
Charity Registration No. 1155158

Company Registration No. 8776679 (England and Wales)

CHURCH OF ENGLAND CENTRAL SERVICES
ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

(A COMPANY LIMITED BY GUARANTEE)

Trustees

John Spence (Chairman)

Andreas Whittam (resigned 28 June 2017)

Loretta Minghella (appointed 24 January 2018)

Jonathan Spencer

Charity Number

1155158

Company Number

8776679

Principal Address & Registered Office

Church House

Great Smith Street

London

SW1P 3AZ

Auditors

BDO

2 City Place

Beehive Ring Road

Gatwick

West Sussex

RH6 0PA

Bankers

National Westminster Bank

City of London Office

1 Princes Street

London

EC2R 8PA

Lloyds Bank

1 Legg Street

Essex

CM1 1JS

Church of England Central Services

Structure, Governance and Management

The Charity

Church of England Central Services (ChECS) is a company limited by guarantee, incorporated on 15 November 2013 and registered with the Charity Commission on 31 December 2013. The Charity's governing document is its Memorandum and Articles of Association.

The Charity is a jointly controlled entity between the Archbishops' Council (AC), the Church Commissioners for England (CC), and the Church of England Pensions Board (PB) for which the three partners hold equal shares. It is one of eight National Church Institutions (NCIs) and started operating shared services on behalf of the NCIs on 1 April 2014. Prior to this, services were provided collectively within the AC, CC and PB.

Governance and structure

The three partners in the jointly controlled entity have each appointed one trustee. The trustees are also the company directors:

- AC: John Spence (Chair of AC's Finance Committee)
- CC: Loretta Minghella (First Church Estates Commissioner)
- PB: Jonathan Spencer (Chair of the PB)

The trustees meet together regularly with the chief executives in a joint NCI forum called the Joint Employment and Common Services Board (JECSB), on the same day the directors also meet to consider the business of ChECS.

In the event of the Charity being wound up, the liability in respect of the guarantee is limited to a sum not exceeding £10 per member of the Charity.

Recruitment and Appointment of Trustees

The trustees all hold positions in the other NCIs. Their appointment and training is dependent on the processes in the member NCI. Each NCI has the power to appoint one Trustee to the Board.

Church of England Central Services Trading Ltd

The Charity has a wholly owned trading subsidiary company, Church of England Central Services Trading Ltd (ChECS Trading), which carries out activities that are deemed, for tax purposes, to be trading activities. The company was incorporated on 14 March 2014 and donates all of its taxable profits to the NCIs.

Staff Remuneration and Executive Pay

All the staff working for Church of England Central Services are covered by a unified pay policy that operates across all the National Church Institutions. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value which is based on a comprehensive job evaluation scheme, with staff being placed in one of eight 'bands'. For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market related salaries and is subject to annual review. The NCIs use a range of appropriate external data tools and internal dedicated resource to advise on market rates. Staff pay is reviewed annually and any increases as a result of the annual pay negotiations are awarded with effect from 1 January each year. No staff member employed by ChECS earns less than the London Living Wage.

FRS102 requires disclosure of key management personnel compensation. The "key management personnel" for ChECS are the three chief executives for the other NCIs (as well as the three ChECS directors, who are appointed by the other NCIs), therefore none are paid by ChECS.

Church of England Central Services

Structure, Governance and Management

Staff Remuneration and Executive Pay (continued)

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

Pensions

All staff members are eligible to join the Church Administrators Pension Fund - those whose employment commenced before July 2006 accrue pension on a defined benefit basis, and those employed subsequently are part of the defined contribution section with employer contribution rates ranging from 8% to 18% depending on the age of the employee and any personal contribution that they make.

Church of England Central Services

Strategic Report

The Directors present their Strategic Report and Directors' Report and the Financial Statements of the Company, together with the Auditors' Report, for the period ended 31 December 2017.

