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Portobello and Joppa Parish Church, Edinburgh

Rev Susan Brown, Dornoch



Go For It,
funding change in church and community



St Michael's Parish Church, Linlithgow

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Foreword

Letter from Dr Sally Bonnar: Convener

One of the joys of my first year as Convener of the Council of Assembly has been the opportunity to meet people from congregations across the country and talk together about where God might be leading our church into the future.



Dr Sally Bonnar

The Council has been On the Road from Shetland to London and 14 other places in between. We have been hearing from nearly 1,000 people how they think the church should be engaging in meaningful congregational life and worship, enhancing the discipleship of our folk and working effectively in Christian witness within our communities. In contrast to how we might have imagined, these conversations were marked by enthusiasm, excitement, thoughtfulness and creativity. To be sure, the concerns about falling

membership, lack of children and young people and low numbers being recruited to Ministry of Word and Sacrament were expressed, amongst others. However, we did not meet with despair and despondency! It would seem that the creative Word, the Christ whom we worship, is still very much at work within our church. This report tells the story of how that creative Word of Life has been manifest in the past year. In worship, learning, giving, caring and participating, the people of God as gathered in the Church of Scotland have witnessed to the creativity and generosity of that Word in their lives, in their churches and in their communities.

Much of this work is supported by the Unincorporated Councils and Committees (UCC) of the Church, ably assisted by a group of dedicated staff at the national church offices in Edinburgh. But first and foremost this Report is about the work enabled and undertaken by hundreds of

thousands of church members and those who are associated with them. Some of this work is traditional, some scarily contemporary, but it all demonstrates the love and care of the God we worship, the creative Word of Life. I hope in reading this report that you will take time to consider all that work and give thanks to the God who has enabled it.

Dr Sally E. Bonnar
Convener, Council of Assembly

In the beginning was the Word and the Word was with God and the Word was God. He was with God in the beginning. Through Him all things were made; without him nothing was made that was made.

(John 1: 1-3)



On the Road event, Renfield St Stephens, Glasgow



Overview

The Church of Scotland is the national church in Scotland. It has been embedded in the social fabric of Scottish public life for more than 450 years, though it traces its roots back to the beginnings of Christianity in Scotland. The Church was structured to function through the parish system as a central part of the wider social and civic framework of Scotland. Our vision is to be a church which seeks to inspire the people of Scotland through enthusiastic worshipping, witnessing, nurturing and serving communities. At the same time, we have always been critically engaged with both Government and society at large.

The Church continues to contribute to the ministry and mission of Jesus Christ both in every part of Scotland itself and further afield. It does so in changing and often challenging circumstances. We continue to believe, however, that our life together as a society can be changed and improved through the love and grace of Jesus Christ. It remains our clear priority to share that Good News.

As we strive to achieve our vision and our overarching objectives, it continues to be of great comfort, solace and sustenance that we are rich in resources and people. We have in excess of 350,000 members, with many more people involved in our

local congregations and their work. Thousands more feel an attachment to the Church, perhaps for family reasons, because they attend services or even recreational events in church premises, or because they appreciate the care which the Church can provide for them. Within the Church, there are over 750 ministers of Word and Sacrament serving in parishes and chaplaincies. Our work is supported by around 2,300 paid professional and administrative staff, the vast majority working in CrossReach, our social care arm, with 200 or so in the Church's national offices and another 100 attached to parishes. The leadership of worship, overseen by our Parish Ministers, is supported by over 400 Readers, Deacons and Ordained Local Ministers. Around 30,000 Elders also provide local leadership on a voluntary basis.

Much of what the Church does would be impossible without the supportive work of these many thousands of volunteers. In fact, the Church of Scotland has the largest number of volunteers for a charity in Scotland. Their contribution can range from occasional involvement to several hours on a regular weekly basis. The breadth and depth of the activities to which our volunteers contribute ranges from catering in lunch clubs and community cafes to welcoming

refugees, engaging in fund-raising activities or supporting local community and care centres.

We have also benefited again during the year from the support and hard work of the 560 people who serve on the various bodies which comprise the Unincorporated Councils and Committees of the Church of Scotland. This provides the Church with access to a wide variety of expertise and experience from many walks of life including education, the law, property, business and social services. Such varied input is given completely voluntarily as part of each individual's Christian commitment. It involves a generous, even sacrificial giving of time and talent and for that the Church is deeply grateful. We do not seek to put a monetary figure on the value of this: rather we view it as absolutely fundamental to the fulfilment of the Church's purpose of sharing the Gospel and enriching human life.

It would be remiss of us not to make some reference to the challenges which lie ahead in the coming year. The trends which have shaped our world in recent years are likely to continue with poverty and strife being an integral part of the lives of far too many of our fellow human beings. War, violence and the devastation which they reap will not be eradicated

So now, O Israel, what does the Lord your God require of you? Only to fear the Lord your God, to walk in all his ways, to love him, to serve the Lord your God with all your heart and with all your soul.

(Deuteronomy 10: 12)



Take a Pew, hosting vital conversations about the future of the Church

in the short term and the Church of Scotland continues with ecumenical partners to do all it can to support people through the consequential turmoil and suffering. The crisis facing asylum seekers and refugees who have been displaced by conflict will continue to be one of the most pressing issues of our generation. The Church of Scotland has committed significant resources to helping to address this.

Domestically, the future also continues to be labelled with uncertainty as we gradually uncover the consequences of the result of the Brexit referendum and try to anticipate the potential outcome and implications of a possible second independence referendum. At the same time as these political issues hang over us, many of our fellow Scots, as well as numbers of people of other nationalities whom we have welcomed to our country, continue to experience hardship. At a local, national and international level, the Church has worked hard and effectively to address many of these

issues and we will continue to do so in the years ahead. Much of what we have achieved is contained in this report.

There are challenges too for the Church in relation to future financing of work. We achieved a positive increase in funds in 2016, but this was only because of the increase in the value of investments. Our budgeted expenditure in 2017 is challenging, which highlights the importance of finding ways to increase our income in order to avoid a deficit.

The overarching objective of the Church of Scotland is to worship and serve God and to participate in Christ's ongoing ministry. Much of the resource of the UCC is devoted to encouraging, facilitating and supporting those people who provide ministry and leadership. Our focus is also outwards, towards those whom we have yet to encounter, whom the saving grace of Jesus Christ has not yet touched, and to those who need our care. These people too – the poor

and vulnerable, the exploited, the refugee, the sick, the prisoner, the lonely – are the concern of Christ's church and Christ's people here in Scotland.

The Unincorporated Councils and Committees of the Church of Scotland were responsible, in 2016, for expenditure of just over £112 million. As one of Scotland's largest charities, it is entirely appropriate that we report in detail on our finances and activities and we hope readers will find the information they need in the pages of this document. We do our best to ensure that the time, talents and money available to us are used effectively and we welcome scrutiny. This report offers a flavour of the impact of the Church's work on the people we serve in Scotland and further afield. We hope that, as you read and follow our journey through 2016, you will recognise the real difference faith in God can make to people's lives.

The Year in Brief



January: Life on Mars



February: Paving the way forward



March: Easter



April: People's Politics Event



May: Columba Declaration



June: Take A Pew

January

A Church organist from New Kilpatrick, Bearsden who became an overnight internet sensation after paying tribute to music icon David Bowie said he is 'overwhelmed' by the reaction. More than 2.4 million people around the world have watched a video of Chris Nickol playing 'Life on Mars' on the organ in Kelvingrove Art Gallery in Glasgow. Music is a major element in the worship life of the Church, led by our ministers and musicians every week of the year. The UCC exists to support this core activity and those who deliver it.

February

An historic agreement recognising the longstanding ecumenical partnership between the Church of Scotland and the Church of England and paving the way for future joint working between the two churches has been backed by the General Synod of the Church of England. The Church's Ecumenical Relations Committee played a pivotal role in this.

The Church of Scotland has welcomed a decision to allow a sixth denomination to join the Churches Mutual Credit Union which aims to show banks and pay day lenders a fairer approach to finance. The Church and Society Council supports this work.

March

Easter time: the number of people for whom Christian faith is central to their lives is much greater than church attendance figures might suggest. A new study investigating why people stop attending church discovered two-thirds of church-leavers retain a strong personal faith. 'The Invisible Church' was written by Steve Aisthorpe, a member of staff from the Mission and Discipleship Council.

April

The People's Politics event, sponsored by the Church and Society Council, held at the General Assembly Hall, brought together political leaders from across the spectrum to hear voices from local communities in the run up to the Scottish Parliamentary elections.

May

The General Assembly of the Church of Scotland took place, during which the Columba Declaration was unanimously backed as an historic ecumenical partnership with the Church of England. During the debate, the Moderator welcomed the Archbishop of Canterbury to address the Assembly. This will open up future possibilities for closer ecumenical working.

Ministries Council launched its Take a Pew series, which invited guests and the public to take a pew with a Church Minister in a variety of places across the country, to discuss topics such as wellbeing, homelessness, culture and justice.

June

In the June Take a Pew interview, the Scottish Conservative party leader, Ruth Davidson MSP, talked about her faith and being a Church of Scotland member. In conversation with former Moderator, the Very Rev Dr Lorna Hood, Ms Davidson talked about her upbringing in the church and about the challenges she has faced in reconciling her faith with her sexuality. Take a Pew is part of the Ministries Council's Tomorrow's Calling initiative, aimed at boosting recruitment to the ministry of the Church of Scotland.

July

Following the vote in a referendum for the UK to leave the EU, the Church of Scotland urged the UK Government to grant EU citizens currently living in the UK the right to remain, and to resist using these people as a bargaining chip in future negotiations.

The Church issued a statement lamenting the decision of the House of Commons to renew the Trident nuclear weapons system with a call for Christians to be involved in building peace through strong and courageous leadership.

August

The 22nd *National Youth Assembly (NYA)*, organised by the Mission and Discipleship Council, was held at Gartmore House in Stirlingshire. Over 90 delegates aged between 17 and 25 came together to discuss a wide range of topics including Gender Justice in Scotland and globally, Mental Health, the Future of Ministry and Fresh Expressions.

September

On the Road started its three month series of roadshows in sixteen different locations offering congregations across the country an opportunity to voice their opinions about the future direction of the Church of Scotland. The Council of Assembly has launched this as part of a strategic planning process for the future.

The new building at Castlemilk Church in Glasgow opened its doors to more than 400 people. The Church has received Scottish Government grant aid to set up community food projects over the next 18 months, as an alternative and complement to churches providing emergency aid through food banks.

October

An interfaith ethical finance roundtable meeting in the House of Lords took place with the aim of developing a new, more socially responsible financial system. The Church of Scotland's Church and Society Council has been at the forefront of this initiative in partnership with the Islamic Finance Council and the Church of England.

A former shop assistant became the youngest Church of Scotland Minister currently active today. Stuart Love, 25, was ordained at Clincarthill Parish Church on the Southside of Glasgow on Thursday 27 October. His training, along with all those preparing for ministries, was supported throughout by the Ministries Council.

November

The Moderator joined 225 other global faith leaders in signing a climate change statement, urging governments around the world to fulfil the promises made in the Paris agreement on climate change. Eco-congregations, which relates closely to the Church and Society Council, supports local church communities in their efforts to become more 'green'.

A new minister dedicated to the visual arts community has been welcomed into his post with a ceremony that showcased a stunning installation in Renfield St Stephen's Church of Scotland, Glasgow. This is the first of a number of new Pioneer Ministries being sponsored by the Ministries Council.

In a historic first, the Very Rev Dr Sheilagh Kesting has been invested as a Dame of the Order of St Gregory the Great by Pope Francis.

December

Online videos produced by Church of Scotland ministers and their congregations each day throughout Advent proved extremely popular and gained more than 250,000 views over the course of December. The initiative, supported by the Ministries Council through its *Tomorrow's Calling* initiative, was notable for reaching a large number of young people. The Advent messages culminated in a Christmas Day video message from the Moderator, the Rt Rev Dr Russell Barr, which itself reached an audience of more than 30,000 people.

July: Brexit



August: National Youth Assembly



November: Paris climate agreement



December: The Moderator's Christmas message

Objectives and Activities

The Church of Scotland is Trinitarian in doctrine, Reformed in tradition and Presbyterian in polity. It exists to glorify God and to work for the advancement of Christ's Kingdom throughout the world. As a national Church, it acknowledges a distinctive call and duty to bring the ordinances of religion to the people in every parish of Scotland through a territorial ministry. It co-operates with other Churches in various local ecumenical initiatives and through ecumenical bodies in Scotland and beyond.

The Church carries out a wide range of activities as set out in the following pages in pursuance of its main charitable purpose, the advancement of religion. This report gives a broad coverage of the wide range of activities of the Church. The financial statements relate to the work and activities of the Unincorporated Councils and Committees of the Church (UCC), the effects of which are often seen in the work supported by the UCC in local parishes across Scotland and beyond.

The Trustees consider that these activities provide benefit to the people of Scotland and to a wider national and global community. Congregations are outwardly focused and the Church of Scotland is visibly active in local communities providing practical and spiritual assistance to all who desire it and especially to those in need, regardless of their status.

Our duty is one of care, justice informed by love, to our neighbour, who is every person, everywhere, in every time. Our responsibility neither rests on reciprocity nor on contract. Nor is it limited by nation. It inheres in our common humanity.
(Report to General Assembly 2015, page 12/28)

I was hungry and you gave me food, I was thirsty and you gave me something to drink, I was a stranger and you welcomed me, I was naked and you gave me clothing, I was sick and you took care of me, I was in prison and you visited me.

(Matthew 25:35-36)



Associate Minister at Banchory East and West congregations, Amy Pierce

Achievements and Performance

Exercising Priority for the Poor

'Poverty remains a reality for a significant percentage of Scotland's population. This is an affront to a country of Scotland's wealth and natural resources. It is also an affront to the Gospel and God's passion for the poor.'

(Report to General Assembly, 2009, page 3/19)

So long as this analysis remains true, as regrettably it does, the Church of Scotland will continue to work alongside people living in poverty to fulfil its calling to be a voice for the more vulnerable members of society. We report here on a number of initiatives in which the Church's UCC has engaged alongside local people over the past year.

In 2014, the list of Priority Area congregations was extended to 68 with 11 congregations transitioning off the list. These are the congregations which make up the poorest 5% of parishes in Scotland. Dedicated support continues to be available to these 79 congregations through the work of the Ministries Council's Priority Areas team, based in Glasgow. They work with an average of 100 local groups per year. In particular, in 2016, there was further development of a pilot volunteering programme, begun in 2015 in partnership with the Presbyterian Church USA. This has enabled a strengthening of support to our churches by utilising young adult volunteers from the PCUSA alongside some from Scotland in an internship role. Each placement lasts one year and it has been a pleasure to see the enthusiasm and commitment of the youngsters involved in this project, which currently serves eight congregations.

Last year's Annual Report referred to the appointment by the Scottish Government of one of the Church's staff, the Rev Dr Martin Johnstone, as Chair of an independent working group on food poverty. The group works with a number of partner organisations and people with lived experience of food poverty to devise a strategy that will ease the pressure on food banks, tackle the scandal of food poverty and create a fairer Scotland. It is extremely disappointing that food banks continue to have a significant role to play in alleviating the suffering created by food poverty, but progress is being made by the working group and the Church will continue to exert its influence to the greatest extent possible. We also continue practical support by the running of food banks in a number of parishes across the country. Dr Johnstone is the Secretary of the Church and Society Council, which stands behind the Church's work in this area.

The presence of food poverty is not unrelated to developments on the benefits front. The negative impact of changes to social security policy in recent years is having an effect on families and communities across Scotland. The Church of Scotland has continued through the Church and Society Council to advocate for

reforms to the system including a rethink of benefit sanctions, to ensure families with children receive enough financial support to eradicate child poverty. However, wealth inequality in the UK is a widening trend and levels of poverty are increasing. We have expressed particular concern for those affected by funeral poverty, fuel poverty, child poverty and food poverty and we are working with a number of partner organisations to devise a strategy that will have a real positive impact in these key areas. Recent changes to the arrangements for Devolution mean that more control is coming to the Scottish Parliament and the Church of Scotland will continue to participate in ensuring that questions of wealth sharing are addressed.

In 2016 the Social Care Council, working under its public name of CrossReach, was pleased to be able to pay a minimum of £8.25 per hour (2016 Scottish Living Wage) to all care staff working in our Older People's services funded by the National Care Home Contract. This followed negotiations between the Scottish Government, Local Authorities and Care provider representatives.

The Scottish Government subsequently identified funding



to support the delivery of a living wage to workers attached to other Adult Social Care services, which has involved individual negotiations with each commissioner of CrossReach services. While the majority of service commissioners have committed to increased funding, at the time of writing negotiations are still ongoing with others. As a national provider of social care it is our policy to pay equitable rates to all our care and support staff regardless of the local authority that funds the service, so we cannot implement the increase to staff until sufficient income is secured.

The Church as a whole continues to support the implementation of the Living Wage for all. The challenges highlighted in our 2015 Annual Report continue to exist in relation to this, but these are recognised and the Church and Society Council has continued to follow-up the 2012 Special Commission on the Purposes of Economic Activity through its support for the development and expansion of credit unions and the promotion of Good Money Week alongside wider awareness-raising initiatives.

The Chance to Thrive initiative is run jointly by the Ministries Council and the General Trustees

and offered assistance to eight Priority Area congregations initially. It has now been expanded to twelve congregations during 2016. This programme is focussed on enabling communities to thrive. It offers local churches long-term accompanied mentor support which assists them to develop their work and partnerships within the local community, at the same time making available their buildings and facilities as resources for community benefit. An independent external evaluation report in January 2016 was extremely positive about the contributions the project was making to the congregations and communities involved.

Internationally, through its global Church partners and its longstanding relationship with Christian Aid, the Church of Scotland continues to work for sustainable global development and poverty reduction. The Church of Scotland Guild supports a Christian Aid project in Bolivia called *Caring for Mother Earth*. Through this, families are being provided with solar panelled ovens which reduce the need for collecting firewood – providing an ecological alternative and saving time, allowing more opportunities for education and family time. The Guild is also working with Mission International in

Haiti, building a community centre, school and church and is involved in addressing the issue of female genital mutilation, working alongside 'Feed the Minds' in Kenya. Our commitment to addressing issues of poverty and injustice wherever we can remains undiminished, even if change does not always come about as quickly as we would want.

Listen, my beloved
brothers and sisters.
Has not God chosen
the poor in the world
to be rich in faith
and to be heirs of the
kingdom that he has
promised to those who
love him?

(James 2:5)

Making Disciples

The work of the Church continues to be supported by hundreds of thousands of folks in 1,300 congregations across Scotland and further afield. The UCC supports the Church as it seeks to equip its people in living out their faith in a range of ways and with a variety of resources. As his followers, we take seriously the commission of Jesus to 'Go and make disciples of all nations' (Matthew 28:19).

Through a programme entitled *Path of Renewal*, sponsored by the Panel on Review and Reform and supported by the Ministries Council, additional assistance is given to Parish Ministers who are seeking to renew the life of the Church by introducing new and alternative ways of working. This sees the appointment of a support person for a couple of days a week alongside Ministers, to undertake some of the routines of traditional Parish Ministry, while releasing the Minister to concentrate specifically on nurturing new ways of engaging in mission. This also allows more space to give priority to discipleship work, enabling the whole people of God to become more confident in the expression of their faith, inside and beyond the walls of the Church.

