House. Dioceses currently fund approximately 26% of the Archbishops' Council's operating budget with the Commissioners' grant covering 56% of budgeted expenditure. Various other income sources fund Vote 2 activities, such as third party grants, Church House Publishing trading income, and accommodation income from other National Church Institutions (NCIs).
 - (3) **Grants.** This represents small grants to a variety of organisations including notably the Anglican Communion Office and the Church Urban Fund. These grants are discretionary. This element of the budget is funded solely by the diocesan apportionment and a specific restricted reserve.
 - (4) **Mission Agency Pension Contributions.** This represents pension contributions for qualifying clergy working for Anglican mission agencies as

specified in legislation agreed in 1997. Legal liability for these contributions rests with the Church Commissioners, and it is only by agreement to increase mutual support between dioceses that dioceses fund these costs. This element of the budget is funded solely by the diocesan apportionment and a specific restricted reserve.

- (5) Church's Housing Assistance for the Retired Ministry (**CHARM**). This is a grant given to the Church of England Pensions Board to support their provision of housing for retired clergy. This element of the budget is funded solely by the diocesan apportionment and a specific restricted reserve.
4. The 2024 budget has been prepared on the basis that 55% of budgeted expenditure under the five Votes will be funded from the diocesan apportionment, 37% from Church Commissioners' funding, 3% from reserves with the remaining 6% coming from other sources including external grants and accommodation income from other NCIs. The proportion of the five Votes funded by the apportionment has declined markedly over recent years. In 2019 it was 76%.

(ii) Grant funding from the Church Commissioners

5. As can be seen from note 2 of the Council's 2022 annual report and financial statements (GS2308), in 2022 grant income from the Church Commissioners totalled £124.4m (before the discounting adjustment required to reflect the time value of money for multi year grants).
6. £12.4m of this sum was to provide support for Votes 1-5 and the remainder was for grants: mainly to dioceses but with some grants to other partners for work to support, research and learn how the local Church can overcome key missional challenges, in order to make the Church's Vision and Strategy a reality on the ground. These grants are set out – along with grants funded from other sources in note 6. A more detailed account of grants awarded by recipient can be found on the Archbishops' Council's section of the Church of England website [Archbishops' Council | The Church of England](#).
7. For multi year grants such as Strategic Development Funding, for new growth opportunities and to support major change projects aligning with dioceses' strategic plans, and Strategic Ministry Funding, to support the costs of additional stipendiary curates, security of funding is provided by a Statement of Funding Principles between the Council and the Church Commissioners¹. The Statement of Funding Principles provides assurance that the Commissioners will provide the necessary funds for the Council to honour the grant funding agreements for multi-year grants approved by the Council, or one of its sub committees under delegated authority. In turn it provides security to recipient dioceses that multi-year grant funding is secure. This was first agreed in 2016 and most recently revised in 2022 to take account of the new funding streams for the 2023-25 triennium to provide the Council with the necessary assurance of funding for all multi-year grants.

¹ This was first agreed in 2016 and most recently revised in 2022 to take account of the new funding streams for the 2023-25 triennium. It is now standard practice to review the document at least every three years, in advance of each new triennium.

8. As reported to the Synod last July (see GS 2262) the Council and the Church Commissioners have agreed spending plans for funds to be made available from the endowment managed by the Commissioners in the 2023-25 triennium and indicative plans for the following two triennia 2026-31.
9. As noted in GS2262, alongside core funding for statutory responsibilities of the Church Commissioners including bishops' ministry, certain cathedral costs and ongoing provision for Cathedral Sustainability Funding, these plans included:
 - investment of up to £1.3 billion (over nine years) for strategic national investment to enable the bold outcomes and strategic priorities of the Vision & Strategy to be realised in local communities through investing in local ministry as part of diocesan strategies.
 - a one-off commitment of £190 million (over nine years) to support the Church in the transition towards Net Zero 2030
 - £11 million in support of Buildings for Mission to help parishes with the burden of buildings management.
 - an allocation of up to £20 million of focussed interventions in relation to Racial Justice to support the Church to make a step change, along with provision for other social justice and diversity priorities
 - funds to enable the expansion of the Social Impact Investment programme.
 - a contribution towards the cost of National Church functions, including significant ongoing expenditure on Safeguarding, helping to minimise increases in diocesan apportionment in the near term.
10. These spending plans were agreed following the Commissioners' consideration of the full triennial actuarial review of the fund as at the end of 2021. The Council was encouraged and reassured to learn that the Commissioners' overall conclusion following the annual update of the actuarial review of the fund as at the end of 2022 was that the package of distributions proposed for the 2023-25 triennium are deemed affordable on the basis of the best estimate assumptions used by the Commissioners' independent actuaries.

(iii) Grants from organisations outside the NCIs

11. The Council receives grants, invariably to support specific work, from various organisations external to the NCIs. Often such funds come from charities but some government funding is also received: for example in 2020/21 the Council successfully applied for over £14m of Heritage Stimulus Funding (part of the Government's Covid support measures) which was granted to cathedrals and major churches for capital repairs.
12. Current and recent grants from charities to support the Council's work include:
 - Grants from the Corporation of the Church House which were used in 2020-2 towards the costs of safeguarding work and are being used in 2023 to support work in the areas of Racial Justice and the A Church Near You website.
 - Funding from the Clewer Sisters to support the Faith & Public Life team's work on Modern Day Slavery which equips parishes and dioceses to identify and support vulnerable people caught up in exploitative situations.

- Grants from the Pilgrim Trust which are then granted to parishes in line with one of the Trust's aims to of preservation and conservation of historic buildings and architectural features.
- Grants from the Radcliffe Trust which are then granted to parishes in line with one of the Trust's aims to support the development of the skills, knowledge and experience that underpin the UK's cultural heritage and crafts sectors.
- Grants from Benefact Trust (formerly Allchurches Trust) in 2020 and 2023 for the Leading in Evangelism Project overseen by the Council's Vision and Strategy team.

(iv) Investment income

13. At the end of 2022 the Council's net assets were valued at £50.3m. The main elements of this were investments (£32.5m), cash and cash equivalents (£9.7m) and programme related investments² (£5.5m). The assets are analysed by fund is note 15 of GS 2308. In summary³ the funds comprised:

- £2.4m in unrestricted funds which can be used for any of the Council's charitable purposes. These are sometimes described as the Vote 2 or operating budget reserves
- £7.1m in designated funds by the Council which includes £3.2m in property programme related investments
- (£0.6m) for the staff pension deficit reserve which it is planned to eliminate over the next couple of years through deficit recovery contributions
- £9.8m in restricted funds which includes £3.8m in specific reserves for Votes 1, 3, 4 and 5 which can only be used to meet expenditure covered by the relevant Vote
- £31.7m in endowment funds the largest of which were the Church and Community Fund (£17.7m) and the Church of England Special Purposes Fund (£1.8m).

14. The majority of the endowment funds and some of the other funds are held in investments. Most of the investments are held in two pooled funds with ethical investment policies managed by CCLA and Sarasin. Income is received from these investments although the majority of these investments are held in accumulation units where the income is reinvested. The Council also receives interest on its cash balances. Income from each of the endowment and restricted funds can only be used for the purposes of the relevant fund.

William Nye, Secretary General

June 2023

**Published by the General Synod of the Church of England
© The Archbishops' Council 2023**

² Comprising the freehold interest of properties leased for educational purposes to charities which are obliged to maintain an Anglican ethos (£3.2m) and the Council's social impact investments (£2.3m).

³ There is a rounding difference in the summary.