ACTIVITIES AND BUSINESS REVIEW

Activity

The Charity's objects are to enhance the efficiency and effectiveness of the National Church Institutions (NCIs), dioceses and other charities with a Church ethos by providing cost-effective shared financial, legal and other support services including payroll and also to promote the charitable purposes of the NCIs.

These activities provide public benefit by reducing the support costs of the NCIs, dioceses and other charities with a Church ethos which allows them to better provide their public benefit. In preparing this report, the trustees have had regard to the Charity Commission guidance on public benefit.

The day to day management of the Charity's departments has been delegated to the three chief executives of the NCIs.

Management is shared across the NCIs as follows:

Archbishops' Council (AC) managed

- Communications
- Legal

Church Commissioners (CC) managed

- IT
- Office Services
- Records Management
- Finance and Resources
- Human Resources*
- Internal Audit and Risk Management**

The NCIs are managed respectively by:

- William Nye (AC - Secretary General)
- Andrew Brown (CC - Secretary and Chief Executive)
- Jonathan Spencer (Chair of the PB)***

*Following the appointment of a new Chief Finance and Operations Officer, the management of Human Resources has moved from Archbishops' Council to the Church Commissioners.

**Internal Audit and Risk Management is temporarily being managed by the Church Commissioners, pending the appointment of the Chief Executive of the Pensions Board.

***Jonathan Spencer, as Chair of the Pensions Board is currently overseeing its management pending the appointment of a new Chief Executive.

The costs of operating these functions are recovered from those receiving the services according to their proportionate usage of the shared services.

Business Review

The Charity started operating on 1 April 2014, when it took over management of the above shared service departments from the AC, CC and PB.

Church of England Central Services

Strategic Report

In March 2014 the Charity's subsidiary (Church of England Central Services Trading Ltd) was incorporated and began trading in April 2014. ChECS Trading undertakes procurement and recruitment activities on behalf of the Church of England.

In 2017 ChECS continued to provide shared support to the NCIs and, via ChECS Trading, to the wider church through the Parish Buying service. 2017 was the seventh year in which the Parish Buying service operated and at the end of 2017 it had grown to a level of 13,091 registered users. The scheme gives access to a range of contracts (covering energy, office and cleaning products, IT software, telecoms, safety equipment, furniture and more) to a growing number of parishes, cathedrals and dioceses.

In addition, during the year ChECS Trading started operating a recruitment service designed to provide cost-effective recruitment support to both the National Church Institutions (NCIs) and the wider church. At the end of the financial year, the Pathways Service had twenty subscribing organisations since its launch in August 2017.

FINANCIAL PERFORMANCE

The Charity's results are set out in the Consolidated Statement of Financial Activities (page 13), the Balance Sheet (page 14) and the Consolidated Cash Flow Statement (page 15).

Funds

As all the Charity's resources are spent in pursuit of its primary charitable objects, ChECS' resources are categorised under Unrestricted Funds, with the exception of grant funding relating to the Pathways Service.

Reserves

ChECS does not hold reserves as all of its expenditure is recoverable from those receiving its services in the period in which the service was provided. As such, there is no need for reserves to be held.

Measures of Performance

As a provider of shared services to the NCIs and wider church, the main performance indicators for ChECS are an increased use of our shared services plus the ability of the charity to recoup its costs. Both objectives were satisfactorily met during 2017.

Funding Sources

The majority of ChECS' income comes from the three main NCIs in the form of recharged expenditure. A small proportion of its income comes from other bodies which receive services (such as communications training) from the charity. See Note 10 for further information.

The trustees have reasonable expectation that ChECS has adequate resources and cash flows to meet spending commitments for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

Plans for Future Periods

The aims of the Charity going forward are to continue to provide, and to expand, cost-effective shared services to the National Church Institutions and the wider Church. Future objectives for ChECS include:-

- Continuing to expand the use of digital technology to optimise internal and external communication to new and existing audiences.