The development of leadership through the recognised ministries of the church is also part of the theme of fostering discipleship among all of God's people. The Church seeks to enable its Ministers to provide leadership, guidance and support. In 2016, there were 38 candidates training for full-time ministry

(FTM) under the supervision of the Ministries Council, with a further 12 training for non-stipendiary Ordained Local Ministry (OLM). We are pleased to report that, during the year, there were 36 new entrants to training. The number of those showing interest in the OLM pattern of Ministry is growing in proportion to those entering training for FTM.

In their work of making disciples, Ministers are involved in nurturing faith and involvement in local church life at every level - through worship, pastoral care, study/discussion groups, preparing for baptism and membership, and by encouraging people to take up leadership roles. In addition they provide necessary support and guidance.

A major initiative in this aspect of the Church's work has been the *Going for Growth* Summer School, run jointly by the Ministries and Mission and Discipleship Councils. This is a four-day residential conference which has a programme designed to encourage people to be confident in mission and to explore the possibility of developing fresh expressions of Church in their locality. *Going for Growth* days develop how such fresh expressions can become an established part of a congregation's life and mission. This year, the programmes of events in Aberdeen and Glasgow were attended by more than 60 people.

The Guild has at its heart inviting and encouraging women and men to commit their lives to Jesus Christ. It seeks to enable them to

express their faith through worship, prayer and action. With around 23,000 members, the Guild is one of Scotland's largest voluntary organisations. Its Annual Gathering was held in Dundee in September, once more attracting an attendance of over 2,100 people. The Gathering both encourages Guild members in their discipleship and challenges them to go back at the end of the day into their own communities, energised and focused on God's work.

A devotional prayer book, produced by the Mission and Discipleship Council under the title of the General Assembly theme for 2016, *People of the Way*, encouraged people to reflect quietly on that theme. This is an example of one type of resource the Church provides through the UCC to support people on their personal faith journey. The UCC exists to enable the Church at the local level in reaching out to people with the Gospel in word and action in the communities where they live and work.

The Church website (www.churchofscotland.org.uk) is regularly updated with information and resources relating to the activities and beliefs of the Church. A more specialised website (www.resourcingmission.org.uk) offers worship and prayer resources for mission and discipleship.



The Rev Dr Elijah Wade Smith, Minister of Queen's Park Govanhill

I give you a new commandment, that you love one another. Just as I have loved you, you also should love one another. By this everyone will know that you are my disciples, if you have love for one another.

(John 13:34-35)

May we never tire
of crossing and pushing boundaries
that wrongfully isolate and exclude.
May we never tire
of drawing and fixing boundaries
that helpfully nurture and protect.
May we never tire
of extending the boundary of your kingdom
so there is more and more of heaven on earth.

(Excerpt from Pray Now – Word of Life)



Serving the Vulnerable

The plight of refugees throughout the world has become increasingly difficult during the past twelve months and the political aspects of this are as significant as the economic ones. In 2016, the Church of Scotland continued to lead an interfaith group project to support and work with refugees and asylum seekers. The global humanitarian situation for refugees continues to deteriorate with the United Nations High Commission for Refugees estimating around 65 million people globally needing some form of protection. The Church has engaged in programmes of support including fund-raising through the *Place at the Table* initiative, which gives support to the National Evangelical Synod of Syria and Lebanon in their support of refugees. The World Mission Council also authorised the use of funds to support partner churches to help displaced people in Malawi, Italy, Greece, Lebanon, Palestine, Egypt, India, Sri Lanka and Myanmar.

Recognising the local needs of refugees and asylum seekers in the UK as well as those at a global level, the Church has supported work with refugees through a project it leads in partnership with other Scottish church and faith groups: Scottish Faiths Action for Refugees (SFAR). By September 2016 more than 1,100 Syrian refugees had arrived in Scotland, representing more than a quarter of the total number resettled in the UK. Local congregations across the country have responded in a variety of ways including offering practical support, help with learning English and befriending individuals. SFAR has assisted and supported a number of local initiatives and encouraged partnership working with the wider community and local authorities.

In the UK as a whole, Scotland has been at the forefront of the Syrian Vulnerable Persons' Resettlement Programme.

In 2016 the Advent video, *A Very British Nativity*, presented the Christmas story from the point of view of Mary and Joseph travelling not to Bethlehem, but to London as asylum seekers. It helped to shine a light on some less well-known policies and practices of the police and Home Office in relation to asylum seekers. It was a reminder to us that as Christians we are called to act on Jesus's words about welcoming the stranger, 'for the things which we do for the least of his brothers and sisters, we do for him' (Matthew 25:35).

At a local level, 60 participants attended a Learning Disabilities Conference at the University of Dundee, sponsored by the Mission and Discipleship Council, in June where they heard a powerful keynote speech from the Principal Clerk, the Very Rev Dr John Chalmers. The theme, 'Exploring Call in our Communities of Belonging', aimed to provide an opportunity for those with a passion for enabling their congregations to be communities in which those with learning disabilities can meaningfully belong to develop their thinking. The conference was supported by a resource entitled: 'Learning Disabilities Discussion Starter'.

CrossReach, the Church's social care arm, continues to provide life-changing services for vulnerable people in over 70 locations throughout Scotland. It runs adult care services – in criminal justice, for homeless people, for people with learning disabilities and for those with mental health or substance abuse issues. It also provides services to older people

– in residential care, in specialist care for people with dementia (all its care homes for the elderly have at least one specially trained dementia ambassador), in day care and through an innovative art therapy project.

The Children and Family team provide residential and respite care to children needing intensive support. Most of their work is offered in communities, supporting families where they live. This has a focus on early intervention and prevention and includes counselling, with specialist services for families affected by perinatal mental health issues and addiction, early years early learning opportunities focussed around parenting and play and support for people with a family member in prison.

According to the Health and Safety Executive, work related stress accounts for 35% of all work-related ill health. CrossReach launched an Employee Assistance Programme in 2016 called 'Confidential Conversations'. This unique service is designed to provide personal one-to-one support to both employers and employees on a flexible pay-as-you-go fee basis.

A partnership with Partick Housing Association has resulted in a purpose-built provision of a supported living service for 14 people with mental health issues. Those who use the service have been actively involved in making choices about decoration and furnishings for the new building.

In Scotland, and further afield, the Church can be found in all the messy reality of life, walking alongside the vulnerable: right where the Gospel message calls us to be. The UCC exists to make this possible through effective resourcing.

Promoting Reconciliation

The Church continues to support and equip its ministers and churches to develop creative and life giving ways to explore and address conflict. It aims to foster a culture that acknowledges difference and demonstrates diversity in love. In addressing this overriding goal, we have sought to offer moral and spiritual leadership to those with national responsibilities by speaking out and offering reflections on life and faith following a range of events in 2016 which have seen increased fears and tensions in society.

Terror attacks in Belgium, France, Egypt, Turkey, Germany, London and elsewhere have led to a significantly increased risk of racial and religious tension spreading in Scottish society. The Church has made it clear that it stands with ecumenical and interfaith partners in condemning violence and fear in all their forms. Following the EU referendum campaign and vote in June and the US Presidential election in November, the Church has perceived a need for reflection on ways to combat the effects of a rising wave of xenophobia and racism in political life. Despite supporting a 'Remain' outcome in the referendum on continued membership of the EU, the Church of Scotland has sought to play a constructive role in subsequent discussions and public debate about the future of Scotland, the UK and Europe, placing an emphasis on the concern for the common good.

In partnership with *Place for Hope*, which receives a substantial part of its funding from the Ministries Council, training in mediation, facilitation or coaching support was provided in 95 situations, 56 of which were directly related to the Church of Scotland. Thirty of these involved

conflict mediation sometimes lasting 6–9 months with individuals and/or groups in congregations. Through this same partnership, it was also possible to train a further 10 mediators, bringing the Place for Hope Volunteer Team to a total of 24, 18 of whom are Church of Scotland Ministers/Elders.

The contribution of the Ecumenical Relations Committee to promoting reconciliation was particularly recognised in the honour bestowed by the Roman Catholic Church on the Very Rev Dr Sheilagh Kesting, the recently retired Secretary of the Committee and Ecumenical Officer of the Church for more than 20 years. Sheilagh was invested as a Dame of the Order of St Gregory by His Holiness Pope Francis, a singular recognition of her contribution to the life of the Church in Scotland. Archbishop Leo Cushley (St Andrews and Edinburgh) made the presentation before a meeting of the Catholic Bishops' Conference of Scotland. The awarding of this honour was also a symbolic marker of the journey of reconciliation undertaken by the Church of Scotland and the Roman Catholic Church.

The Committee's participation in the work of promoting reconciliation was given another focus at the General Assembly in May with the reception of the Columba Declaration. This is a landmark ecumenical agreement to enter into an historic partnership with the Church of England. The Declaration marks the Church of England and the Church of Scotland's mutual acknowledgment of each other as 'belonging to the One, Holy, Catholic and Apostolic Church of Jesus Christ and truly participating in the apostolic ministry and mission of the

whole people of God.' It represents a significant development within the life of the Church and under the terms of the Declaration, the Church of Scotland and Church of England will pray for and with one another, explore opportunities for ecumenical partnerships in England and continental Europe and identify theological, social, political and ethical issues that arise and be prepared to allocate resources to joint initiatives for addressing them. The Declaration was formally signed at a service in Crown Court Church, London by the Rt Rev Dr Russell Barr, Moderator and the Most Rev & Right Hon Justin Welby, Archbishop of Canterbury on 28th November 2016. A Contact Group between the two churches has now been established with a view to taking forward the Commitments contained in the Declaration.

The Church of Scotland and the Scottish Episcopal Church have begun a process of engagement entitled 'Our Common Calling'. The focus will be on addressing traditional questions of Faith and Order within the context of giving expression to our shared life in the local setting.

The Church was involved directly in promoting reconciliation following the tragic events on Easter Day 2016 when a suicide bomber in a public park in Lahore, Pakistan, killed at least 74 people and injured 300 more. Pakistani Taliban's Jamaat-ul-Ahrar faction claimed responsibility for the attack saying they deliberately targeted Christians who were celebrating Easter.

The following day three people representing the Church of Scotland Trust and the World Mission Council travelled to Pakistan for a pre-



The Rt Rev Dr Russell Barr, Moderator and the Most Rev & Right Hon Justin Welby, Archbishop of Canterbury

arranged visit. Plans quickly changed to one of solidarity and pastoral support for our partners and the Christian community. In Lahore, representatives met the Moderator of the Church of Pakistan Synod, Rt Rev Samuel Azariah. He had already visited survivors in hospital and was organising meetings with church and Muslim leaders. He called on people to go beyond statements that condemned extremist violence and take concrete action to end the violence. One week after the attack the group from Church of Scotland joined over 200 Christians, Muslims and Hindus, to pray for peace at Gulshan-e-Iqbal Park. It was

a sombre yet defiant occasion that included singing Psalm 20, 'May the Lord answer you when you are in distress; may the name of the God of Jacob protect you.'

As part of the universal Church, we believe that God calls us to celebrate and move towards visible unity, to strive to work more closely with our Christian sisters and brothers both in Scotland and throughout the world.

All this is from God, who reconciled us to himself through Christ, and has given us the ministry of reconciliation.

(2 Corinthians 5:18)

Caring for Creation

The Church's commitment to caring for creation means that the challenges posed by climate change and environmental concerns have remained high on our agenda. In October 2016, the World Mission Council held a conference on the theme *Care for Creation*, together with Christian Aid in Bridge of Allan Parish Church. Speakers from across the globe, including those from Jamaica, India, Zambia and Ghana, came to share with congregations here in Scotland their knowledge and experience of climate change. Workshops were held to equip and inform delegates on becoming 'Eco Congregations', on the importance of taking action on climate change, and the effect of climate change on

people in some of the poorest areas of the world.

The year began with the exciting news that the international community had come together to agree a plan of action at the Paris climate change conference in December 2015. The contribution and effort of Church of Scotland congregations in playing their part in a global movement caring for creation has been very encouraging.

A major issue under consideration in 2016 was the question of the relationship between climate change and fuel poverty. Often the call to be 'green' is seen as an expensive option and for people on low or fixed incomes living in hard-to-heat

homes in Scotland, the challenge can seem a bridge too far. In a report received by the General Assembly from the Society, Religion and Technology Project of the Church and Society Council, there was a call to government and wider society to see climate change and fuel poverty as interlinked and to tackle them together.

Finally, the partnership between the Church of Scotland and Eco Congregation Scotland, which is a separate charity with its offices within the Church Offices in George Street, has gone from strength to strength. There are now more than 360 local Eco Congregations around the country from a range of different Christian traditions.

In this world
food for your hunger
water for your thirst
shared generously with others
Since God is generous to you

For Your suffering world
give us
hearts hot with passion
that drive us to action
and the cool heads
that inspire us to solutions

Walking gently on the earth
touching lightly Your Creation
ever thankful for this gift.

**From Daily Prayers –
Resourcing Mission**



Severe flood in Pakistan caused by unpredictable monsoon and rapid glacier melts in the Himalayas

Engaging with Society

The Church of Scotland sees engagement with society as one of its core purposes. We have a specific commitment to social justice and to the values of the Gospel and we seek to be at the heart of issues that matter, speaking out where we see a need. The UCC seeks to support ministers and local congregations as they address such issues.

It is essential that this work is carried out jointly through productive interaction with a range of partners, including especially other churches. Through involvement in the Joint Public Issues Team, the Church has developed its formal partnerships with other Churches working on societal issues. This Team brings the Church into partnership with the Baptist Union of Great Britain, the Methodist Church and the United Reformed Church and it has worked particularly closely on issues around welfare reform, disarmament, asylum and refugee policy and helping the four Churches respond to the decision to leave the EU. Following the signing of the Columba Declaration with the Church of England, conversations have been taking place about how our two Churches might speak and do more together in this area, with the continued development of the Churches' Mutual Credit Union as a clear example of an existing commitment. Again, the Church and Society Council takes the lead on this from the Church of Scotland's perspective.

The Church of Scotland remains a key supporter of the ecumenical Scottish Churches Parliamentary Office. The theme of engagement with the world of politics and work is continued through the Ministries Council's ongoing support of Workplace Chaplaincy Scotland,

which has almost 120 chaplains who interface with people in the workplace. These are examples of the Church's efforts to ensure that our engagement with society continues to flourish to the benefit of Scotland and its people and to many beyond those boundaries.

Promoting and fostering equality in society should always be a key goal of the Church. 2016 saw the conclusion of a widespread consultation exercise, run by the Church and Society Council, which asked people from all parts of Scottish society to identify how they believe Scotland could become a fairer and more equal place by the year 2035, and what role the Church could have in leading towards this. *Speak Out: 10,000 Voices for Change* engaged more than 11,000 people in a process of collective vision-making. This work builds on the conversations held by the Church in the run up to, and aftermath of, the 2014 Scottish Independence Referendum: 'Imagining Scotland's Future'; 'Respectful Dialogue'; and 'Scotland's Future Now'. The results from this process were analysed and developed in 2016 and have helped to establish a new framework for how the Church and Society Council will organise and approach its business of engaging the Church on socio-political issues for the next 15-20 years.

Some of the ideas expressed through *Speak Out: 10,000 Voices* were conveyed to senior politicians from all five of the parties represented at Holyrood at a special People's Politics event held in the General Assembly Hall a few weeks before the 2016 Scottish Parliament elections.

The General Assembly took a decision in 2016 to call for the

removal of the defence of 'justifiable assault' from the Criminal Justice (Scotland) Act 2003 and to join the 'Children are Unbeatable' alliance which campaigns and works for an end to corporal punishment.

On the international front, the Church collaborated closely with the Church of England in producing 'Reimagining Europe', a website where a range of thinkers, campaigners, theologians and politicians could post blogs about the UK's place in Europe in the run-up to the vote on EU membership.

The Interfaith Officer led a workshop for the National Youth Assembly on the implications of faith and culture on gender based violence. The workshop provided an opportunity to read from different religious texts (Muslim, Jewish and Christian) and to discuss the ways they treat the topic of gender and the issues these raise for dealing with the subject across faith traditions.

The Moderator held a Parliamentary reception in February 2016 for MSPs to learn about the work of CrossReach. The event was sponsored by Jim Eadie, then MSP for Edinburgh Southern. Mr Eadie heard the Moderator call for public support of social care organisations such as CrossReach. Following this event, Mr Eadie took up the offer of a visit to two CrossReach facilities for older people in Edinburgh where he witnessed CrossReach's response to residents with dementia. Disorientation can be distressing for people who have dementia and those who support them. One of the ways this has been addressed is by creating themed areas in the home (beach, garden and transport). These have proven to improve orientation significantly, promoting conversation



Church missionary Jane Haining's story reverberated all over the world

and reminiscence of holidays and interests, whilst reducing the sense of isolation and stress.

The positive work of the Church and our ministers has continued to receive an increased profile in the national media through proactive work with print broadcast and online news outlets. The main sources of interest this year proved to be the work of ministers in their

communities and the need for more candidates to pursue their vocation to ministry through the *Tomorrow's Calling* initiative of the Ministries Council. There was also strong interest in the Moderator's, the Rt Rev Dr Russell Barr, campaign on homelessness and also international recognition for the sacrifice of Church missionary Jane Haining through the publicity surrounding the discovery of her last will and

testament in the archives of the World Mission Council. This has been accompanied with an increase in the number of people accessing news information on the main Church website and engaging with the Church's social media channels. However, it is clear that still many more congregations and members could be benefitting from this information. More work is required to reach grassroots church people.

And let people devote themselves to good works in order to meet urgent needs, so that they may not be unproductive.

(Titus 3:14)

Discovering and Encouraging life in all its fullness

Active Church members value the sense of loving community, the experience of warmth, welcome and fellowship, the laughter, the music, the deep peace of prayer and worship, and the sense of God's real presence that can be found week by week in local congregations, at Presbytery, in Council and Committee meetings and in many other kinds of gatherings. Many would describe themselves as 'fulfilled' – confident in God's love and content with the challenge of service and witness to which that love calls them.

Life has its challenges for many people though, in the Church and outwith it, and our congregations continue to work with people to help overcome their difficulties and problems so that they too can experience peace and hope.

Working with local people in Priority Areas teaches us that, far from being problematic communities, these are places that abound with gifted, creative people and resourceful leaders. Our vision is for the Church to be indivisible from its local neighbourhood, reaching out and standing with people in all situations, including those where difficulties are more prominent.

The Big Conversation, the title given to the Priority Areas annual conference in 2016, was an opportunity for some eighty five

people to gather from Priority Area congregations across Scotland to learn from each other and guide the Priority Areas team of the Ministries Council in developing its work. Participants told us that the Church should be:

- Engaging fully with the community and developing relationships
- Walking with Jesus; sharing in the experience of Christ
- A worshipping community; prayerful, spiritual, reflective and explicit about mission
- A prophetic voice; challenging injustice
- Present; providing nurturing spaces that say 'this Church is lights on, doors open'

God is not confined to the Church; God's spirit is already moving in these communities and amongst the people living there. The insights from *The Big Conversation* help to shape new projects and programmes of work, always in the context of our communities and their resilient people. The UCC offers resources to support those projects and to help enable them to find life in all its fullness.

As part of the Church coming alongside people during times of major transition, each year the Ministries Council provides a pre-retirement conference for Ministers and their spouses who are in the age-range of 63-65. In 2016 the number

of ministers who attended the conference was 33 and the number of spouses who also participated was 22.