Church of England Central Services

Strategic Report

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- Continuing to expand the use of the centrally managed Pathways service that has been rolled out across some dioceses and NCIs (through ChECS Trading).
 - Continuing to improve the use and content of financial health indicators for dioceses and other key church bodies.
 - Further expansion of the Parish Buying programme to assist parishes and other Church organisations in more cost effective procurement of services including utilities, consumables and insurance.

ChECS Trading

ChECS Trading performed strongly in 2017, with increased take-up of procurement services and recruitment services (via the new Pathways service), meaning the company was able to gift aid its profits of £17,409 to the NCIs.

ChECS Trading's objective remains to provide (and grow the use of) procurement and recruitment activities on behalf of the Church of England.

Church of England Central Services

Strategic Report

PRINCIPAL RISKS AND UNCERTAINTIES

The ChECS risk management process assists management by facilitating the identification and assessment of significant risks to the achievement of objectives. The process follows the NCIs' risk management policies, which outlines the roles and responsibilities of Directors, Trustees, management and staff.

The ChECS Board reviews the risk register and risk management arrangements at least annually. The Board is supported by the NCIs' Audit & Risk Committees, which regularly review the risk registers and seek assurance over the adequacy of arrangements in place to manage the risks.

Individual departments and identified risk owners are responsible for the identification, assessment and review of risks which fall in their area of responsibility. Risks are prioritised using an agreed scoring methodology and are assessed at an inherent and residual level. The risk management process is facilitated and monitored by the Risk Management and Internal Audit Department. The management of key risks is subject to independent review and assurance through the internal audit process, which reports to the Audit & Risk Committees.

The Board has agreed that the below represent the principal inherent risks to the achievement of the objectives of ChECS. The issues identified are subject to ongoing mitigation and management action to reduce the residual risk to a tolerable level.

Principal Risk Area	Key Management actions and plans
Successful and timely delivery of significant process and system change.	<ul style="list-style-type: none">• Project and programme management process and controls and development of Pan-NCI approach to project management.• Capacity and resources to maintain the required level of staff resource
Efficient and effective delivery of core services to the NCIs	<ul style="list-style-type: none">• Budget setting and monitoring processes• Performance monitoring of individual departments and senior management by the Board and NCIs.
Customers do not utilise the Central services resources or departments effectively	<ul style="list-style-type: none">• Technology Governance Group to coordinate and control IT development and expenditure• Performance management of departmental senior management and oversight by Trustee bodies and sub committees. ChECS issues identified and discussed at Senior Leadership Group.• Central services provide advice and guidance in areas such as HR, IT, Legal, Data Management and Risk Management.
The efficient, effective and secure collection, handling, usage and storage of data across the NCIs	<ul style="list-style-type: none">• Significant IT infrastructure work to increase the security and robustness of systems.• Policies, training and monitoring processes to assist compliance with legal and regulatory requirements including upcoming EU GDPR data protection legislation.• Information Steering Group reviews the robustness of processes.
Disaster recovery and business continuity plans to reduce likelihood, reduce impact and shorten the period of disruption	<ul style="list-style-type: none">• Business continuity plan and supporting systems that are kept under review and audited regularly to ensure effectiveness.• Update, refresh and significant testing of the business continuity plans.• Additional resources allocated to business continuity including in-house provision and external advice and guidance.

Church of England Central Services

Statement of Directors' and Trustees' Responsibilities

The Trustees are responsible for preparing the Annual Report and the Financial Statements in accordance with the Companies Act 2006 and for being satisfied that the financial statements are prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Charity and of incoming resources and application of resources of the Group and Charity for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities Statement of Recommended Practice (SORP);
- make judgements and estimates that are responsible and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that show and explain the Group and Charity's transactions, disclose with reasonable accuracy at any time the financial position of the Group and Charity, and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and Charity and hence for taking responsible steps for the prevention and detection of fraud and other irregularities.