The *Go For It* programme, another initiative funded by the Ministries Council, provides around £1 million a year in grants to projects linked with Churches of Scotland congregations. These projects develop the life and mission of the local church and transform communities. In other words, *Go For It* supports us in being a thriving Church.

In 2016, we funded 65 such projects up and down the country, mobilising an army of volunteers making change in their community happen. This means that there are countless gifts being exercised each week in faith; God takes what we have to offer, and uses it to make a far greater impact in the lives of others than we could ever imagine.

Some examples of projects are:

The Well, which is using a *Go For It* grant to establish a fresh expression of church in Wellwood, Dunfermline via a community hub with activities for children, a drop-in facility for young people and a meeting place for adults. Aileen Christie, Coordinator at *The Well*, explains: 'In Wellwood, what we do have, is a village which has rediscovered how to be a community, people who are utilising skills they never knew they had'.

You show me the path of life. In your presence there is fullness of joy; in your right hand are pleasures forevermore.

(Psalm 16:11)

Edinburgh Street Pastors receive a grant which enables them to care for people on the streets of Scotland's capital: 'On one occasion, as we approached a young homeless man on George Street, we found that he was keen to talk and seemed excited. He told us that he had been allocated a flat that day and didn't have anyone to share his news with. We felt blessed that we had time to sit with him and share his excitement, as he related his plans for the future.'

Just Like Us is a twice weekly drop-in session and programme based at Colston Milton Parish Church in North Glasgow that supports people with addiction, mental health issues, or those who are suffering from isolation. Gerry Murphy, one of the founders, puts the success of the programme down to the unique format of using 'lived experience' – people who have also had similar issues but who have learnt how to deal with them. So far the group has helped fifty-three people come through its programme, which

has provided a life-line in an area with one of the highest rates of depression in the UK.

The *Go For It* Committee aims to inspire congregations to develop their own local ideas. The *Go For It* Fund exists to help these ideas become reality.

For more information on the projects we are funding, our partnership links and other resources visit http://www.churchofscotland.org.uk/serve/go_for_it



Celebrating our Place in the World Church

The Church of Scotland recognises that it is a relatively small church in a small country and it would be easy to develop a parochial and inward-looking approach to our objectives and activities. However, we have always recognised that we are part of the world-wide Church of Christ and with that recognition comes a responsibility to work at a global level with partner churches wherever they may be in the world.

In meeting this responsibility, we partner with churches in a range of countries in Africa, the Caribbean, Asia, the Middle East, and throughout Europe. Among the UCC, the World Mission Council takes a lead in many of these partnerships. The Church of Scotland is a member of a number of international ecumenical bodies, working closely with the World Council of Churches, the World Communion of Reformed Churches, the Community of Protestant Churches in Europe and the Conference of European Churches. Our approach is to walk alongside local witnesses in the transformative love of God, learning from and sharing with others as we attempt to make a difference in places of poverty, injustice, danger and hunger.

Over the course of 2016, there are many ways in which we have confirmed and celebrated our place in the world church. Some examples of this are:

- Through the admissions process run by the Ministries Council, we were delighted to receive eight new ministers from other countries and denominations to serve as Church of Scotland ministers.
- Our relationships with the Presbyterian Church USA (PCUSA) continue to be very positive and this has enabled our volunteer programme through Priority Areas to bring four volunteers to work with the Ministries Council for a year.
- In 2016, the Council of Assembly agreed to apply for membership of the Churches Commission for Migrants in Europe, an international ecumenical agency which works on issues around refugee protection, labour migration, anti-trafficking and enabling the Church to be a diverse and inclusive community.
- Over the past year, the Guild has been continuing to develop connections with Malawi through liaison with the Men's and Women's Guilds of the Church of Central Africa Presbyterian Synod of Livingstonia.
- We also take a full part in the ACTS Anti human-trafficking Group.

The glory that you have given me I have given them, so that they may be one, as we are one, I in them and you in me, that they may become completely one, so that the world may know that you have sent me and have loved them even as you have loved me. Father, I desire that those also, whom you have given me, may be with me where I am, to see my glory, which you have given me because you loved me before the foundation of the world.
(John 17:22-24)

Enabling Ministry in every part of Scotland

The Parish Minister has a pivotal place in congregations and communities, enabling and coordinating ministry and exercising a servant-leadership role. Ministers preach, teach, administer the sacraments and lead worship as well as offering support and encouragement to people on the journey of faith. Ministers care for people in a wide variety of circumstances, including times of deep sorrow and of great joy. They are invited into people's homes; meet them at work, in hospital, at school and in many different places. Ministers occupy key roles at baptisms, weddings, funerals and other critical points in the life of individuals and the community.

The Church of Scotland recognises a variety of ministries in addition to the full-time ministry of Word and Sacrament (Parish Ministry). These include Ordained Local Ministers (OLMs and Auxiliaries); Deacons; Readers; and a wide range of Ministries Development Staff (MDS). All of these groups work together with Elders and the wider people of God locally in living out the Gospel of Jesus Christ in a multitude of forms of mission.

At the time of going to print there were 770 Parish ministers working throughout Scotland, with around 20 others serving in the International Presbytery and the Presbyteries of England and Jerusalem. The Church also has just under 100 MDS, employed through Ministries Council and managed locally. These posts involve working with congregations to develop the ministry of the Church through their specialist skills, for example, as youth workers, development workers or community workers.

Following the launch of the *Tomorrow's Calling* initiative in 2015, aimed at increasing recruitment to Parish Ministry, there has been significant engagement with our dedicated careers website. Ministerial recruitment was up to 23 this year. The Ministries Council has continued to work towards greater flexibility in the way in which training is delivered and to increase the financial support given to Candidates in training.

The General Assembly of 2015 commissioned research to be undertaken in the area of resilience in ministry in order to understand how

best to support people in ministry. This recognises the significant demands on ministers in responding to the full spectrum of needs which come their way. The Reverend Professor Leslie J Francis of Warwick University and a small working group from the Ministries Council developed a survey which was sent to all paid Ministers, Deacons and locums in 2016. The results of the research will be collated and will feed directly into the development of support systems for Ministers for the future.

The Church continues to invest in its Ministers and to improve the training and professional development programmes. As we strive to increase resilience for ministry, we also continue in practical ways to ensure the best for those who commit themselves in service, through the provision of good stipend levels. A stipend aims to release the Minister from worry about their own and their families' practical needs to be able to undertake the work of mission and ministry. Church of Scotland ministerial stipends remain among the best in the UK.

Let the elders who rule well be considered worthy of double honour, especially those who labour in preaching and teaching; for the scripture says, 'You shall not muzzle the ox as it treads out the grain' and 'the labourer deserves to be paid'. **(1 Timothy 5:17-18)**

Renewing Church structures and practices

We often hear it said that 'the only constant in life today is change' and it is probably the case that every organisation reviews itself on a regular basis to try to find ways in which it can achieve its overall objectives more effectively and successfully. The Church of Scotland is no different in this respect and we continue to review our structures and ways of working to ensure that they remain fit for God's purpose as well as to enable us to serve those in our communities.

Over the course of the past year the Panel on Review and Reform has been exploring local leadership structures, aware that many people have expressed the view that Kirk Sessions are not always best placed to provide the strategic leadership which the Church needs at this juncture in its history. Initial research has focused on other Presbyterian churches and the way they have addressed this challenge, but further work in the Scottish context will follow.

Some examples of the specific work which has been going on in relation to our structures and practices during 2016 are:

- The Joint Emerging Church Group has provided the space to consider innovative models for the Church, particularly those

being developed within the Fresh Expressions movement.

- Five Pioneer Ministry posts have been created for a five-year period to test out a range of alternative models of ministry. One of these involves working with the farming community in Ayrshire, another is examining the development of the ministry among the student population in and around Stirling University and a third is working with the artistic community in Glasgow.
- The Panel of Review and Reform has been leading the *Path of Renewal programme*, as described elsewhere in this report.
- Between September and November 2016, the Council of Assembly engaged in a series of roadshow events aimed at listening to as wide a range as possible of God's people who make up Church of Scotland congregations around the country. Almost 1,000 people turned out to share their thinking about the priorities which they feel should shape the direction of the Church of Scotland in the next phase of our common life. *On the Road* took the form of a 'World Café', where people discussed in small groups and kept a running record of

their conversations on paper tablecloths. The material written there was typed up following the events and that enabled the Council to gather a huge amount of information. This will be used in helping the Council to engage in drawing up a Strategic Plan for the future.

In addition to these initiatives, the Ecumenical Relations Committee has participated fully in a review of its work and that of the Ecumenical Officer, conducted by the Council of Assembly. The opportunity to do this within the context of seeking to discern strategic priorities has provided the Committee with an impetus to renew its focus on enabling an ecumenical vision for the Church to be developed. The Ecumenical Relations Committee also intends to carry out a review of policy in the coming year.

The Guild presented an Action Plan to the General Assembly 2015, looking at its future. During the past twelve months, a programme of roadshows in Guilds around the country has looked at membership, communications, branding and operations. This has resulted in a number of changes to the ways in which the Guild operates and communicates.

The Lord appeared to him from far away. I have loved you with an everlasting love; therefore I have continued my faithfulness to you. Again I will build you, and you shall be built. **(Jeremiah 31:3-4)**

Empowering Young People

The Church values young people and we are always looking for ways in which we can involve greater numbers in our congregational life. Their energy and enthusiasm can add an enormous amount to the Church's activities and achievements both locally and internationally. The Church has invested substantial effort into encouraging increases in the number of young people actively involved with us across the country. In 2016, the Panel on Review and Reform has been exploring how we might encourage and empower young people in leadership roles. It has concluded that nothing short of a major cultural change in local churches will allow this through building supportive, empowering and affirming churches who value the input of people of all generations with a willingness to shape roles around what 'fits' for younger generations.

Our activities in this area of the Church's portfolio continue to build on existing initiatives including the National Youth Assembly which has been under review in 2016 and awaits the outcomes at the General Assembly in May 2017. The Ecumenical Relations Committee has been proactive in encouraging a number of young people to become involved in national and international ecumenical bodies and events.

Locally, we have seen successful volunteering programmes in Arbroath and Glasgow under the auspices of the Ministries Council, which have enabled groups of three or four young people to live and work together in local church settings. This offers an opportunity to explore their sense of vocation, which may be towards ministry.

The National Youth Assembly 2016 was held at Gartmore House and was attended by 97 people. It gave the opportunity for young adults to meet with each other and to discuss a variety of topics in small groups and larger plenary sessions. This event gives voice to young people in the decision making process of both the NYA and the General Assembly of the Church of Scotland.

The Mission and Discipleship Council hosted their first *Youth Equip* event in October, which saw 50 young people wanting to grow in their faith, gathering together for a day exploring how music and the bible can be used in our communities and in our individual walk with God.

The annual awards of the Moderator's Medal and the Stevenson Prize at the General Assembly continue to encourage and promote creativity among young people in expressing ideas about faith, spirituality and a sense of mystery and wonder at the world.

The Church's Education Committee, part of the Church and Society Council, has continued to offer training and support to the Church's statutory representatives on local authority education committees and has established a project exploring school chaplaincy and how this important ministry to and with young people can best be delivered in different parts of Scotland.

In March 2016, a group of twelve students from the University of Strathclyde, Business School Faculty, Management Development Programme presented their reports on research projects they had completed for CrossReach services to the CEO, Peter Bailey, and members of the management team. The projects were undertaken as part of the students' Social Responsibility Pathway choice within the Management Development Programme. When asked for feedback the students all responded that working with CrossReach had raised their knowledge and awareness of the range of difficulties people face on a day to day basis due to social, economic or demographic disadvantage.

Let no-one despise your youth, but set the believers an example in speech and conduct, in love, in faith, in purity... Do not neglect the gift that is in you.

(1 Timothy 4: 12, 14)



Developing Leadership

Leadership takes on many forms within the Church. Whatever form it follows, it is based on the overarching concept of servant leadership. Leadership in the Church is always designed to ensure that the needs of others are served first and that our impact on the least privileged is a positive one.

There are many roles within the Church where leadership is required and congregations need leadership teams with varying and complementary skills. At the forefront of our leadership needs is the formation of ministers and this is referred to elsewhere in this document. In addition, though, consideration must be given to the needs of those who undertake the many other roles within the Church. We also need to develop the skills and capabilities of our younger members. The Panel on Review and Reform has been looking at positive ways of developing leadership across the Church and it will report on this to the General Assembly in 2017.

Around 150 participants attended a Session Clerks' and Office Bearers' Conference which took place under the auspices of the Mission and Discipleship Council in April 2016. It provided a diverse programme to enable participants to feel more confident in the fulfilment of the duties of their role. Topics explored included such diverse themes as trusteeship and legal issues; working with children and young people; using social media; congregational stewardship and finance; pastoral care; leadership and mission. The conference offered opportunities to network and share good practice. An online resource is to be launched in 2017 and the *Learn: Eldership* publication continues to sell well.

Much of our work with children and young people is done in local churches so the Mission and Discipleship Council works to connect, resource and inspire volunteers and locally employed workers. In 2016 four Community of Faith conferences took place around the country, specifically for those in churches with few or no children and young people. The demand for learning in this area is substantial and we are pleased to be able to report that all the conferences were fully subscribed being attended by nearly 400 people. Delegates enthusiastically engaged with recent and well-regarded research that points to new and more effective ways of enabling children and young people to grow in their faith. Congregations are encouraged to consider how they will change what they are doing to enable the young to be involved in all aspects of church life.

The Guild also organises conferences for Presbyterian Council Conveners, Resource Co-ordinators and Project Co-ordinators and it has recently published a new resource 'The Big Book of Gui(l)d Ideas' on alternative ways of leading and running Guild groups.



Vocation volunteer

Then the Lord put out his hand and touched my mouth; and the Lord said to me, 'Now I have put my words in your mouth. See, today I appoint you over nations and over kingdoms'.

(Jeremiah 1:9-10a)



The Lunch Club for People Living with Dementia at Mearns Kirk

Releasing the gifts of all the people of God



St Rollox

Like good stewards of the manifold grace of God, serve one another with whatever gift each of you has received.
(1 Peter 4:10)

The Bible teaches us that we all have gifts to use in God's work. It is the Church's duty to help people recognise and develop those gifts and the ability to exercise them.

Through the 'Go For It' programme, Ministries Council has supported 114 projects in 2016 (of which 42 were new awards), with an emphasis on community transformation and the development of new ecclesial communities through team working and collaboration with other agencies and groups. The aim of this programme is to make the threshold into church life easy to cross as a whole. It is also intended to strengthen and enable people to discover skills they might otherwise have ignored.

The Mission and Discipleship Council hosted a series of fringe events during the General Assembly of 2016 promoting new resources and publications such as 'The Invisible Church'. This is a study of those who still maintain a lively faith but have

given up on the institutional Church. It has been a Christian bestseller, selling over 2,000 copies in print and over 100 e-editions since it was published in May.

The Social Care Council's report to the General Assembly in 2016 included material about the ongoing work of the Social Care Mission Officer, whose responsibility is to empower local congregations to run social care projects. During the course of 2016, three existing projects have been supported and five new projects have been identified for support.

*Regardless of age
may my faith ever be renewed, O God,
within the promises you have set in me
and have invited me to uncover
over a lifetime of travelling.*
(Excerpt from Pray Now
– Word of Life).



Formartine Youth Club

Accountability

Structure, Governance and Management

Constitution

The Church of Scotland, part of the One Holy, Catholic and Apostolic Church, is the National Church in Scotland, recognised by the State but independent in spiritual matters. In one sense, its constitution cannot be written down in precise terms, as the Church has been built up, stage by stage, 'upon the foundation of the apostles and prophets, Jesus Christ Himself being the chief cornerstone' (Ephesians 2:20). In another sense, the Church's constitution may be said to be set out in certain important instruments. These include the *Articles Declaratory of the Constitution of the Church of Scotland in Matters Spiritual* (1921), the *Act anent Spiritual Independence of the Church* (1906) and the *Act of Union* (1929).

Organisation

Conciliar System

The distinctive feature of the Presbyterian system is that the Church's authority, received from the Lord Jesus Christ, is vested in Church courts and not in individuals. It is a conciliar system, in which legislative, judicial and administrative decisions, and supervisory actions, are taken corporately.

The Supreme Court is the General Assembly, which legislates for the whole Church. It is the final court of appeal, although in some matters it is the court of first instance. The General Assembly, which meets

each May, comprises around 850 Commissioners appointed by Presbyteries and made up of Ministers, Elders and members of the Diaconate. In addition to its legal function, the General Assembly has an administrative role. During the Assembly, the six Councils, the Standing Committees and agencies and any Special Committees or Commissions present their annual reports with proposals known as 'deliverances' which are accepted, rejected or amended by the Assembly.

The next highest court is the Presbytery. The Presbytery is responsible for an area made up of a number of parishes, served by congregations. There are 43 Presbyteries in Scotland, plus the Presbytery of England, the International Presbytery and the Presbytery of Jerusalem. Presbyteries are required to supervise and monitor congregations' compliance with Church and civil law, including the annual attestation of their accounts.

The lowest court is the Kirk Session of each congregation of the Church. The Kirk Session is responsible for spiritual matters. Many congregations have a separate Financial Board (a Congregational Board or a Deacons' Court or a Committee of Management) but in some congregations, the Kirk Session is also responsible for temporal and financial matters.

Congregations and Presbyteries are separate legal entities and they are not controlled by the Unincorporated Councils and Committees; their accounts are therefore not consolidated in these financial statements.

Unincorporated Councils and Committees

The Unincorporated Councils and Committees, appointed by and responsible to the General Assembly, support ministers and local congregations in carrying out the tasks of ministry, exercising pastoral care, engaging in mission and evangelism and Christian education work, and managing the Church's direct social care service throughout Scotland. They also act as a channel for expressing practical and vocal support at a national, international and ecumenical level, and ensure that legal requirements are being met by the whole organisation. The Unincorporated Councils and Committees employ permanent staff to carry out their remits in accordance with policy decisions taken by the General Assembly. Each Council has a Council Secretary who is responsible for appointing departmental staff and for delivering the Council's remit, the Secretary of the Council of Assembly being responsible overall for staff in the national offices. Committees and working groups of the Councils focus their expertise on distinctive areas of work and help to shape future policy.



Trustees from the Council of Assembly

Council of Assembly

The Council of Assembly of the Church of Scotland was set up by the General Assembly of 2004 to fulfil an executive function in setting priorities among the Councils and Committees of the Church in line with agreed strategy. It has the authority to take necessary administrative decisions between General Assemblies, to co-ordinate the work of the Church's national administration and to take decisions with regard to resources, finances and staffing. The Council also has responsibility for the annual submission to the General Assembly of the audited Report and Financial Statements of the Unincorporated Councils and Committees.

The Council of Assembly's Finance Group has financial oversight of each Council and Committee in order to ensure good stewardship so that the worship, mission and service of the Church are delivered

effectively. This also ensures that financial management is in accordance with best practice and UK Generally Accepted Accounting Practice, as well as meeting the requirements of the Office of the Scottish Charity Regulator. The Audit Committee works with the external auditors of the UCC to ensure proper financial reporting practice and compliance with charity accounting requirements. It considers any matters raised by the external auditors for the attention of the Trustees and management. It is also responsible for reviewing and approving the annual internal audit plan and monitoring the findings of the internal auditors. The Committee is constituted to ensure its independence.