Provision of Information to Auditors

All of the current Trustees (who are also the directors of the company) have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group and Charity's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Trustees are not aware of any relevant audit information of which the auditors are unaware.

Appointment of Auditors

BDO LLP have indicated their willingness to continue in office and a resolution to re-appoint them will be proposed at the April 2018 Board meeting.

Approval

This report was approved by the board of Trustees on 30 April 2018 and signed on its behalf by:



John Spence, Chairman

Church of England Central Services

Independent Auditor's Report to the members of Church of England Central Services

Opinion

We have audited the financial statements of Church of England Central Services ("the Parent Charitable Company") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the consolidated statement of financial activities, the consolidated and parent charitable company balance sheets, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charitable Company's affairs as at 31 December 2017 and of the Group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The other information comprises: the Structure, Governance and Management section and the Strategic Report. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Church of England Central Services

Independent Auditor's Report to the members of Church of England Central Services

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Structure, Governance and Management section and the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Structure, Governance and Management section and the Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic report or the Trustee's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Parent Charitable Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Charitable Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Directors' and Trustees' responsibilities, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group's and the Parent Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or the Parent Charitable Company or to cease operations, or have no realistic alternative but to do so.

Church of England Central Services

Independent Auditor's Report to the members of Church of England Central Services

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Don Bawtree (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick

Date: 2 May 2018

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

Church of England Central Services

Consolidated Statement of Financial Activities (including consolidated income and expenditure account) For the year ended 31 December 2017

	Note	All Unrestricted and Restricted Funds 2017	All Unrestricted and Restricted Funds 2016
		£'000	£'000
Income from			
Charitable activities	2, 10	14,184	12,356
Total income		14,184	12,356
Expenditure on			
Charitable activities	3	(14,184)	(12,356)
Total expenditure		(14,184)	(12,356)
Net income and net movement in funds		-	-
 Total funds at 1 January		 -	 -
Total funds at 31 December		-	-

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

All funds were unrestricted with the exception of £223k *of income and expenditure* relating to grant funding for the Pathways service in 2017.

Church of England Central Services

Consolidated and Charity only Balance Sheet As at 31 December 2017

	Notes	Consolidated 31 Dec 2017 £'000	Consolidated 31 Dec 2016 £'000	Charity Only 31 Dec 2017 £'000	Charity Only 31 Dec 2016 £'000
Current assets					
Debtors	6	686	647	746	766
Cash at bank and in hand		1,488	802	1,349	661
Total current assets		2,174	1,449	2,095	1,427
Liabilities					
Creditors: Amounts falling due within one year	7	(2,174)	(1,449)	(2,095)	(1,427)
Net assets		-	-	-	-
Funds of the Charity					
General fund		-	-	-	-
Total funds carried forward		-	-	-	-

The Financial Statements of Church of England Central Services (Company No. 8776679) were approved and authorised for issue by the Board on 30 April 2018 and signed on its behalf by:


John Spence
Director

Church of England Central Services

Notes to the Financial Statements for the year ended 31 December 2017

Reconciliation of Net Income/(Expenditure) to Net Cash Flow from Operating Activities

	2017 £'000	2016 £'000
Net income for the year (as per the statement of financial activities)	-	-
(Increase) in debtors	(39)	(161)
Increase in creditors	725	21
Net cash generated / (used) in operating activities	686	(140)

Consolidated cash flow statement

	2017 £'000	2016 £'000
Change in cash and cash equivalents in the year	686	(140)
Cash and cash equivalents at 1 January	802	942
Cash and cash equivalents at 31 December	1,488	802

Analysis of cash and cash equivalents

	2017 £'000	2016 £'000
Cash at bank and in hand	1,488	802
Total cash and cash equivalents	1,488	802

Church of England Central Services

Notes to the Financial Statements for the year ended 31 December 2017

1. ACCOUNTING POLICIES

Church of England Central Services (ChECS) is a company limited by guarantee, incorporated on 15 November 2013 and registered with the Charity Commission on 31 December 2013. The Charity's governing document is its Memorandum and Articles of Association.

a) Basis of Preparation of Accounts

ChECS' financial information has been prepared in accordance with:

- Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102");
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ("the SORP"); and
- the Companies Act 2006.