Voting members of the Council of Assembly are the Convener, Vice-Convener and ten members appointed by the General Assembly

on the Report of the Church's Nomination Committee together with the Conveners of the other five Councils and of the Panel on Review and Reform. These voting members were designated as the charity trustees of the UCC by the General Assembly of 2010.

The Council of Assembly meets regularly to receive reports from all of the Councils, together with reports on finance, staffing, strategy, communication and governance matters. Audit Committee minutes are submitted to the Council for information. Conveners of Standing Committees are invited once a year to deliver reports on their work. Minutes of the Council of Assembly and the five Councils are published on the Church of Scotland website.

Other Councils and Committees

The five Councils are as follows:

- > **Church and Society Council:** engaging in the national, political and social issues affecting Scotland and the world today;
- > **Ministries Council:** supporting a variety of ministries for the Church, from the first stirring of a 'call' through to retirement;
- > **Mission and Discipleship Council:** promoting an overall focus for worship, mission and discipleship;
- > **Social Care Council:** offering services in Christ's name and specialist resources to further the caring work of the Church to people in need;
- > **World Mission Council:** working internationally to share the gospel, support theological education and encourage holistic ministry.

In addition to the five main Councils, there are six Committees, much of the work of which is directed towards good governance and effective administration.

The Committees are:

Assembly Arrangements, Chaplains to Her Majesty's Forces, Ecumenical Relations, Legal Questions, Panel on Review and Reform and Safeguarding. Their main tasks are:

- > **Assembly Arrangements:** organising the General Assembly and Commissions of Assembly;
- > **Chaplains to HM Forces:** supporting chaplains and those dedicated to the spiritual wellbeing of the women and men of the Armed Forces;
- > **Ecumenical Relations:** promotion and support of ecumenical working, as set out in the Articles Declaratory;
- > **Legal Questions:** advising on questions of Church law and constitutional law affecting the relationship between the Church

and State;

- > **Panel on Review and Reform:** listening to the local church, considering the Church's changing needs, challenges and responsibilities and developing the Church's overall vision;
- > **Safeguarding:** ensuring that work with children and vulnerable adults meets the requirements of civil legislation and regulation and that the Church is a safe place for all.

Since the General Assembly 2016, the Central Services Committee, which is responsible for managing the Church Offices and its service departments along with the employment of the operational staff of the UCC based at 121 George Street, Edinburgh and elsewhere, has become a Committee of the Council of Assembly and now reports through it to the General Assembly.

Subsidiary Undertakings

There are four subsidiary undertakings. St Andrew's Galilee Limited and St Andrew's Scottish Centre Limited are incorporated to manage the Scots Hotel in Tiberias and St Andrew's Scottish Guesthouse in Jerusalem respectively. As well as having the objective of generating funds for the Church's charitable activities in the Holy Land, the hotel and guesthouse provide a base for visitors to witness the work of the Church of Scotland in Israel and the Occupied Palestinian Territories, and as a visible witness of solidarity and faith with local Christians. The Financial Results are described on page 74 and on note 29 to the financial statements.

CrossReach Trading Ltd raises funds for the Social Care Council from the sale of calendars and cards and also raises awareness of the Council's work.

Tabeetha School in Jaffa, Israel, operating as a not for profit organisation, educates children from over 30 nations and from Christian, Muslim, Jewish and other religious backgrounds. The Church believes that it is through learning and working together that nations can live together in peace.

Appointment, Induction and Training of Trustees

Members of the Councils and Committees, including the Council of Assembly, are appointed by the General Assembly through the Nomination Committee. The Nomination Committee is appointed by the General Assembly. Consideration is given to the Council or Committee's need for qualifications and expertise when deciding upon those to be nominated. It is the policy of the General Assembly, as far as possible, to ensure a balance of members by gender, age and geographical location. An open and rigorous recruitment process is followed for nomination to the Council of Assembly; all vacancies are now filled, subject to General Assembly approval, by persons who have responded to an advertisement, demonstrated possession of the required skills and undergone a panel interview.

Each new member is provided with a copy of the remit of the Council or Committee, guidance notes on the responsibilities of a trustee, a calendar of meeting dates and copies of the Minutes of the most recent meetings. Trustee members of the Council of Assembly also receive a copy of the Code of Conduct for Voting Members as Charity Trustees. This includes guidance on the declaration and registration of interests and on the payment of expenses. All Council and Committee members are briefed on the remit

and responsibilities of their Council or Committee and are thereafter updated on governance and charity matters and the effect, if any, on the remit and responsibilities of the Council or Committee.

In addition, the Council of Assembly holds an annual introductory meeting for incoming Council and Committee Conveners and members, shortly before the General Assembly at which they will take up their duties, at which they receive the latest Annual Report and Financial Statements and General Assembly Report and receive comprehensive briefings from office-bearers on charity law and on the structure, legislative processes and current work of the Church. A separate session is held for Conveners to introduce their particular responsibilities. Conveners and Secretaries ensure in the course of the year that members of Councils and Committees receive the support and information they need to discharge their duties responsibly and well.

Senior Management

A Senior Management Team supports the coordinating and decision-making work of the Council of Assembly and ensures the efficient implementation of the decisions of it and the General Assembly. The group is chaired by the Secretary to the Council of Assembly, and its members include the Principal Clerk, Council Secretaries and heads of the main support departments. The Senior Management Team is accountable to the Council of Assembly. Senior staff members of the Church are responsible for the operational management of their departments under the general direction of their Councils and Committees and for implementing the policies of the General Assembly; a formal Scheme of Delegation

was introduced in 2015. Senior Management pay is based on a comprehensive job evaluation system with staff placed on one of eleven bands.

Reporting Structure

The financial statements of the Unincorporated Councils and Committees include the financial results of the five Councils and a number of Support and Services Departments together with Other Funds which include approximately 150 Trusts, the Mission and Renewal Reserve Fund, Housing and Loan Fund and the Church of Scotland Guild. The consolidated financial statements also incorporate the financial results of three subsidiary undertakings, St Andrew's Galilee Limited, St Andrew's Scottish Centre Limited, companies incorporated in Israel, and Tabeetha School in Israel registered as a non-profit organisation. The share capital of both companies is held by the Church of Scotland Trust on behalf of the World Mission Council which has given indemnity to the Trust in respect of all liabilities arising from its shareholdings.

General

Further information about the activities of the Church of Scotland and its individual Councils and Committees can be found on the Church of Scotland website. More detailed reports and information, including names of all Council members, can be found in each year's Reports to the General Assembly ('the Blue Book'), which is issued to all General Assembly Commissioners and is available for purchase from the national offices on George Street, Edinburgh. The Church also publishes a Yearbook with contact details for its Presbyteries, congregations, ministers and senior officials and this also contains useful general information about the Church; the Yearbook

is available for purchase from the national offices.

Audit and Compliance

The Audit Committee's remit includes responsibility for reviewing the systems of internal control and oversight of the Internal Audit function. This function is delivered by Deloitte as the appointed Internal Auditors and the Audit and Compliance Officer.

Deloitte produce an annual programme of work based on an assessment of audit risk which seeks to ensure that all the main areas of activity are periodically reviewed. Audit reports are submitted at the end of each assignment and an annual audit report is made to the Audit Committee expressing an opinion on the systems of internal control in place in the Unincorporated Councils and Committees. Deloitte conducted a number of reviews in 2016 covering the following areas:

- Review of Church of Scotland Guild
- Review of Business Unit Controls - CrossReach
- Extended Testing on Overseas Payments
- Review of IT Risk Management
- HR and Payroll System Implementation Project Review

They have reported to the Audit Committee that, on the basis of the work undertaken for the year ended 31 December 2016, they consider that the UCC of the Church of Scotland generally had an adequate framework of control over the systems examined except in relation to the priority one matters highlighted in their reviews of overseas payments; IT Risk and Resilience Management, and; CrossReach business unit financial controls.

This conclusion is conditional upon satisfactory implementation of recommendations from previous audit reports.

Risk Management

In the course of 2015 and early 2016, the Council of Assembly embarked on a full-scale review of risk management processes to ensure that they were delivering a capable, efficient and cost-effective management of risk. With the assistance of an external consultant, staff completed a full gap analysis, drafted a new risk management policy, completed a risk matrix, reviewed the governance and risk management structures and delivered risk management workshops to key decision-makers. These were scrutinised and adopted by the Council and a Risk and Resilience Group established to coordinate an effective and consistent approach to ongoing risk management.

The Council continues to review, amend and finalise the central risk register, deliver further training and implement a process of risk mitigation. Through these measures, the Council seeks fully to embed a thorough process of risk management into the day-to-day working of the national administrative function. The Council of Assembly, Audit Committee and Risk and Resilience Group will together oversee the management of risk, ensuring the process is both effective and efficient.

The principal risks on the Council's risk register, with comments on the management and mitigation of these risks noted below each heading, are as follows:

Declining and ageing membership

The Church of Scotland's membership is decreasing by

approximately 3% each year, mainly through the death of older members and the difficulty in encouraging younger people into Church membership. This has a potential impact on the income of the Church although preliminary figures for 2016 show that congregational income actually increased by a small percentage. Our data shows that congregations thrive best where there is inspirational local leadership. The Church, through the Ministries Council, has invested in *Tomorrow's Calling*, a multi-media campaign to encourage people, particularly younger people, to think about Ministry as a career. It is also investing in new training models for ministry, considering ways of improving the financial support offered to students and candidates, reshaping the pastoral and personal support programmes for ministers and offering a programme of continuing ministerial review and development. At the same time, the Church, through the Mission and Discipleship Council, Priority Areas, the Guild and the *Go For It* project is offering improved training and resources for local leadership.

The Council of Assembly is encouraging Presbyteries to share their resources to support local congregations, for example in safeguarding. The Mission and Discipleship Council has increased its work with children and young people, offering both training events and resources for congregations who wish to increase the numbers of children and young people at a local level. More generally, the Mission and Discipleship Council has increased its focus on supporting creative worship practices so that people can have a transforming encounter with God. Training events and downloadable worship resources are both offered, the latter proving

particularly popular. The Council of Assembly conducted 16 Roadshows across the country to engage the Church in how we can plan for the future. This process has allowed it to hear from the local church and look forward positively towards how our strategic plan can look to help in mitigating this risk.

The Council of Assembly believes that this risk remains high but that the actions in mitigation are permitting it to be appropriately managed in the short term.

Business Continuity

In 2015, internal audit reports identified a significant risk to the UCC arising from the absence of a recently reviewed and tested co-ordinated business continuity plan. Over the course of 2015 and 2016, working together with an external consultant, staff have completed a review of business continuity needs and the arrangements required to meet these. This has resulted in the creation of a business continuity plan for the Unincorporated Councils and Committees. A Recovery Team, comprising key staff members in a variety of key roles, has been identified and trained to respond in the event of an incident and a recovery location has been established. We are now working to put essential processes in place to ensure that we can recover fully in the event of an incident. Testing and training has been undertaken and will continue to be refreshed on an annual basis.

IT Provision

IT infrastructure is a vital part of the running and management of any modern institution – no less the Church. In the past year there has been a developing awareness of the need for investment in new systems.

Volatility in funding for social care

The Social Care Council, trading as CrossReach, provides a range of residential and day care services throughout Scotland, many of which are largely funded by public authorities, including local government. Government controls on local authority spending have resulted in cuts in public funding for aspects of care and CrossReach, along with other private and charitable sector care providers, has experienced fluctuations in its income.

In light of these changes the Social Care Council set up a Business Strategy Group in 2016 to consider all aspects of the work of CrossReach. The outcome of the work of this group will form the Council's report to the General Assembly in 2017 in which they will set out a Strategic Direction of Travel for the organisation, introducing revised financial principles along with closer monitoring and review of all services and service areas. Given the current changes and challenges in the social care sector the Council will continue to engage with all commissioners of service to press for adequate funding to cover the costs of the support provided to people across Scotland.

The risk for the Social Care Council remains but the Council of Assembly believes that the actions taken in mitigation are appropriate.

Financial Review

Financial Review for the Year Ended 31 December 2016

The Church's charitable aim, the advancement of religion, participating in Christ's ministry, to worship and serve God, is achieved through a wide range of activities. A substantial amount of our financial resource is devoted to the provision of this ministry with a further focus of resources on those who need our care – the vulnerable, displaced or exploited – all in Christ's name. In 2016 the Unincorporated Councils and Committees expended £112.5 million (2015: £107.3 million) on meeting this objective as detailed in the following report.

Income Overview

Income from all sources in 2016 was £113.5 million, an increase of £3.3 million on the previous year for two underlying reasons - an increase in legacies of £1.5 million, and an unrealised foreign currency gain of £1.6 million.

Other categories of income were overall unchanged, but with a decrease in congregational contributions receivable being offset by increased donation, grant and trust income.

Congregational contributions receivable were £0.1 million less than in 2015. The discretionary allowance available to Presbyteries to reduce congregations' contributions in their area was increased from 4% to 5% as detailed below, resulting in less income to the national Church and more income available to be used at a local level.

Other donations, grants and trusts income was £0.2 million more than in 2015, a very positive sign.

Income from Charitable Activities, mainly relating to CrossReach, remained at the same level as 2015 overall,

with a slight reduction in CrossReach income offset by increased income elsewhere. Inadequate funding for Social Care services throughout Scotland was a well-documented feature of 2016 and CrossReach management at all levels made monumental efforts to maintain levels of occupancy and funding, including in its Services to Older People which was particularly affected. Other services such as Children and Families compensated to an extent, maintaining good levels of occupancy and income.

Income from Other Trading Activities of £6.2 million largely comprises trading income from the Israeli subsidiaries of £5.3 million (2015: £4.5 million) and CrossReach's fundraising income of £0.7 million (2015: £0.9 million). An area of continued development for CrossReach is where congregations and local communities can play an active role. The Council of Assembly provided a grant in 2016 to fund a Mission Officer to further develop these relationships.

The table below outlines the trends in the Church's main categories of income over a five year period.

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Income by Type					
Congregational Contributions	46.8	46.7	48.0	48.6	48.8
Social Care	41.9	42.3	43.3	45.3	46.2
Other Charitable Activities	3.8	3.5	3.4	3.4	3.5
Legacies	3.7	2.2	1.2	3.0	2.7
Donations, Trusts, Grants	2.0	1.8	2.4	3.6	1.7
Other Trading Activities	6.2	5.6	5.1	5.4	4.5
Investment & Other	9.1	8.1	6.7	9.7	4.9
Total	113.5	110.2	110.1	119.0	112.3

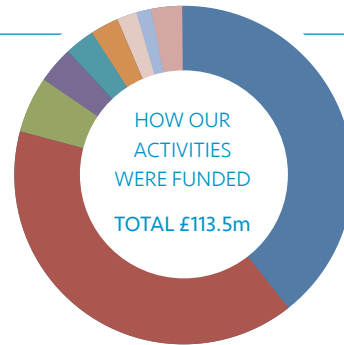
- Congregational Contributions are amounts receivable from all congregations in Scotland and beyond based on their average assessable income over three years and calculated using a scale to allocate an amount of Ministries and Mission contribution to each congregation. Most of this funds the provision of Ministers and others providing Ministry at a local level, as well as funding the wider mission and support costs needed to enable this work to be carried out.
- Social Service Income supports the charitable activities of CrossReach, the Church's Social Care arm, and comes mainly from care contracts with local authorities, as well as self-funding clients.
- Other charitable activities are programmes with charitable aims which also provide the Church with income such as the production of publications such as Life and Work.

Trends in Congregational Income

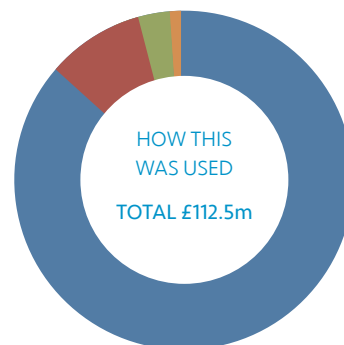
The level of giving within congregations, on which Congregational Income is based, has flattened in real terms over recent years but, given the reduction in membership numbers, has remained remarkably resilient thanks to the continued generosity of members and adherents. However initial analysis of income at a congregational level in 2016 shows a decline in offerings. Trends in income are being monitored with a view to providing future projections of the amounts available to fund the Church's Ministries and Mission. Since its inception in 2011, the National Stewardship Programme has helped congregations increase their income, estimated overall at around £1 million measured over a three year period, where a Stewardship Consultant's services were used. Although take-up has generally been good, there remain a number of Presbyteries where few if any congregations have taken part and we need to understand the reasons for this to inform future Stewardship Programmes. We also encourage congregations who have already taken part to see the Programme as a cyclical process rather than a one-off event. Further analysis and review is underway to establish the success of the Programme both in terms of financial and non-financial outcomes, and informing the shape of future work in this most strategic area of the Church.

Numbers of ministers are declining and over the period illustrated above the Council of Assembly has recognised that congregations should not continue to fund Ministries at the same level through the Co-ordinated Budget, which sets the annual amount to be met by congregations. They have therefore reduced congregational contributions in two ways. The first is by increasing the Presbytery Discretionary Allowance initially from 3% to 4%, and then to 5%, and the second by increasing vacancy allowances to those congregations without a minister. The Discretionary Allowance has allowed Presbyteries to fund innovative mission projects and assist individual congregations with financial difficulties.

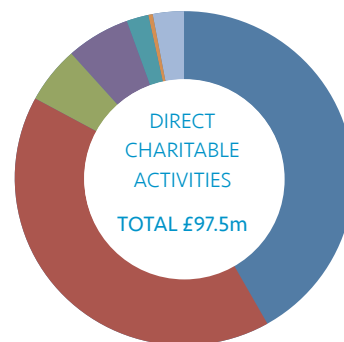
The income recorded in the Statement of Financial Activities (SOFA) represents contributions on the annual statements of requirements issued to congregations, less any 5% reductions given by Presbyteries, less vacancy allowances given to eligible congregations. As shown on Note 4 to the Financial Statements, stipend endowment and glebe rental income totalling £3.3 million was also received from the General Trustees, giving the total income recorded of £46.8 million.



- Congregational Contributions: £46.8m – 41.2%
- Social Service Income: £41.9m – 36.9%
- Other Trading Income: £6.2m – 5.5%
- Income from Investments: £4.3m – 3.8%
- Property Disposals: £3.2m – 2.8%
- Legacies: £3.7m – 3.3%
- Donations, Grants, Trusts: £2m – 1.8%
- Currency Gain: £1.6m – 1.4%
- Other Charitable Activities: £3.8m – 3.3%



- Direct Charitable Activities: £97.5m – 86.7%
- Support Costs: £7.8m – 6.9%
- Income Generation Costs: £6m – 5.3%
- Impairment Loss on Fixed Assets and Other Costs: £1.2m – 1.1%



- Providing Ministers: £40.7m – 41.7%
- Social Care Provision: £40.2m – 41.2%
- World Church Engagement: £5.3m – 5.4%
- Wider Church Support: £5.9m – 6.1%
- Leadership in Mission: £2.2m – 2.3%
- Engagement with Society: £0.5m – 0.5%
- Other Programmes: £2.7m – 2.8%

Presbyteries can use part or all of the 5% allowance to assist congregations in paying their contributions and this has assisted in the collection of congregational contributions due and a reduction in the provision required against congregational debts in 2016. Notably, 98.7% of the current year's contributions had been received by the year end. Presbyteries are responsible for ensuring that these payments are made in accordance with the Regulations and for the general governance of congregations, including addressing any particular financial issues arising. The change in regulations agreed by the 2016 General Assembly should assist further with the collection of outstanding amounts from congregations which had previously not been paid.

Growth in Donations for Specific Projects

Our members have remained committed to supporting projects of the Church, reflected in voluntary donations from individuals, congregations and organisations remaining at the £1 million mark over several years, and increasing to £1.3 million in 2016. The two areas of work which attract the majority of donations are World Mission and Guild projects. Support for World Mission's HIV Project remains consistent, and since the earthquake in Nepal in 2015, there has been an overwhelming response, with £0.27 million received for the 'Let Us Build A House' appeal. The Guild received a similar amount for its projects. Given that congregations and individuals have faced their own financial pressures during the challenging economic environment, this is again very encouraging and demonstrates the potential for our projects to enthuse donors. The bigger challenge is to receive unrestricted donations and the Stewardship team is currently working on ways of promoting these, including introducing an on-line donation facility to the Church's website, with donations being credited to the Mission and Renewal Fund. Currently World Mission and Social Care are the only Councils permitted by the Council of Assembly to appeal to congregations for funding of specific projects.

Legacies Making a Real Difference

For many people, leaving a legacy in their will is a final opportunity to make a lasting gift to God and a way of

was £3.7 million and this included a single legacy of £1.2 million, following on from £0.8 million in the previous year. This unrestricted bequest was made by a former member of a congregation in the International Presbytery, and the Church is often remembered in the wills of members, former ministers, staff and supporters. All of these are gratefully received. In each of 2015 and 2016 CrossReach benefited from over £0.8 million in legacies, mainly for its Care Homes, and in some cases providing a lifeline during a difficult year for some services. The funds of New College, held in the Financial Statements of the Unincorporated Councils and Committees, received £0.4 million from a former College principal to provide bursaries.

Legacies without restrictions are vital to the Church, because of the flexibility to be used where most needed. Unrestricted legacies for any work of the Church were £2.1 million (2015: £0.9 million) and these were used to reduce the amount required for mission work which might otherwise be funded by congregational contributions.

Investment Income Funding the Church's Work

Investments provide a source of income for Councils and Funds as well as safeguarding the future of the Church. Investment Income of £4.2 million was slightly higher than in 2015 (£4.0 million). Ministries Council sold investments to fund past service pension deficit contributions but was able, along with other Councils and Committees, to identify other mainly restricted funds which could be invested to provide higher returns. Dividend distribution rates paid by the Investors Trust were maintained at the same level for the fourth consecutive year. Other income was from Gains on Disposal of Property of £3.2 million, mainly by the Housing and Loan Fund.

An unrealised gain of £1.6 million on Foreign Currency was recorded under income in the SOFA. This relates to the bank deposit held by World Mission Council as security for the bank loan of St Andrew's Galilee Ltd., and was as a result of the significant devaluation of sterling against the US dollar following the vote to leave the EU.

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Expenditure					
Charitable	97.5	97.2	101.5	105.3	109.4
Support	7.8	7.9	7.6	7.9	7.5
Other	7.2	2.2	6.4	19.5	1.2
Total	112.5	107.3	115.5	132.7	118.1

making a real difference to the future of the Church. Legacies gifted to Councils of the Church such as CrossReach and World Mission enable work which might not otherwise be possible, and the income from legacies of bygone years is still being put to good use. In 2016, Income from Legacies

Expenditure Overview

The Church's most valuable resource is its people and so the largest part, over 70%, of its spending, is on salary and stipend costs. This includes almost 1,000 ministers and Ministries

Development Staff, overseas Mission Partners, 1,200 (full time equivalent) Social Care staff, and support staff. There are other costs associated with the running of such a large and complex charity, outlined on the table below.

Charitable Expenditure

Continuing Challenge of Providing Ministries

The downward trend in charitable expenditure over the last five years is largely as a consequence of the difficulty the Church has found in finding sufficient ministers to fill vacancies as ministers retire. However, 2016 saw a levelling off in the decline in numbers, albeit temporarily, and Expenditure on Direct Charitable Activities increased slightly to £97.5 million. This partly reflects the trend over the past five years for ministers delaying their retirement. The Church's "Tomorrow's Calling" initiative, launched in 2015, is a key strategy aimed at addressing recruitment, as well as providing higher bursaries to those undertaking ministerial candidate training. The Ministries Council is considering other initiatives for the provision of Ministry and each year ministers move to the Church from other denominations, but the rate of retirement of ministers means that replacements will still not keep pace in the immediate future.

Priority Areas

The Church of Scotland provided financial support of over £3.5 million (2015: £3 million) through contributing to Parish Ministers Stipends, employment of Ministries Development Staff and the funding of a range of incentives directly in support of the poorest parishes in Scotland. 49 ministers and 34 Ministries Development Staff were working in these areas in 2016.

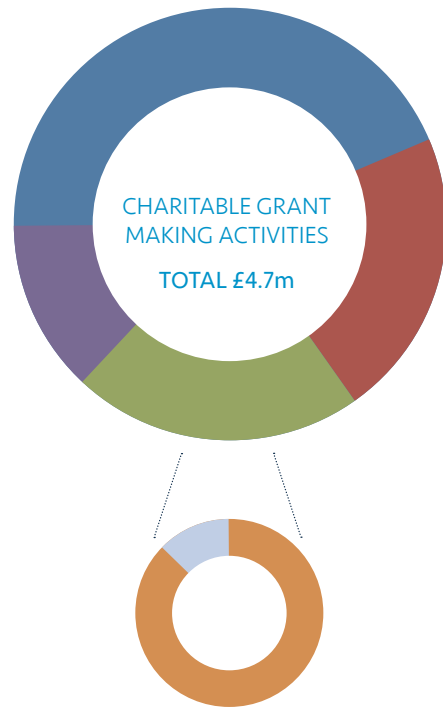
Social Care

Direct charitable expenditure of £40.2 million on CrossReach, the Social Care Council was at a similar level to 2015 (£40 million). Planned expenditure on restructuring its Residential Care and Education Service, originally budgeted for 2015, has been deferred for a further year and is now anticipated in 2017. This relates to finding a suitable site for one of the units, now almost finalised.

Stringent cost control measures were again applied but there was further pressure on wage costs, with agency staff being used in many instances because of difficulties in recruiting staff. Pension deficit payments of £1 million were made to the Church's defined benefit pension schemes and the costs of the schools also included payments to Local Government Pension Schemes.

Grant Making Activities

Grants awarded overall by The Church have increased from £2 million in 2010 to £4.7 million in 2016, with a slight increase in 2016. They are awarded in accordance with set criteria and evaluation systems are in place to ensure full accountability.

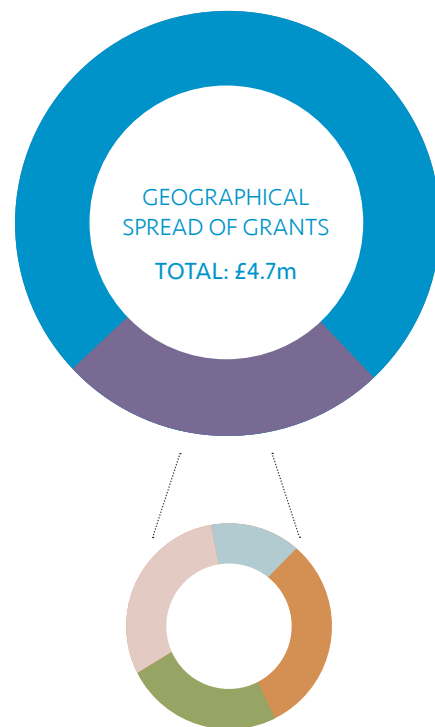


Grants to Institutions

- Community Projects including Go For It: £1.8m – 38.4%
- Theological Education and Partner Churches: £0.8m – 17%
- Payments to Support Individual Congregations: £0.8m – 17%
- For the Relief of Poverty: £0.5m – 10.6%

Grants to Individuals

- Bursaries and Educational Purposes: £0.7m – 14.9%
- Cases of Hardship and Project Work of the Charity: £0.1m – 2.1%



- UK: £3.4m – 72.3%
- Africa & Caribbean: £0.4m – 8.5%
- Asia: £0.3m – 6.4%
- Europe: £0.4m – 8.5%
- Middle East: £0.2m – 4.3%

We facilitated capacity building in local congregations by the payment of grants from the Go for It Fund, which again awarded just over £1 million in 2016, and through the funding of projects run by Ministries Priority Areas such as Chance to Thrive. £1 million awarded in grants translates into an even higher number once the matched funding then achieved by congregations is added.

£0.23 million of grants were made to the Faiths in Community Scotland Action Fund and other projects included WEvolution and "theGKexperience" to deliver the Church of Scotland's gospel to the poorest and most marginalised.

Other Expenditure – Pensions De-risking

The Other Expenditure in the above table fluctuates annually because it includes defined benefit pension scheme adjustments as required by Financial Reporting Standards. Since 2008 the Church has made substantial deficit repair payments to its defined benefit pension schemes, some from reserves. In addition, in 2013 and 2014 £2 million and £1.5 million respectively were paid by Ministries Council to enhance the pensions of retired ministers with service before 1997, using funds provided by the Housing and Loan Fund. Payments of £1.2 million were made in repairs to the defined benefit pension schemes in 2016. The Ministries Council was able to cease payments to the Pension Scheme for Ministers and Overseas Missionaries towards the end of 2016, due to the results of the triennial valuation of the Scheme showing a surplus.

In the table previous, the sharp increase in other expenditure in 2013 was as a result of the effects of closing the defined benefit pension schemes to future accrual. This is not money 'lost' to the Church, but sits within the Pensions Reserve and may be used against other pension costs. The closure to future accrual of the defined benefit schemes from 1 January 2014, and the matching of scheme assets to liabilities, has already significantly reduced the volatility of results reported under Financial Reporting standards year on year. This demonstrates that these decisions, taken in the context of the Church, and in common with many other employers, have resulted in a much more stable financial position.

	Indicative Budget Deficit	Revised Budget Deficit
Council	£000's	£000's
Ministries	(1,002)	(1,498)
Mission & Discipleship	(38)	(86)
World Mission	-	(166)
Social Care	-	(2,475)
Church & Society	(27)	(156)
Support Services	(98)	(305)
Total	(1,165)	(4,686)

Plans for Future Periods

The General Assembly agreed indicative budget deficits of £1.1 million for 2017 for Councils and departments but the revised budgets for 2017 will be significantly worse as outlined previously. There are particular reasons for this as detailed, and the Council of Assembly is working closely with all areas to reduce the deficits.

In the case of the Ministries Council, the revised budget is due to re-forecasting ministry post numbers in the light of more recent information which shows that fewer Ministers than anticipated have retired in 2016.

Mission and Discipleship and World Mission plan to use restricted funds to continue with programmes of work and Church and Society will be drawing on reserves for the same reason, although their budget also includes costs of the Church's Refugee Project which are being met from a designated fund to which other Councils have contributed. The Social Care Council faces a challenging year financially, with the main reason for the deficit budget being the delay in the schools restructure mentioned above. The deficit currently includes c.£1 million of pension deficit repair contributions. The Council of Assembly has agreed to provide CrossReach with financial assistance to make these payments.

The Council's Strategy Group is continuing its work, as proposed by the Joint Working Group on Strategic Resource Allocation, in prioritising the 13 strategic objectives contained within the existing Strategic Framework, allowing the Council of Assembly and the General Assembly to allocate resources to those activities which best support the mission of the Church. A full report will be brought to the 2018 General Assembly.

Reserves

Reserves are held mainly at Council and Committee level, other than an operational reserve held centrally, known as the Mission and Renewal Fund.

This fund, £3.5 million as at 31 December 2016 (2015: £2.8 million) is reliant on unrestricted donations, legacies and investment income, and has been used to contribute to the work of Councils and Committees which otherwise would not be able to be funded at all, as well as providing an operational reserve to meet unexpected expenditure.

Income, which will not necessarily follow past experience, was £2.3 million in 2016, including a single unrestricted legacy of £1.2 million. Accumulated reserves as well as annual income on the Fund have been used to supplement the budget in recent years but the Trustees now aim to maintain a reserve of at least £2 million to meet any temporary shortfall on income, or other financial contingency. This would represent approximately

3 months' expenditure of the Unincorporated Councils and Committees excluding Ministries Council whose work is funded by the Parish Ministries Fund and investment income. As at 31 December 2016 the fund stood at £3.5 million (2015: £2.8 million) but £1 million of reserves will be used over 2017 and 2018 to meet part of the Social Care Council's past service pension deficit contributions.

In the longer term, i.e. 5-10 years the Trustees aim to increase the reserve to cover 3–6 months of expenditure. The effect of this will be to significantly reduce the annual budget contribution.

Reserves held at Council and Committee level are generally treated as being restricted for their work, although there is some entirely unrestricted income. Within Councils and Committees there may be additional restrictions and where this is the case, the Council of Assembly has urged Councils to use these funds as part of their budget. Much of the funds held have originated from previous legacies and property sales, but also from historic reorganisations of the Church's Boards and Committees, and research is ongoing to determine the extent of the restrictions to inform future Reserves Policy.

The level of reserves held varies considerably across Councils and Committees and further details are given in notes 25 to 28 of the Financial Statements.

As at 31 December 2016 reserves available for the ongoing work of Councils, categorised as being total funds excluding fixed assets and endowments, but including some restricted funds, were £106.8 million (2015: £106.3 million) which equates to approximately twelve months of work. The Trustees consider that this is an appropriate level of reserves taking into account the following factors:

- > The level of congregational income upon which half of the income is based has been generally resilient;
- > A relatively high level of reserves is required to meet the stipends of ordained ministers due to the nature of ministerial tenure and the broad range of the Church's operations;
- > Each Council monitors its reserves and has strategies in place to balance budgets and use reserves appropriately; and
- > Ongoing research into the restrictions on Councils' reserves.

The negative pensions reserve of £7.9 million is attributable to CrossReach's share of the deficits in two Local Government Pension Schemes (LGPS). See note 31 of the Notes to the Financial Statements for more information.

The funds of the Israeli Subsidiary St Andrew's Galilee Ltd are in deficit as detailed in note 29 to the Financial Statements

and this also accounts for the overall deficit on unrestricted funds on the consolidated balance sheet. This is largely due to the high depreciation cost on the hotel construction whose infrastructure was designed and built to service 120 bedrooms but due to the construction being curtailed, only 70 rooms were built, resulting in reduced revenues. Steps have been taken to remedy this including the construction of the Wellness Centre which has been adding to revenues since 2015.

Investment Policy

Under powers given by the Church of Scotland (Properties and Investments) Order Confirmation Act 1994, the Unincorporated Councils and Committees are permitted to invest, to an unlimited extent, in the funds provided by The Church of Scotland Investors Trust. Any investment outwith the Trust is subject to the provisions of the Charities and Trustee Investment (Scotland) Act 2005.

The Unincorporated Councils and Committees manage their investments to maximise the overall return on funds. The Council of Assembly has a policy of using only the Investors Trust and protocols have been put in place to ensure proper governance and accountability between the two parties.

The Investors Trust has an ethical investment policy and investment is avoided in any company whose management practices are judged by the Trustees to be unacceptable. In particular, investment is avoided in any company substantially involved in gambling, tobacco products, alcohol, armaments and other activities which are felt to harm society more than they benefit it. In general, investment is sought in companies that demonstrate responsible employment and good governance practices, have regard to environmental performance and human rights and act with sensitivity to the communities in which they operate.

The Investors Trust offers three funds - the Growth, Income and Deposit Funds, and investors obtain the benefits of professional management, continuous portfolio supervision, spread of investment risk and economies of scale.

The Growth Fund is mainly invested in equities and aims to provide a growing annual income sufficient to meet the Trustees' target distributions and to provide an increase in the value of capital long term. The Fund is managed by Newton Investment Management Limited.

The Income Fund is mainly invested in fixed interest securities and aims to provide sustainable income and to protect the nominal value of capital. The Fund is managed by Royal London Asset Management.

The Deposit Fund is intended for short-term investment and aims to provide a competitive rate of interest, whilst preserving nominal capital value. The Fund is invested in short-term deposits with banks and building societies and is

managed by Thomas Miller Investment Limited. The short-term cash of the Unincorporated Councils and Committees is deposited with the Investors Trust or on overnight deposit with the Royal Bank of Scotland.

None of the Trusts' funds are exposed to complex instruments such as derivatives or interest rate swaps. The statement of investment policy is also reviewed annually and issued to each Manager to ensure the objectives of each fund are clear and any restrictions complied with.

Investment Performance

An internal benchmark, reflecting ethical constraints, has been agreed with the Managers of the Growth Fund in order to allow objective assessment to be made of investment performance. In 2016 the total return was 14.2% (2015: 5.6%) against the internal benchmark of 19.3% (2015: 2.9%). The Income Fund's total investment return was 9.1% (2015: 2.1%) compared with the benchmark return of 10.4% (2015: 0.6%). The Deposit Fund's average rate of interest paid for 2016 was 0.69% (2015: 0.63%) compared with an average UK base rate of 0.4%.

Pension Schemes

As described in Note 31 to the Financial Statements, the Church closed its defined benefit pension schemes to future accrual from 1 January 2014 (1 August 2013 for CrossReach) and in its place, ministers and staff are now able to join a defined contribution group personal pension plan with Legal and General. CrossReach had already operated a defined contribution plan for new staff since 2003.

In addition to a triennial valuation, the Scheme Actuary carries out a separate annual valuation in line with accounting standard FRS 102, which may result in a different funding position. The 31 December 2016 valuation improved to the extent that there were no deficits shown under any of the Church's Defined Benefit Schemes. There were increases in the irrecoverable surpluses over the previous year.

Certain employees of CrossReach are members of Local Government Pension Schemes (LGPS) and since 2014 FRS 102 valuations have been included in the Financial Statements, showing the Church's share of the deficit as £7.9 million (2015: £4.3 million). The combined defined benefit pension scheme deficit shown on the balance sheet is therefore £7.9 million (2015: £6.2 million). Note 31 to the Financial Statements gives full disclosures as required by FRS 102.

The Council of Assembly has set up a governance framework for the new defined contribution schemes to monitor their administration and the performance of Legal and General.

Other Recognised Gains and Losses

FRS 102 requires the disclosure of actuarial gains or losses during the year and the combined loss of £1.1 million (2015: gain £0.5 million) on all defined benefit schemes was disclosed under Other Recognised Gains and Losses.

Each year the Church's investments are revalued at the unit price published by the Church of Scotland Investors Trust and the resulting unrealised gain for 2016 was £9.5 million (2015: £0.5 million).