ChECS meets the definition of a Public Benefit Entity ("PBE") as set out in FRS 100, and therefore applies the PBE prefixed paragraphs in FRS 102.

The financial information has been prepared on the historical cost basis and on the accruals basis.

b) Consolidation

The consolidated statement of financial activities ('SOFA') and balance sheet include the financial activities of ChECS and its subsidiary ChECS Trading Ltd made up to 31 December. The subsidiary has been consolidated on a line by line basis in accordance with Section 9 of FRS 102. Intra-Group balances and transactions are eliminated on consolidation.

c) Going concern

The trustees have reasonable expectation that ChECS has adequate resources and cash flows to meet spending commitments for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

d) Incoming Resources

All income is recognised when ChECS is entitled to the income, it is probable that the income will be received and the amount of income can be measured reliably. The following income is recognised on an accruals basis:-

- *Incoming Resources from Charitable Activities*
Income from Charitable Activities predominantly represents recharged expenditure from the shared service departments and income generated by ChECS-run courses and conferences. It also includes income generated from procurement and recruitment services via ChECS Trading.

e) Resources Expended

All expenditure is accounted for on an accruals basis.

Charitable Activity costs are the cost of operating the shared service departments, including staff costs and accommodation costs.

Governance costs include costs associated with the governance arrangements of the Charity including external audit.

f) Taxation

ChECS is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly it is exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Church of England Central Services

Notes to the Financial Statements for the year ended 31 December 2017

The Charity is registered for VAT and recovers all of the VAT it incurs.

The Charity's subsidiary (ChECS Trading Ltd) is a non-charitable subsidiary and is subject to taxation, but does not generally pay UK Corporation tax because its policy is to pay taxable profits as Gift Aid to the NCIs.

g) Pension Costs

As set out in Note 5: Pensions, pension benefits to staff employed by ChECS are provided either through the Church Administrators Pensions Fund (CAPF) defined benefit pension scheme or through the CAPF defined contribution scheme.

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

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

Contributions are shown in Note 4: Staff Numbers and Costs.

h) Related Parties

The three jointly controlled entity partners are related to ChECS. Details are given in Note 10: Related parties.

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

i) Funds

As all the Charity's resources are spent in pursuit of its primary charitable objects, ChECS' resources are categorised mainly under Unrestricted Funds with the exception of grant funding relating to the Pathways service.

Church of England Central Services

Notes to the Financial Statements for the year ended 31 December 2017

2. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2017	2016
Department	£'000	£'000
Communications	1,596	894
Finance & Resources	5,606	4,925
Human Resources	1,639	1,136
Internal Audit and Risk Management	394	387
IT, OS and Records	3,742	3,768
Legal	1,207	1,246
TOTAL	14,184	12,356

3. CHARITABLE EXPENDITURE

	2017	2016
Department	£'000	£'000
Communications	1,596	894
Finance & Resources	5,591	4,906
Human Resources	1,639	1,136
Internal Audit and Risk Management	394	387
IT, OS and Records	3,742	3,768
Legal	1,207	1,246
Governance costs	15	19
TOTAL	14,184	12,356

Governance costs include:

	2017	2016
	£'000	£'000
Audit of ChECS	8	8
Audit of ChECS Trading Ltd	3	3
Taxation services	4	8
TOTAL	15	19

Church of England Central Services

Notes to the Financial Statements for the year ended 31 December 2017

4. STAFF NUMBERS AND COSTS

The cost of staff for which ChECS were the managing employer during the year ended 31 December 2017 was:

	Finance & Resources	IT, OS and Records	Internal Audit	Comms	Legal	Human Resources	2017 Total	2016 Total
Average No. Employed (FTE)	72	35	4	15	11	16	153	144
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	2,915	1,278	207	665	730	688	6,483	5,599
NI Costs	318	137	24	76	88	74	717	616
Pension contributions	800	208	45	81	279	132	1,545	1,437
Total cost of staff	4,033	1,623	276	822	1,097	894	8,745	7,652

Included in staff costs is £25,000 (2016: £0) paid by way of redundancy costs to three (2016: 0) individual(s) following a restructuring, the costs of which are accounted for in full in the year in which the restructure was announced.