Responsibilities of Trustees

Statement of Trustees' Responsibilities

The trustees are responsible for preparing the Trustees' Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The law applicable to charities in Scotland 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 charity and the group and of the incoming resources and application of resources of the group 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 in the Charities SORP;
- > Make judgments and estimates that are reasonable and prudent;
- > State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- > Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the Financial Statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Approved by the trustees and signed on their behalf by:

Dr Sally E Bonnar MB ChB FRCPsych **Convener**
David J Watt BAAcc CA CPFA: **Convener, Finance Group**
Rev J Martin C Scott DipMusEd RSAM BD PhD **Secretary to**
The Council of Assembly

Edinburgh
10 April 2017

Auditors' Report

Independent auditors' report to the Trustees of The Church of Scotland Unincorporated Councils and Committees

Report on the financial statements

Our opinion

In our opinion, The Church of Scotland Unincorporated Councils and Committees' group financial statements and parent charity financial statements (the 'financial statements'):

- > give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 December 2016 and of the group's and parent charity's incoming resources and application of resources and of the group's and parent charity's cash flows, for the year then ended;
- > have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- > have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- > the group and parent charity balance sheets as at 31 December 2016;
- > the group and parent charity statements of financial activities for the year then ended;
- > the group cash flow statement for the year then ended; and
- > the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for

example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Other matters on which we are required to report by exception

Sufficiency of accounting records and information and explanations received

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- > we have not received all the information and explanations we require for our audit; or
- > sufficient accounting records have not been kept by the parent charity; or
- > the parent charity financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 46, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply

with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the charity's trustees as a body in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulations made under that Act (regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended)) and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- > whether the accounting policies are appropriate to the group's and the parent charity's circumstances and have been consistently applied and adequately disclosed;
- > the reasonableness of significant accounting estimates made by the trustees; and
- > the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Glasgow
10 April 2017

PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005.

- (a) The maintenance and integrity of the Church of Scotland Unincorporated Councils and Committees website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements

The point is this: the one who sows sparingly will also reap sparingly, and the one who sows bountifully will also reap bountifully. Each of you must give as you have made up your mind, not reluctantly or under compulsion, for God loves a cheerful giver. And God is able to provide you with every blessing in abundance, so that by always having enough of everything, you may share abundantly in every good work.

He who supplies seed to the sower and bread for food will supply and multiply your seed for sowing and increase the harvest of your righteousness.

You will be enriched in every way for your great generosity, which will produce thanksgiving to God through us; for the rendering of this ministry not only supplies the needs of the saints but also overflows with many thanksgivings to God.

(2 Corinthians 9)

Consolidated Statement of Financial Activities for the year ended 31 December 2016

Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2016 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2015 £000
Income from:								
4	2,269	50,277	-	52,546	976	49,770	-	50,746
5	5,315	882	-	6,197	4,448	1,090	-	5,538
6	4	3,253	994	4,251	2	3,247	786	4,035
7	3,608	42,084	-	45,692	3,147	42,558	-	45,705
8	-	3,199	-	3,199	-	3,717	-	3,717
15	-	1,620	-	1,620	-	453	-	453
	11,196	101,315	994	113,505	8,573	100,835	786	110,194
Expenditure on:								
9	5,503	521	-	6,024	4,788	407	-	5,195
10	3,785	101,528	-	105,313	3,421	101,737	-	105,158
11	-	379	-	379	-	(3,065)	-	(3,065)
13	-	823	-	823	-	-	-	-
	9,288	103,251	-	112,539	8,209	99,079	-	107,288
	1,908	(1,936)	994	966	364	1,756	786	2,906
14	-	7,105	2,561	9,666	-	325	278	603
	1,908	5,169	3,555	10,632	364	2,081	1,064	3,509
	(2,177)	1,890	287	-	(926)	1,228	(302)	-
	(269)	7,059	3,842	10,632	(562)	3,309	762	3,509
Other Recognised Gains and Losses								
15	114	-	-	114	(2)	-	-	(2)
31	-	(1,144)	-	(1,144)	-	479	-	479
	114	(1,144)	-	(1,030)	(2)	479	-	477
	(155)	5,915	3,842	9,602	(564)	3,788	762	3,986
	(220)	148,753	25,633	174,166	344	144,965	24,871	170,180
25, 27 & 28	(375)	154,668	29,475	183,768	(220)	148,753	25,633	174,166

Charity Statement of Financial Activities for the year ended 31 December 2016

Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2016 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2015 £000
Income from:								
4	2,171	50,277	-	52,448	924	49,770	-	50,694
5	34	882	-	916	32	1,090	-	1,122
6	4	3,253	994	4,251	2	3,247	786	4,035
7	2,101	42,084	-	44,185	2,003	42,558	-	44,561
8	-	3,199	-	3,199	-	3,717	-	3,717
15	-	1,620	-	1,620	-	453	-	453
	4,310	101,315	994	106,619	2,961	100,835	786	104,582
Expenditure on:								
9	32	521	-	553	32	407	-	439
10	2,101	101,528	-	103,629	2,003	101,737	-	103,740
11	-	379	-	379	-	(3,065)	-	(3,065)
13	-	823	-	823	-	-	-	-
	2,133	103,251	-	105,384	2,035	99,079	-	101,114
Net Income/(Expenditure) before Investment Gains								
	2,177	(1,936)	994	1,235	926	1,756	786	3,468
14	-	7,105	2,561	9,666	-	325	278	603
	2,177	5,169	3,555	10,901	926	2,081	1,064	4,071
Transfers								
	(2,177)	1,890	287	-	(926)	1,228	(302)	-
	-	7,059	3,842	10,901	-	3,309	762	4,071
Other Recognised Gains and Losses								
31	-	(1,144)	-	(1,144)	-	479	-	479
Total Other Recognised Gains and Losses								
	-	(1,144)	-	(1,144)	-	479	-	479
Net Movement in Funds								
	-	5,915	3,842	9,757	-	3,788	762	4,550
Fund Balances brought forward at 1 January								
	737	148,753	25,633	175,123	737	144,965	24,871	170,573
26,27 & 28	737	154,668	29,475	184,880	737	148,753	25,633	175,123

Balance Sheets as at 31 December 2016

Note		Group		Charity	
		2016 £000	2015 £000	2016 £000	2015 £000
	Fixed Assets				
13	Tangible Assets	47,529	48,187	37,574	39,649
14	Investments	121,515	106,507	122,019	107,011
16	Mixed Motive Investments	7,335	7,287	7,335	7,287
	Total Fixed Assets	176,379	161,981	166,928	153,947
	Current Assets				
17	Mixed Motive Investments	222	248	342	368
	Stocks and Work in Progress	107	95	39	43
18	Debtors	6,499	6,299	5,668	5,751
19	Short Term Deposits	25,584	25,469	25,584	25,469
	Cash at Bank and in Hand	5,064	5,686	4,186	4,891
	Total Current Assets	37,476	37,797	35,819	36,522
20	Creditors: Amounts falling due within one year	(20,791)	(18,077)	(9,276)	(8,260)
	Net Current Assets	16,685	19,720	26,543	28,262
	Total Assets less Current Liabilities	193,064	181,701	193,471	182,209
21	Creditors: Amounts falling due after one year	(195)	(381)	(195)	(381)
22	Provision for Liabilities and Charges	(1,186)	(991)	(481)	(542)
		(1,381)	(1,372)	(676)	(923)
	Net Assets excluding Pension Liability	191,683	180,329	192,795	181,286
31	Defined Benefit Pension Liability	(7,915)	(6,163)	(7,915)	(6,163)
23 & 24	Net Assets including Pension Liability	183,768	174,166	184,880	175,123
	The Funds of the Group and Charity:				
28	Endowment Funds	29,475	25,633	29,475	25,633
25 & 26	Unrestricted Income Funds	(375)	(220)	737	737
27	Restricted Funds:				
	Pension Reserve	(7,915)	(6,163)	(7,915)	(6,163)
	Restricted Income Funds	162,583	154,916	162,583	154,916
	Total Restricted Funds	154,668	148,753	154,668	148,753
	Total Funds of the Group and Charity	183,768	174,166	184,880	175,123

The Financial Statements on Pages 49 to 81 were approved and authorised by the Council of Assembly on 10 April 2017 and signed on its behalf by :

Dr SALLY E BONNAR MB ChB FRC Psych **Convener**
DAVID J WATT BA acc CA CPFA **Convener, Finance Group**
ANNE F MACINTOSH BA CA **General Treasurer**

The Notes on pages 54 to 81 form part of these Financial Statements

Consolidated Statement of Cash Flows for the year ended 31 December 2016

	2016 £000	2015 £000	
Cash Flows from operating activities:			
Net cash used in operating activities	(5,619)	(9,684)	
Cash flows from investing activities			
Dividends, interest and rents from investments	4,480	4,318	
Proceeds from sale of property, plant and equipment	4,307	9,883	
Purchase of property, plant and equipment	(1,715)	(2,377)	
Loans granted	(535)	(432)	
Loans repaid	513	495	
Proceeds from sale of investments	3,388	3,220	
Purchase of investments	(8,730)	(1,201)	
Net cash provided by investing activities	1,708	13,906	
Change in cash and cash equivalents in the reporting year	(3,911)	4,222	
Cash and cash equivalents at the beginning of the reporting year	22,707	18,034	
Change in cash equivalents due to exchange rate movements	1,734	451	
Cash and cash equivalents at the end of the reporting year	20,530	22,707	
Reconciliation of net income to net cash flow for the reporting year			
Net income for the reporting year per the Statement of Financial Activities	966	2,906	
Adjustments for:			
Depreciation charges (net of foreign currency adjustments) and impairment	1,265	1,898	
Dividends interest and rents from investments (including pension schemes)	(4,251)	(4,035)	
Profit on sale of fixed assets	(3,199)	(3,717)	
Unrealised gains on foreign currency	(1,620)	(453)	
Increase in stock	(12)	(18)	
Increase in debtors	(200)	(979)	
Increase/(decrease) in creditors	1,044	(2,272)	
Increase in provisions	195	145	
Decrease in long term liabilities	(186)	(94)	
Increase/(decrease) in pension deficit	379	(3,065)	
Net cash used by operating activities	(5,619)	(9,684)	
Analysis of changes in net cash			
	Balance 1 Jan 2016 £000	Movements £000	Balance 31 Dec 2016 £000
Short term deposits	25,469	115	25,584
Cash at Bank and in Hand	5,686	(622)	5,064
Bank Overdraft	(8,448)	(1,670)	(10,118)
	22,707	(2,177)	20,530

Notes to the Financial Statements for the year ended 31 December 2016

I. Accounting Policies

Legal Status

The Church of Scotland is the National Church in Scotland and is recognised by the State as such. The Church's legal status is set out in certain important instruments, including the Articles Declaratory of the Constitution of the Church of Scotland in Matters Spiritual 1921, the Act anent Spiritual Independence of the Church 1906 and the Act of Union 1929.

Basis of Preparation

The financial statements have been prepared on the historical cost basis as modified by the revaluation of investments and on the accruals basis, and in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ('the SORP') issued in 2014 and Financial Reporting Standard 102: the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS 102'), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The charity 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.

These statements have been prepared on a going concern basis with consistently applied accounting policies. The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern.

In preparing the Group and Charity Financial Statements for the year ended 31 December 2016, reclassifications have been made to prior year comparative information. These reclassifications do not materially change the total funds, overall funds position or net movement in funds for the year ended 31 December 2015 as reported previously.

In the Consolidated and Charity Statement of Financial Activities, Unrealised Gains on Foreign Currency of £453,000 which was shown within Other Recognised Gains and Losses has been recognised in Income; Other Recognised Gains and Losses includes £1,282,000 of Actuarial Gains which was reported previously in Other Expenditure; Unrealised Gains on Investments of £544,000 have been reclassified as an element of Net Gains on Investment Assets rather than Other Recognised Gains and Losses.

In the Group and Charity Balance Sheets at 31 December 2015 a bank balance of £2,385,000 on an account which affords instant access has been reclassified from Short Term Deposits to Cash, with no effect on Net Current Assets as previously reported.

Certain figures in the Reconciliation of Net Income to Net Cash Flow and Cash Flows in the Consolidated Statement of Cash Flows for the year ended 31 December 2015 have been revised to recognise the reclassification of items in the Consolidated Statement of Financial Activities.

Note 10 to the Financial Statements provides information

relating to Governance costs, Leasing costs and external auditor's remuneration which was not provided previously. Note 30 includes information detailing Operating lease agreements where the Group is lessor which was not included in the corresponding note for the prior year.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenditure during the year. The following judgements have had the most significant effect on amounts recognised in the financial statements:

Pensions

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuations, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in Note 31.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Charity performs impairment tests on fair value less costs to sell. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets less incremental costs of disposing of the asset.

With respect to the next reporting period, the most significant areas of uncertainty that affect the carrying value of assets held by the charity are the level of investment return and the performance of investment markets (see the investment policy and performance and risk management sections of the annual report for more information), and the Sterling:US dollar exchange rate.

Basis of Consolidation and Subsidiary Undertakings

The consolidated statement of financial activities (SOFA) and balance sheet include the activities of the charity's two trading subsidiaries and its school in Israel, the activities of which have been consolidated on a line by line basis for each year in accordance with FRS 102. Intra-Group transactions are eliminated on consolidation. There may be local reasons in Israel for departing from these policies and where these are identified they are adjusted for the purposes of the consolidated results. The consolidated financial statements exclude the trading activities of the trading subsidiary CrossReach Trading Limited which is considered immaterial to the overall results. For a full description and listing of the Charity's material subsidiary companies, please refer to Note 29 to the Financial Statements.

The Trustees do not present their non-consolidated Statement of Cash Flows in these Financial Statements.

The Charity's investment in one of its Israeli trading subsidiaries was not eliminated on consolidation in the financial statements for

the year ended 31 December 2015 and the Net Assets of the Group as at that date were overstated by £504,000, with the investment shown in Restricted Funds rather than Unrestricted Funds. In these Financial Statements, this has been corrected and prior year figures restated.

Funds

Funds held by the Unincorporated Councils and Committees of the Church of Scotland are categorised as follows:

i Unrestricted Funds

These are funds which are spent or applied at the discretion of the trustees in furtherance of any of the purposes of the Church of Scotland. Unrestricted funds may be used to supplement expenditure made from restricted funds.

> Designated Funds

These are unrestricted funds which are expendable on the work of specified Councils, Committees, Other Funds or specific projects as decided by the Trustees.

ii Restricted Funds

These are funds which are subject to donor restrictions or may result from the terms of an appeal for funds and may only be used for the work of a specified Council, Committee or Other Fund, or for a specific purpose or project within a Council, Committee or Other Fund.

> Permanent Endowment Funds

These are restricted Capital funds where there is no power to convert the capital into income, i.e. the capital must be held in perpetuity and only the fund income can be expended. Income from these funds is treated as restricted.

> Expendable Endowment Funds

These are restricted Capital funds where there is discretion to convert all or part of the capital into income. When the trustees exercise their power to spend or apply the capital of the expendable endowment, the relevant funds become unrestricted funds or restricted income funds depending on whether the terms of the gift permit expenditure for any of the charity's purposes, or only for specific purposes.

Income

All incoming resources including voluntary income, income from activities for generating funds, investment income, is recognised in the SOFA when there is legal entitlement to the income, any performance conditions attached to the income have been met, it is probable that the income will be received and the amount can be quantified with reasonable accuracy.

For legacy income, entitlement is taken as the earlier of the date on which either: the charity is aware that confirmation (or equivalent) has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the grant of confirmation (or equivalent) and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Income received from fundraising activities organised by volunteers and fund raising managers, excluding merchandised sales which are separately accounted for through Crossreach Trading Ltd, is included at the value remitted.

No amount has been included for services donated by volunteers in accordance with the SORP. The Trustees' annual report contains more information about the contributions of volunteers to the work of the charity.

All grants (whether revenue or capital grants) and contractual payments under funding arrangements from central and local government and their agencies are included recognised in the SOFA on a receivable basis. Incoming resources from grants, where there are service or performance deliverables required as conditions of the terms of the grant, are accounted for as the charity earns the right to payment through its performance, when the charity has entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably and it is not deferred.

Restricted income received for expenditure in future accounting periods is deferred and included in creditors.

Entitlement to recognise Congregational Contributions as income is considered to be at the point which contributions statements for the current financial year have been issued to congregations. Adjustments to such income are subsequently made throughout the year. Contributions are disclosed net of Presbytery Allowances and any provision for bad debts.

Expenditure

Expenditure is accounted for in the SOFA on an accruals basis and is presented on an activity basis against the appropriate heading in the Financial Statements. Expenditure and liabilities are recognised when a legal or constructive obligation exists. The costs of generating funds include the costs incurred in generating voluntary income and fundraising trading costs. These costs are regarded as necessary to generate funds that are needed to finance our charitable activities.

Expenditure on charitable activities enables the Church of Scotland to meet its charitable aims and objectives. It is reported as a functional analysis of the work undertaken by the five Councils under their remits as described in the Trustees' report.

Under these headings are costs of employing staff to carry out the charitable activities, grants paid and other programme costs, as well as associated support costs. Salary costs are recognised as expenditure on an accruals basis. Grants payable in furtherance of our charitable objectives are recognised as expenditure when payment is due to the partner organisation in accordance with agreements made. Agreements are typically for one year but may span several years.

For capital contracts in place at the year end which include payments to be made in future years, such payments are disclosed in Note 30 to the Financial Statements as a Capital Commitment.

Support costs include finance, payroll administration, legal advice, human resources, information technology, communication and property management costs. These support costs are all allocated to charitable activities and to the relevant Council based on direct

expenditure, which is considered to be in a similar proportion to salary costs.

Recognition of Liabilities

Liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the charity to the expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Onerous Leases

A provision is made for the best estimate of unavoidable lease payments where there is deemed to be an onerous lease (i.e. where the economic benefits expected are less than the costs of meeting the obligation).

Operating Leases

Costs in respect of operating leases where substantially all of the benefits and risks of ownership remain with the lessor, are charged on a straight line basis over the term of the lease.

Value Added Tax

Incoming resources and resources expended are shown in the financial statements inclusive of VAT where appropriate. All Councils, Committees and Departments receive a partial recovery of input tax; in most cases this is immaterial. VAT recovered is adjusted against incoming resources or resources expended as appropriate.

Investments

Unlisted investments are initially recognised at cost and are subsequently stated at fair value at the Balance Sheet date. The changes in fair value are recognised in the SOFA. In the case of unitised investments, the valuation basis is the unit price as advised by The Church of Scotland Investors Trust. The underlying assets held in these unitised funds are publicly quoted securities and collective investment schemes. These investments are valued at their mid-market price at each month end to arrive at the fund unit price. Realised gains and losses on disposal are recorded in the SOFA at the difference between the sales price and carrying value of the investments. Unrealised gains and losses are recorded in the SOFA at the difference between fair value at the start and end of the financial year.

Tangible Fixed Assets

Heritable and Other Properties

The titles to properties in Scotland belonging to the Unincorporated Councils and Committees are held by The Church of Scotland General Trustees with beneficiary nominees being the Unincorporated Councils and Committees. The titles to properties outwith Scotland are held by The Church of Scotland Trust with beneficiary nominees being the World Mission Council.

All properties Costs incurred on acquiring, improving or adding to properties are capitalised. Other overseas properties are included at cost or a reasonable approximation of cost. Certain overseas properties were donated or constructed in the 19th century and costs have been estimated by comparing these to similar overseas properties whose costs were reliably documented. The values are not considered to be material relative to either cost or depreciated cost.

Repair and maintenance costs on all properties are charged to the SOFA in the period in which they are incurred.

Operational properties include care homes and other properties operated by the Social Care Council, office premises and other

specialist properties such as the Scottish Storytelling Centre.

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on a fair value less costs to sell calculation. The Group considers whether such indicators are present on an annual basis. Where the recoverable amount is materially less than historic cost, the asset is impaired to the lower amount.

Other Tangible Fixed Assets are Motor Vehicles and Equipment & Furniture. These assets are recorded at cost.

Donated fixed assets are included at fair market value having regard to the age and condition of the assets concerned.

Depreciation

Depreciation is provided on Tangible Fixed Assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows :

Heritable and Other Properties

Residential Properties, Churches and Manses	50 years
Operational Constructed Properties – traditional	50 years
Operational Constructed Properties – prefabricated	20 years
Operational Refurbished Properties	25 years
Limited Lifespan Properties	15 years
Motor Vehicles	4 years

Equipment and Furniture:

Computer Equipment	3 years
Office Equipment and Plant and Machinery	5 years
Furniture and Fittings	10 years

Land and assets under construction are not depreciated.

One property is held as a social investment and is stated at cost. This property is not depreciated.

Mixed Motive Investments

Mixed Motive Investments include Housing Loans, property and certain other loans. These assets generate a financial return to the Charity and also contribute to the Church's stated purposes. Neither the investment nor the contribution to the Church's purposes is sufficient on its own to justify the investment decision.

The Charity considers that the investment is, however, justified by the combination of these two factors.

Loans which are secured against housing for retired ministers, their dependents and former dependents are either;

- Standard loans, which may be granted for up to seventy per cent of a house purchase price, subject to a maximum loan amount which at 31 December 2016 was £25,000. The interest rate on such loans is currently four per cent for ministers and two per cent for widows or widowers of ministers. The amount which the borrower is due to repay does not change, regardless of whether the property appreciates or falls in value over the term of the loan.

Standard loans are accounted for as basic financial instruments and are measured initially at fair value and subsequently at amortised cost.

or

b) Shared Appreciation loans, which may be granted for up to seventy per cent of a house purchase price, subject to a minimum loan amount (currently £25,000) and a maximum loan amount which at 31 December 2016 was £122,500. The interest rate on such loans is currently two and a half per cent for ministers and one and a quarter per cent for widows or widowers of ministers.

The total sum required to be repaid at the end of the term of a Shared Appreciation loan is the amount of the original loan plus a proportionate share of any rise in value of the house over the period of that loan. If there is a drop in value of the property over the period, or no growth in value, the amount of the original loan must be repaid in full.

Shared Appreciation loans are accounted for as complex financial instruments, but as they are concessionary loans the Charity has opted to measure them initially at fair value and subsequently at amortised cost as permitted by the SORP and FRS 102.

Car loans are provided to ministers and overseas missionaries and are stated at amortised cost. Other loans are provided to ministers to assist with various costs.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand. Liquid resources comprise term deposits of less than one year. Cash and liquid resources are measured at fair value.

Overseas Operations/Foreign Currencies

Transactions in foreign currencies are translated at rates prevailing at the date of the transaction. Monetary assets of the Charity which are denominated in foreign currencies are translated at the year end rate of exchange. The consolidation of the assets and liabilities of the subsidiaries in Israel has been incorporated at the year end rate of exchange. The income and expenditure has been translated at an average rate for the year. Exchange gains and losses are treated as unrestricted except where restricted by contract and are taken to the SOFA.

Creditors

Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

Provisions

Provisions are recognised where the charity has a present obligation resulting from a past event which will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

Pensions

Pension arrangements are described in Note 31.

The Church of Scotland operates both defined benefit and defined contribution pension schemes. In addition, certain employees of the Social Care Council are members of Local Government Pension Schemes. The assets of all the schemes are held separately from

those of the Unincorporated Councils and Committees of The Church of Scotland.

Defined benefit pension assets are measured at fair value.

These scheme assets are measured using bid price values at the balance sheet date. Pension scheme liabilities are measured using a projected unit method and discounted using reference to market yields at the reporting date on high quality corporate bonds.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus or deficit is included in the SOFA.

The Scheme for Ministers and Overseas Missionaries (for employees of the Ministries and World Mission Councils and office holders) has three separate funds, the Main Pension Fund, The Contributors' Pension Fund and the Widows' and Orphans' Fund. Both the Contributors' and the Widows' and Orphans' Funds are in surplus and are not included in these financial statements.

Other than in the Social Care Council, defined benefit pension costs cannot be accurately allocated to individual Councils and department expense categories, as it is not possible to identify with which employee the pension cost lies. In order to recognise the costs per Council of providing a pension, a charge has been included based on the contributions made for that Council's employees and an overall credit shown for the total contributions paid.

For the defined contribution schemes, the amount charged to the SOFA in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet. Prior to financial year ended 31 December 2014, the Social Care Council's share of assets and liabilities in the Local Government Schemes could not be identified on a consistent and reasonable basis and the charity accounted for the schemes as defined contribution schemes with contributions payable in year being recognised through the SOFA.

From financial year ended 31 December 2014 valuations for the purposes of FRS 102 were obtained and the share of the deficits in the schemes has since been recognised in the SOFA and Balance Sheet as described above.

Taxation

The Church of Scotland Unincorporated Councils and Committees is exempt from taxation on the income and gains falling within Part 11 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 insofar as such income or gains are applied exclusively to charitable purposes.

The UK subsidiary undertaking is a non-charitable subsidiary and is subject to taxation, but it does not usually pay UK Corporation Tax as its policy is to pay taxable profits as Gift Aid to the trustees. Foreign tax incurred by subsidiaries operating overseas is charged as it is incurred.

2. Related Parties

The Church of Scotland Investors Trust was incorporated by the Church of Scotland (Properties and Investments) Order Confirmation Act 1994. All investments of the Unincorporated Councils and Committees are made through the investment funds provided by The Church of Scotland Investors Trust. During the year the Unincorporated Councils & Committees charged £110,000 (2015: £110,000) to the Investors Trust for management services provided by staff in the Stewardship and Finance Department. At 31 December 2016 the Unincorporated Councils & Committees had a net debtor balance due of £1,075,000 (2015: net creditor £126,000).

The Church of Scotland Trust was incorporated by the Church of Scotland Trust Order Confirmation Act 1932. The Church of Scotland Trust holds the titles to the properties outwith Scotland of the Unincorporated Councils and Committees. It also holds, for behoof of the World Mission Council, all the shares in St Andrew's Galilee Company Limited in Tiberias and St. Andrew's Scottish Centre Limited in Jerusalem, both of which are incorporated in Israel as 'foreign institutions'. The World Mission Council has given an indemnity to the Trust in respect of all liabilities arising from its Shareholding. During the year the Unincorporated Councils & Committees made a grant of £34,000 (2015: £34,000) to the Church of Scotland Trust. The Church of Scotland Trust paid £34,000 to the Unincorporated Councils and Committees in respect of finance and legal services (2015: £34,000). At 31 December 2016 the Unincorporated Councils & Committees had a creditor balance due of £2,000 (2015: debtor £1,000).

The Church of Scotland General Trustees was incorporated by the Church of Scotland (General Trustees) Order Confirmation Act 1921. The General Trustees holds the titles to the properties in Scotland of the Unincorporated Councils and Committees. In 2016 The General Trustees paid over to the Ministry Funds stipend endowment income of £3,344,000 (2015: £2,999,000). They also paid levy income of £46,000 (2015: £196,000) to the Ministries Council's Go For It Fund representing that Council's one half share of the Levy on property sales. As new Charge Developments and Church Extension Charges achieve Full Status, administrative responsibility for the Churches and manses is transferred from the Ministries Council to the General Trustees and congregations concerned. There was a grant paid of £15,000 in 2016 (2015: nil). As at 31 December 2016, the Unincorporated Councils and Committees had a debtor balance of £663,000

(2015: debtor £950,000) in respect of monies held in the churches internal banking system. During 2015 an outstanding loan due to the General Trustees of £100,000 was converted to a grant. £1,069,000 was paid (2015: £952,000) in respect of legal, IT, HR and financial services.

The Church of Scotland Pension Trustees, an unincorporated body constituted by the General Assembly, administers the following Pension Schemes:

The Church of Scotland Pension Scheme for Ministers and Overseas Missionaries

The Church of Scotland Pension Scheme for Ministries Development Staff (formerly Presbytery & Parish Workers)

The Church of Scotland Pension Scheme for Staff

The members of the bodies shown above are appointed by the General Assembly. In the case of the Church of Scotland Pension Trustees, additional trustees for the individual Pension Schemes are appointed by the Scheme members. During the year the Unincorporated Councils & Committees paid £2,218,000 (2015: £4,317,000) to the Pension Trustees for employer pension contributions. The Pension Trustees paid £14,246,000 (2015: £13,985,000) in the year to the Unincorporated Councils & Committees in respect of pensions paid, and £376,000 (2015: £319,000) in respect of management fees. At 31 December 2016, the Unincorporated Councils & Committees had a debtor balance of £89,000 (2015: creditor £199,000).

Each of the related parties reports annually to the General Assembly and, because of their independent legal status, produce separate financial statements and appoint their own Auditors.

3. Staff Costs and Numbers

Staff are paid and/or employed by the Ministries Council, Social Care Council, Central Services Committee (CSC) and World Mission Council and such costs are included in expenditure disclosed in Notes 10, 11 and 12.

The following figures include parish ministers, although they are office holders and not employees. Ministers are not employees of The Church of Scotland and they do not hold a contract, but they are recruited, trained, supported and paid from the Ministries Council's budget.

The Social Care Council's staff costs include £3.5 million for agency staff (2015: £2.8 million). These staff are not included in the average staff numbers noted below. Agency staff are employed due to the difficulty in recruiting permanent staff to work in care homes and units. Agency staff are used by other Councils but the cost is immaterial.

	Ministries £000	Social Care £000	CSC £000	World Mission £000	2016 Total £000	2015 Total £000
Staff Costs						
Salaries and Stipends	29,657	29,390	6,323	396	65,766	64,546
Social Security Costs	2,775	1,836	622	16	5,249	5,127
Pension Costs – Defined Contribution	4,549	1,045	1,889	2	7,485	5,874
Pension Costs – Defined Benefit	1,822	850	201	-	2,873	1,892
Total	38,803	33,121	9,035	414	81,373	77,439

	Ministries No.	Social Care No.	CSC No.	World Mission No.	2016 Total No.	2015 Total No.
Average Staff Numbers						
Monthly Average						
Full Time	910	497	159	21	1,587	1,584
Part Time	63	1,386	76	-	1,525	1,548
Total	973	1,883	235	21	3,112	3,132
Full Time Equivalents	941	1,184	207	21	2,353	2,402

There were five employees whose emoluments exceeded £60,000 in 2016 (2015: eight employees).

	Ministries No.	Social Care No.	CSC No.	World Mission No.	2016 Total No.	2015 Total No.
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Salary Bands

Number of employees receiving salaries, plus benefits in kind, of more than £60,000 was:

£60,001 - £70,000	-	1	3	-	4	5
£70,001 - £80,000	-	1	-	-	1	2
£80,001 - £90,000	-	-	-	-	-	1

The total aggregate pension contribution for these employees for 2016 was £39,000 (2015: £55,000).

The Senior Management Team comprises 12 individuals, one of whose salary is recharged in full to The Church of Scotland General Trustees. The total remuneration for the Senior Management Team for 2016 was £743,000 (2015: 13 individuals - £717,000).

Subsidiary Companies and Tabeetha School

Staff employed by three institutions in Israel are paid in New Israeli Shekels, translated to sterling for the purposes of the consolidated Financial Statements. Social security costs in Israel are not comparable to those in the United Kingdom and costs and benefits disclosed below include benefits which are required legally or by industry custom and practice. These include provisions for severance pay, educational and pensions plans

and disability provision. Senior hotel managers receive performance related bonuses and use of a vehicle, all of which are taxable benefits.

Employees received emoluments including local benefits in kind as described above, which when converted to sterling were as follows:

- > £60,000 to £70,000 – 1 employee
- > £110,000 to £120,000 – 1 employee
- > £150,000 to £160,000 – 1 employee.

	2016 £000	2015 £000
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Staff Costs

Salaries	3,021	2,887
Social Security Costs	144	122
Pension Costs	274	240
Total	3,439	3,249

	2016 No.	2015 No.
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Average Staff Numbers

Monthly Average	154	154
Full Time Equivalents	124	122

4. Donations and Legacies

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Assessed Congregational Contributions	43,507	43,742	43,507	43,742
Stipend Endowment Income	3,344	2,999	3,344	2,999
Total Congregational Income	46,851	46,741	46,851	46,741
Donations, Grants, Trusts	1,697	1,585	1,599	1,533
Legacies	3,728	2,199	3,728	2,199
Donations from The Church of Scotland Trust	270	221	270	221
	52,546	50,746	52,448	50,694

5. Other trading activities

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Fundraising	885	1,062	885	1,062
Israeli Trading Subsidiaries and Property Leases	5,312	4,476	31	60
	6,197	5,538	916	1,122

6. Income from Investments

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Dividends from Unitised Investments	4,408	4,254	4,408	4,254
Deposit and Bank Account Interest	72	64	72	64
Net Interest on Defined Benefit Pension Schemes Liabilities (Note 31)	(229)	(283)	(229)	(283)
	4,251	4,035	4,251	4,035

7. Income from Charitable Activities

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Social Service Provision	41,958	42,246	40,451	41,102
Rental of Accommodation	775	854	775	854
Publications and Royalties	717	760	717	760
Income from Events	245	255	245	255
Guild Memberships and Other Fees	208	226	208	226
Reimbursement of Legal, Accounting and Other Support by Wider Network of Church Organisations	1,117	965	1,117	965
Other	672	399	672	399
	45,692	45,705	44,185	44,561

8. Other Income

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Gain on Disposal of Fixed Assets	3,199	3,717	3,199	3,717
	3,199	3,717	3,199	3,717

9. Expenditure on Raising Funds

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Fundraising Activities - Including Trading Subsidiaries in Israel	5,471	4,756	-	-
Costs of Generating Voluntary Income	553	439	553	439
	6,024	5,195	553	439

10. Expenditure on Charitable Activities

	Group and Charity				
	Direct Costs £000	Grants £000	Support Costs £000	Total 2016 £000	Total 2015 £000
Social Care Council	40,180	39	4,190	44,409	44,252
Ministries Council	37,755	2,882	2,701	43,338	45,004
World Mission Council	2,305	1,285	165	3,755	3,136
Mission and Discipleship Council	2,092	120	150	2,362	2,292
Support and Services Departments	5,865	19	420	6,304	6,035
Church and Society Council	542	1	38	581	503
Other Funds	2,349	363	168	2,880	2,518
Charity Total	91,088	4,709	7,832	103,629	103,740
World Mission - Tabetha School	1,684	-	-	1,684	1,418
Group Total	92,772	4,709	7,832	105,313	105,158

	Group and Charity	
	2016 £000	2015 £000
Grants		
Grants to Individuals:		
Bursaries and Educational Purposes	647	537
Cases of Hardship	100	79
Project Work of the Charity	33	46
	780	662
Grants to Organisations for the Advancement of Religion:		
Through Theological Education and Partner Churches	837	927
Through Community Projects including 'Go For It'	1,829	2,077
By Payments to Support Individual Congregations	780	426
For the Relief of Poverty	482	365
For Heritage and the Environment	1	16
	3,929	3,811
Total Grants	4,709	4,473

Grants to individuals are to those resident in Scotland.

Note 10 continued.

	Group and Charity	
	2016 £000	2015 £000
Support Costs		
Finance, Payroll, Information Technology and Estates	2,616	2,836
Human Resources and Training	1,353	1,225
Central Premises	882	694
Regional Offices and Senior Operational Management	1,534	1,685
Legal	330	295
Safeguarding of Children and Vulnerable Adults	345	407
Media Relations and Website	772	744
	7,832	7,886
Support costs are apportioned to charitable activities and individual Councils on the basis of direct expenditure.		
Governance costs included in Expenditure on Charitable Activities	1,727	1,603
Leasing costs charged to the SOFA		
Property	609	627
Other	412	420
Total Leasing Charges	1,021	1,047
Fees paid to the external auditors are as follows;		
Audit of UCC	61	64
Audit of subsidiary undertakings	25	21
Total audit fees	86	85
Actuarial advisory fees	186	47
Systems related fees	15	40
Total non-audit fees	201	87
Total Fees	287	172

11. Other Expenditure

	Group and Charity	
	2016 £000	2015 £000
Defined Benefit Pension Schemes (Note 31)		
Current cost	291	366
Past Service Cost	862	-
Administration costs	1,491	1,243
Employer Contributions	(2,265)	(4,674)
	379	(3,065)

12. Trustees' Remuneration and Expenses

Trustees are not remunerated for their services on the Council of Assembly. At any one time, there are eighteen voting members as described in the Governance section of the Trustees' Report. Six of the twenty five voting members who served during 2016 (2015: eleven of twenty one) are parish ministers appointed by individual congregations, inducted by presbyteries, and remunerated for their work with congregations in accordance with the National Stipend Scale. Expenses of £8,000 (2015: £4,000) were reimbursed to Trustees in

respect of travel to Council of Assembly meetings and overnight accommodation where required. Additionally, £6,000 (2015: £6,000) of expenses were reimbursed to Trustees for attending meetings of, or on behalf of, other councils and committees. In total, seventeen Trustees received expenses during 2016 (2015: fourteen Trustees). Expenses of £4,000 (2015: £5,500) were foregone by Trustees.

13. Tangible Assets

	Heritable & Other Properties £000	Motor Vehicles £000	Equipment & Furniture £000	Total £000
Group:				
Cost				
At 1 January 2016	83,961	376	5,305	89,642
Additions	1,412	-	303	1,715
Disposals	(1,613)	-	-	(1,613)
At 31 December 2016	83,760	376	5,608	89,744
Accumulated Depreciation				
At 1 January 2016	37,626	292	3,537	41,455
Disposals	(505)	-	-	(505)
Impairment charge	823	-	-	823
Charge for Year	1,559	18	652	2,229
Foreign Currency Exchange Adjustments	(1,692)	(1)	(94)	(1,787)
At 31 December 2016	37,811	309	4,095	42,215
Net Book Value				
At 31 December 2016	45,949	67	1,513	47,529
At 31 December 2015	46,335	84	1,768	48,187
Charity:				
Cost				
At 1 January 2016	70,449	371	2,561	73,381
Additions	1,221	-	183	1,404
Disposals	(1,613)	-	-	(1,613)
At 31 December 2016	70,057	371	2,744	73,172
Accumulated Depreciation				
At 1 January 2016	31,985	288	1,459	33,732
Disposals	(505)	-	-	(505)
Impairment charge	823	-	-	823
Charge for Year	1,350	18	180	1,548
At 31 December 2016	33,653	306	1,639	35,598
Net Book Value				
At 31 December 2016	36,404	65	1,105	37,574
At 31 December 2015	38,464	83	1,102	39,649

Impairment Charge

During 2016, a financial review of one of the Properties which is operated as a care home by the Social Care Council indicated that an impairment charge was necessary. An approach was made to the Council by a third party to purchase the unit as a going concern and the proposed purchase price was below the carrying value of the asset. The Council is carefully considering this offer and accordingly, an impairment charge of £823,000 has been recognised and charged to Expenditure, being the difference between the property's carrying value and the proposed purchase price.

14. Investments

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Church of Scotland Investors Trust:				
Unlisted Investments - Growth Fund	104,226	90,302	104,226	90,302
Unlisted Investments - Income Fund	17,278	16,194	17,278	16,194
Deposit Fund - Bank Deposit Accounts	11	11	11	11
	121,515	106,507	121,515	106,507
Investment in Subsidiary Company	-	-	504	504
Fair Value	121,515	106,507	122,019	107,011
Historic Cost	64,268	58,495	64,772	58,495

The Growth Fund and Income Fund are unitised funds and these holdings of the Unincorporated Councils and Committees cannot therefore be analysed across asset classes. A description of the three investment funds operated by the Investors Trust is given in the Financial Review.