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

	2017 Number	2016 Number
£60,001 to £70,000	9	4
£70,001 to £80,000	4	5
£80,001 to £90,000	5	7
£90,001 to £100,000	3	-
£100,001 to £110,000	-	-
£110,001 to £120,000	-	-
£120,001 to £130,000	2	1
£130,001 to £140,000	-	-
£140,001 to £150,000	-	1
Total	23	18

All of the staff above are members of the Church Administrators Pension Fund (note 5). Of these, 15 accrue benefits under a defined contribution scheme for which contributions for the year were £164,000 (2016: £104,000). The remaining 8 staff members accrue benefits under a defined benefit scheme.

The highest paid member of staff was the Head of the Legal Office who earned £127,000. ChECS' remuneration policy is in line with that of the other NCIs.

No trustee received any remuneration during the period nor was reimbursed any expenses. Interest free loans are made for travel season tickets.

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Notes to the Financial Statements for the year ended 31 December 2017

5. PENSIONS

Pension benefits to staff employed by ChECS are provided either through the Church Administrators Pensions Fund (CAPF) defined benefit pension scheme or through the CAPF defined contribution scheme which was established for employees commencing service after 30 June 2006. The schemes are administered by the Church of England Pensions Board, which publishes the schemes' financial statements. The contributions to the defined benefit schemes have been assessed by an independent qualified actuary using the projected unit method of valuation and are detailed below.

The Church Administrators Pension Fund

i) Defined Benefits Section (closed to new members from 30 June 2006)

Costs shared between the National Church Institutions

A valuation of the scheme is carried out once every three years, the most recent having been carried out as at 31 December 2014. This revealed a deficit of £25.1 million, based on assets of £96.3 million and a funding target of £121.4 million. The level of additional contributions made by the participating employers was £2,588,000 in 2017 (2016: £2,736,000). These contributions are subject to an annual increase on 1st January each year of 5% per annum, and are payable until 30 June 2025. The deficit contributions paid by ChECS in 2017 were £648,000 (2016: £628,000).

FRS 102 required this agreed deficit recovery plan to be provided for at the transition date of 1 January 2014. The total provision of £5,309,000 (as at 31st December 2017) is measured at its net present value. However, this transaction has a nil impact on ChECS' financial statements as the amount is recharged in full to the three equal partners of which ChECS is a jointly controlled entity.

Contributions Paid

In 2017 ChECS paid contributions (exclusive of the additional contributions) to the Fund totalling £11,000 (2016: £335,000). The participating employers are also responsible for making contributions towards the administration costs of the scheme of £210,000 (2016: £210,000) and the cost of Pension Protection Fund levies of £66,000 (2016: £57,000).

ii) Defined Contribution Section

Following the closure of the defined benefit contribution section of the Fund on 30 June 2006 a defined contribution section was set up for those commencing service after this date. ChECS paid contributions of £888,000 in 2017 (2016: £473,000).

Membership

The average number of ChECS employees within each scheme was:

	CAPF	
	Defined Benefit	Defined Contribution
2017	34	119
2016	43	113

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Notes to the Financial Statements for the year ended 31 December 2017

6. DEBTORS: Amounts falling due within one year

	2017	2016	2017	2016
	Consolidated	Consolidated	ChECS	ChECS
	£'000	£'000	£'000	£'000
Trade debtors	311	268	216	256
Prepayments and Accrued Income	271	256	230	235
Related Parties	78	123	40	120
HMRC	26	-	-	-
Inter Group	-	-	260	155
	686	647	746	766

7. CREDITORS: Amounts falling due within one year

	2017	2016	2017	2016
	Consolidated	Consolidated	ChECS	ChECS
	£'000	£'000	£'000	£'000
Trade Creditors	556	528	508	523
Other Creditors	210	15	210	15
Related Parties	460	28	460	28
HMRC	824	845	824	834
Accruals and Deferred Income	124	33	94	27
	2,174	1,449	2,096	1,427

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Notes to the Financial Statements for the year ended 31 December 2017

8. SUBSIDIARY RESULTS

ChECS has a trading subsidiary, ChECS Trading Ltd (company registration no. 8940330), which carries out any activities that are deemed, for tax purposes, to be trading activities. ChECS owns 100% of the share capital in ChECS Trading Ltd. The subsidiary is registered at the same address as its parent.

Summaries of the profit and loss accounts of ChECS Trading Ltd are shown below:

<u>ChECS Trading Ltd</u>	Year Ended 31/12/2017	Period Ended 31/12/2016
	£'000	£'000
Turnover	799	423
Cost of Sales	(774)	(397)
GROSS PROFIT	25	26
Administration expenses	(6)	(6)
Interest expenses	(2)	(1)
Charitable donations	(17)	(19)
PROFIT FOR THE FINANCIAL PERIOD	-	-

Summaries of the net assets of ChECS Trading Ltd are shown below:

	2017	2016
	£'000	£'000
Current assets		
Debtors	264	56
Cash at bank and in hand	138	141
	402	197
Creditors: amounts falling due within one year	(402)	(197)
Net current assets	-	-
Total reserves	-	-

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A summary of the Charity-only Statement of Financial Activity is shown below:

	Year ended 31/12/2017 £'000	Period Ended 31/12/2016 £'000
Total income	13,525	11,952
Total expenditure	(13,525)	(11,952)
Net income and net movement in funds	-	-

9. OPERATING LEASES

As at 31 December 2017 the charity had commitments under non-cancellable operating leases, representing the total minimum future lease payments, as follows:

	Property £'000	Office Equipment £'000	2017 Total £'000	2016 Total £'000
Expiring:-				
Within One year	422	32	454	383
Two to Five years	109	111	220	531
	531	143	674	914

10. RELATED PARTIES

ChECS is a jointly controlled entity between the Archbishops' Council (AC), the Church Commissioners for England (CC), and the Church of England Pensions Board (PB) for which the three partners hold equal shares. Each partner has the right to appoint and remove one of ChECS' trustees and holds equal guarantee rights in ChECS.

The amount charged to each related party during the year was as follows:-

	2017 £'000	2016 £'000
The Church Commissioners for England	5,871	5,654
The Archbishops' Council	4,943*	3,828
The Church of England Pensions Board	2,196	2,048
Total	13,010 **	11,530 **

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Notes to the Financial Statements for the year ended 31 December 2017

*The amount of £4,943k charged from ChECS to The Archbishops' Council includes an amount of £223k relating to grant funding for the Pathways service in 2017.

** The remaining £1,174k of the £14,184k income for the ChECS Group relates to other charitable income from third parties, in 2017 (2016: £822k of the £12,352k income).

As at 31 December the following amounts were owed to/(from) related parties:-

	2017	2016
	£'000	£'000
The Church Commissioners for England	347	(30)
The Archbishops' Council	75	25
The Church of England Pensions Board	(41)	(89)
Total	<u>381</u>	<u>(94)</u>

ChECS Trading

The amount charged to ChECS by ChECS Trading during the year was as follows:-

	2017	2016
	£'000	£'000
ChECS	2	18

As at 31 December the following amounts were owed from ChECS Trading:-

	2017	2016
	£'000	£'000
ChECS Trading	260	155