Movements in Investments

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Fair Value at 1 January	106,507	107,923	107,011	108,427
Disposals at Opening Fair Value	(3,256)	(3,161)	(3,256)	(3,161)
Acquisitions at Cost	8,730	1,201	8,730	1,201
Net Gains on Revaluation at 31 December	9,534	544	9,534	544
Fair Value at 31 December	121,515	106,507	122,019	107,011

Net Gains on Disposal of Investments

Sale Proceeds	3,388	3,220	3,388	3,220
Fair Value at 1 January	(3,256)	(3,161)	(3,256)	(3,161)
Net Realised Gains in Year	132	59	132	59
Net Gains on Investment Assets	9,666	603	9,666	603

15. Foreign Currency

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Gains and Losses recognised in:				
Income				
Unrealised Gains on Bank Deposits not denominated in sterling	1,620	453	1,620	453
Other Recognised Gains and Losses				
Gains/(Losses) on Net Assets of Subsidiary Companies on Consolidation	114	(2)	-	-

Net assets of the Israel-based subsidiaries are translated into sterling using the rate of exchange at the balance sheet date. Exchange differences arise as a result of the exchange rate differing from that at the previous balance sheet date.

16. Mixed Motive Investments - Fixed Assets

	Group and Charity	
	2016 £000	2015 £000
Housing Loans (heritably secured) at amortised cost	6,585	6,537
Property held as mixed motive investment	750	750
	7,335	7,287

The Housing Loans are repayable when the properties relating to the loans are sold, and attract interest at rates between 1.25% and 4%.

At 31 December 2016, future Housing Loans which were committed but not taken up were £814,000 (2015: £695,000).

The property held as a Mixed Motive Investment is recognised at cost and is not depreciated.

17. Mixed Motive Investments - Current Assets

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Car Loans	182	214	182	214
Loan to Subsidiary Company	-	-	120	120
Other Loans	40	34	40	34
	222	248	342	368

Car Loans are provided to ministers and overseas missionaries at a rate of 6%. Other loans are provided to assist ministers. Other loans include short term bridging loans of £15,000 owed to the Housing and Loan Fund at 31 December 2016 (2015: nil). Bridging Loans are charged at a variable rate, currently 3.0% (2015: 3.25%).

18. Debtors

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade Debtors	4,085	2,931	3,364	2,447
Amounts Owed by Congregations	747	970	747	970
Amounts Owed by Group Undertaking	-	-	-	82
Amounts Owed by Church of Scotland Trust	-	1	-	1
Amounts Owed by Church of Scotland General Trustees	663	950	663	950
Amounts Owed by Church of Scotland Pension Trustees	89	-	89	-
Amounts Owed by Church of Scotland Investors Trust	-	72	-	72
Sundry Debtors	139	169	76	73
Prepayments	719	677	698	677
Accrued Income	57	529	31	479
	6,499	6,299	5,668	5,751

Amounts owed by congregations were in respect of congregational contributions, ministers' travel, locums and associate ministers, levied under Regulation 129.

19. Short Term Deposits

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Deposit Fund with Church of Scotland Investors Trust	15,459	16,621	15,459	16,621
US Dollar Account	10,125	8,505	10,125	8,505
Bank Deposit Accounts	-	343	-	343
	25,584	25,469	25,584	25,469

The US dollar account held by the World Mission Council is used as security for a bank overdraft of equal amount in the name of the Israeli Trading Subsidiary, St Andrew's Galilee Limited.

20. Creditors: Amounts Falling Due within One Year

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Bank Overdraft	10,118	8,448	-	-
Trade Creditors	1,357	1,040	900	720
Amounts Owed to Church of Scotland Investors Trust	1,075	-	1,075	-
Amounts Owed to Church of Scotland Trust	2	-	2	-
Amounts Owed to Church of Scotland Pension Trustees	-	199	-	199
Other Creditors Including Tax and Social Security	1,753	1,633	1,726	1,633
Sundry Creditors	1,557	1,435	1,331	1,084
Accruals	3,855	4,027	3,494	3,851
Deferred Income	1,016	923	690	714
Loans falling due within one year	58	372	58	59
	20,791	18,077	9,276	8,260

The bank overdraft is secured against a US dollar account in the name of the World Mission Council.

Deferred Income relates to payments received in advance of services being provided by the Social Care Council (£690,000) and advance payments from customers received by the Israeli trading subsidiaries (£326,000).

The balances reported have all been deferred in the current year and will be released to income in the following year.

21. Creditors: Amounts Falling Due after One Year

	Group and Charity	
	2016 £000	2015 £000
Grants	190	318
Loan from Nan Stevenson Trust to Housing & Loan Fund	5	5
Energy Trust Loan	-	58
	195	381

22. Provision for Liabilities and Charges

	Group		Charity	
	2016 £000	2015 £000	2016 £000	2015 £000
Onerous Leases	481	542	481	542
Other	705	449	-	-
	1,186	991	481	542
Onerous Leases:				
Balance Brought Forward	542	603	542	603
Provision released to Statement of Financial Activities	(61)	(61)	(61)	(61)
Balance Carried Forward	481	542	481	542

Provision has been made for certain properties operated by CrossReach in respect of future lease commitments. Other provisions relate to provisions in the Israeli Trading subsidiaries for statutory severance pay.

One onerous lease has a further seven years to run and the other expires in 2017. The timing of the release of the other provisions is inherently uncertain as these are calculated by reference to the length of service of employees in Israel.

23. Analysis of Net Assets among Funds - Group

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2016 £000	Total 2015 £000
Tangible Fixed Assets	9,955	37,574	-	47,529	48,187
Investments	-	92,040	29,475	121,515	106,507
Mixed Motive Investments	-	7,335	-	7,335	7,287
Total Fixed Assets	9,955	136,949	29,475	176,379	161,981
Net Current (Liabilities)/Assets	(9,625)	26,310	-	16,685	19,720
Creditors: Amounts falling due after more than one year and Provisions for Liabilities and Charges	(705)	(676)	-	(1,381)	(1,372)
Pension Scheme Liability	-	(7,915)	-	(7,915)	(6,163)
Net Assets	(375)	154,668	29,475	183,768	174,166

24. Analysis of Net Assets among Funds - Charity

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2016 £000	Total 2015 £000
Tangible Fixed Assets	-	37,574	-	37,574	39,649
Investments	504	92,040	29,475	122,019	107,011
Mixed Motive Investments	-	7,335	-	7,335	7,287
Total Fixed Assets	504	136,949	29,475	166,928	153,947
Net Current Assets	233	26,310	-	26,543	28,262
Creditors: Amounts falling due after more than one year and Provisions for Liabilities and Charges	-	(676)	-	(676)	(923)
Pension Scheme Liability	-	(7,915)	-	(7,915)	(6,163)
Net Assets	737	154,668	29,475	184,880	175,123

25. Unrestricted Funds - Group

	At 1 Jan 2016 £000	Income £000	Expenditure £000	Fund Transfers £000	At 31 Dec 2016 £000
Ministries Council	4	32	(32)	-	4
World Mission Council	(453)	7,000	(7,155)	-	(608)
Mission & Discipleship Council	-	970	(970)	-	-
Support & Services	-	1,131	(1,131)	-	-
Other Funds	229	2,177	-	(2,177)	229
	(220)	11,310	(9,288)	(2,177)	(375)

Other than unrestricted legacies and donations received, all funds are designated for the work of individual Councils and Other Funds. In 2016 there was a foreign currency translation gain of £114,000 upon consolidation of the net assets of the Israeli Subsidiaries as disclosed in Note 29 (2015: loss £2,000). £2,177,000 of unrestricted donations and legacies was allocated to the Mission and Renewal Fund and subsequently transferred to meet overspends on restricted funds by councils and committees on their charitable activities (2015: £926,000).

26. Unrestricted Funds - Charity

	At 1 Jan 2016 £000	Income £000	Expenditure £000	Fund Transfers £000	At 31 Dec 2016 £000
Ministries Council	4	32	(32)	-	4
World Mission Council	504	-	-	-	504
Mission & Discipleship Council	-	970	(970)	-	-
Support & Services	-	1,131	(1,131)	-	-
Other Funds	229	2,177	-	(2,177)	229
	737	4,310	(2,133)	(2,177)	737

27. Restricted Funds - Group and Charity

	Balance 1 Jan 2016 £000	Income £000	Expenditure £000	Net Gains on Investment Assets £000	Fund Transfers £000	Actuarial Losses £000	Balance 31 Dec 2016 £000
Social Care Council	24,353	42,990	(45,420)	700	1,144	-	23,767
Ministries Council	40,081	41,600	(43,338)	2,507	(1,533)	-	39,317
World Mission Council	35,903	3,823	(3,755)	2,139	1,446	-	39,556
Mission & Discipleship Council	9,514	514	(1,391)	671	826	-	10,134
Support & Services	487	160	(5,446)	7	5,122	-	330
Church & Society Council	676	60	(581)	63	542	-	760
Other Funds	43,902	12,397	(2,941)	1,018	(5,657)	-	48,719
	154,916	101,544	(102,872)	7,105	1,890	-	162,583
Pensions Reserve	(6,163)	(229)	(379)	-	-	(1,144)	(7,915)
	148,753	101,315	(103,251)	7,105	1,890	(1,144)	154,668

Four funds made up 92% of the Other Funds, namely the Housing and Loan Fund (£38,377,000), the Mission and Renewal Fund (£3,477,000), New College (£2,460,000) and the Guild (£691,000). Transfers includes £8,014,000 transferred to Councils from the Mission and Renewal Fund which receives incoming resources from Ministry and Mission contributions from congregations. In addition to this, £1,305,000 was transferred from the Mission and Renewal Fund during the year to support the work of Councils and the Support and Services Departments. Transfers were also made from Third Party trusts to Councils in respect of their charitable activities, with restrictions as appropriate.

28. Endowment Funds - Group and Charity

	Balance 1 Jan 2016 £000	Income £000	Net Gains on Investment Assets £000	Fund Transfers £000	Balance 31 Dec 2016 £000
Social Care Council	334	5	6	-	345
Ministries Council	3,727	183	494	1,157	5,561
World Mission Council	5,502	206	513	(269)	5,952
Mission & Discipleship Council	609	23	58	(24)	666
Support & Services	115	4	11	(4)	126
Church & Society Council	56	2	5	(2)	61
Other Funds	15,290	571	1,474	(571)	16,764
	25,633	994	2,561	287	29,475

Total Endowment Funds at 31 December 2016 of £29,475,000 are made up of £28,198,000 Permanent Endowment and £1,277,000 Expendable Endowment (2015: Permanent Endowment £24,689,000 and Expendable Endowment £944,000). Transfers of investment income were made to Councils and Committees for expending on their charitable activities. Income from endowment funds is for restricted purposes.

29. Subsidiary Undertakings

The Church of Scotland has the following material subsidiary undertakings:

St. Andrew's Galilee Limited - Israel Company Registration Number 511727620

The company was incorporated in Israel in 1993 to manage the Tiberias Guesthouse, later redeveloped into a sixty-nine bedroom facility 'The Scots Hotel, St. Andrew's Galilee'. The share capital of 2,900,102 shares, each of one New Israeli Shekel (approximately £0.21), is held in total by The Church of Scotland Trust on behalf of the World Mission Council.

St Andrew's Scottish Centre Limited - Israel Company Registration Number 511832495

The company was incorporated in Israel in 1993 to manage the nineteen bedroom St. Andrew's Scottish Guesthouse in Jerusalem. The share capital of 22,900 shares, each of one New Israeli Shekel (approximately £0.21), is held in total by the Church of Scotland Trust on behalf of the World Mission Council.

The Tiberias Guesthouse and St. Andrew's Scottish Guesthouse provide accommodation to those wishing to visit Israel and Palestine and witness the work of the Church of Scotland and are also open to all guests. The Financial Year end of both companies is 31 December and both subsidiaries are consolidated in the Group Financial Statements.

Tabeetha School in Jaffa - Israel Amutta (Not for Profit Organisation) Number 580500601

The school has operated under the supervision of the World Mission Council since 1912. Title to the school property is held by the Church of Scotland Trust on behalf of the World Mission Council. Accordingly, it is considered that the Church of Scotland has control of the entity and its results are consolidated in full. The school was registered as an Amutta, an Israeli not for profit association, in 2008 and commenced operations under the new arrangement in 2009. The Financial Year end of the company is 31 December and the results of the school are consolidated in the Group Financial Statements.

Their financial results were as follows:

	St Andrew's Galilee Limited		St Andrew's Scottish Centre Limited		Tabeetha School	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Income	4,754	3,918	527	498	1,605	1,195
Expenditure	4,841	4,168	630	620	1,684	1,387
Net (Loss)/Profit	(87)	(250)	(103)	(122)	(79)	(192)
Unrealised Gains/(Losses) on Foreign Currency	16	(35)	23	92	75	(59)
	(71)	(285)	(80)	(30)	(4)	(251)
Total Net (Liabilities)/Assets	(1,151)	(1,080)	151	231	386	390

30. Commitments

	Group and Charity	
	2016 £000	2015 £000

Capital Expenditure

Contracts placed for future capital expenditure not provided for in the financial statements:

Central Services Committee	122	-
	122	-

Capital Expenditure authorised by Councils and Other Funds, not contracted for at 31 December:

Social Care Council	-	115
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Operating Leases where the Group is Lessee

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group				Charity			
	Property £000	Other £000	2016 Total £000	2015 Total £000	Property £000	Other £000	2016 Total £000	2015 Total £000
In 1 year	508	408	916	706	461	285	746	693
Between 2-5 years	328	476	804	752	328	417	745	637
After 5 years	8	-	8	27	-	-	-	27
	844	884	1,728	1,485	789	702	1,491	1,357

Operating Leases where the Group is Lessor

Future minimum lease rentals receivable under non-cancellable operating leases are as follows:

	Group and Charity	
	2016 £000	2015 £000
In 1 year	123	123
Between 2-5 years	275	399
	398	522

Certain commercial property leases are non-cancellable. These leases have remaining terms of between one and four years. Other leases have terms of less than one year.

31. Pension Schemes

Details of Schemes

The Church of Scotland has six pension schemes, three of which are defined contribution schemes and three defined benefit schemes.

Defined Contribution Schemes

The Social Care Council has operated a defined contribution scheme for its staff since 2003. Until August 2013 this was provided by AXA. Since August 2013 the scheme was provided by Legal and General with employer rates of 5%.

From 1 October 2013 two further defined contribution schemes were provided by Legal and General, one for employees of the Ministries and World Mission Councils with employer rates of 11.5% to 14%, and one for employees of the Central Services Committee with employer rates of 11.5% to 14%. A statutory minimum compliance employer rate of 1% is provided for certain categories of workers such as locum ministers.

The Group allocates the defined contribution schemes expenses and liability between funds according to the activity for which staff are employed.

Defined Benefit Schemes

- > The Scheme for Ministers and Overseas Missionaries (for employees of the Ministries Council and World Mission Council). The Scheme has three separate funds, the Main Pension Fund, The Contributors' Pension Fund and the Widows' and Orphans' Fund. The Contributors' and the Widows' and Orphans' Funds are excluded from the disclosures because both funds have irrecoverable surpluses which can only be recovered to the extent that there is a liability associated with the Fund. Given that the costs accruing to these Funds are considered to be negligible and no contributions are payable, it is not expected that any surplus can be recognised.
- > The Scheme for Staff (employees of the Social Care Council and the Central Services Committee). The Scheme has two separate funds, the Social Care Fund and the Central Services Committee Fund (CSC Fund).
- > The Scheme for Ministry Development Staff (MDS), formerly the Presbytery and Parish Workers' Scheme (PPWS) and formerly the Scheme for National Mission (for certain employees of the Ministries Council).

The Social Care component of the Staff Scheme was closed to future accrual in August 2013 and the other three Schemes closed to future accrual after 31 December 2013.

All three defined benefit Pension Schemes provided facilities for additional voluntary contributions with either Scottish Widows or Standard Life until 31 December 2013. Certain voluntary contributions were allowed to continue after that date.

All assets are held independently of the Church of Scotland by the Church of Scotland Pension Trustees. The investments of the Pension Schemes are held in the Pension Investment Fund, which is operated on a unitised basis, the Managers being Baillie Gifford & Co, Aberdeen Asset Management Ltd, BlackRock Asset Management (UK) Ltd, Legal & General Investment Management Ltd, Kames Capital Plc and Newton Investment Management Ltd. The Pension Investment Fund was created in June 1998 and formalised on 17 May 2005 by Trust Deed. The Pension Investment Fund has one Trustee, the Church of Scotland Pension Investment Fund Trustee Limited.

The Schemes closed to future accrual on 31 December 2013 with the exception of the Widows' & Orphans' Fund, for which only employee contributions are paid, based on historic calculations. Consequently, with this exception, from 2014 the only contributions payable relate to past service.

Treatment in Financial Statements

The most recent actuarial valuations for the Ministers, MDS, and Social Care/CSC defined benefit schemes were carried out as at 31 December 2015 and were updated by the Group's actuaries, Hymans Robertson LLP, to take account of the requirements of FRS 102 in order to assess the assets and liabilities of the schemes at 31 December 2016. The Actuary has determined contribution rates for funding past service, and these will be funded from the reserves of those Councils whose past and present employees are scheme members.

	2016 £000	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2015 £000
Defined Benefit Obligation							
Opening Defined Benefit Obligations	362,936	251,059	12,649	51,512	29,731	17,985	382,156
Current Service Cost	291	-	-	-	-	291	366
Administration Costs	1,491	800	155	333	203	-	1,243
Interest Cost	13,523	9,320	474	1,917	1,111	701	13,125
Contributions by Scheme Participants	72	-	-	-	-	72	82
Actuarial Losses/(Gains)	34,538	15,666	2,054	6,503	4,628	5,687	(16,948)
Past Service Cost	862	862	-	-	-	-	-
Benefits and Expenses paid	(16,972)	(12,414)	(528)	(2,472)	(1,180)	(378)	(17,088)
Closing Defined Benefit Obligations	396,741	265,293	14,804	57,793	34,493	24,358	362,936

	2016 £000	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2015 £000
Fair Value of Scheme Assets							
Opening Fair Value of Scheme Assets	401,807	289,281	15,029	49,617	34,163	13,717	406,495
Interest Income	15,004	10,766	565	1,857	1,281	535	14,024
Contributions by Scheme Participants	72	-	-	-	-	72	82
Contributions by the Employer	2,265	480	212	988	280	305	4,674
Actual return on assets excluding amounts included in net interest	65,948	44,800	2,876	9,892	6,188	2,192	(6,380)
Benefits and Expenses paid	(16,972)	(12,414)	(528)	(2,472)	(1,180)	(378)	(17,088)
Closing Fair Value of Scheme Assets	468,124	332,913	18,154	59,882	40,732	16,443	401,807
Irrecoverable surplus brought forward	(45,034)	(38,222)	(2,380)	-	(4,432)	-	(33,763)
Impact of irrecoverable surplus on interest income	(1,710)	(1,452)	(90)	-	(168)	-	(1,182)
Increase in irrecoverable surplus from experience	(32,554)	(27,946)	(880)	(2,089)	(1,639)	-	(10,089)
Irrecoverable surplus at end of year	(79,298)	(67,620)	(3,350)	(2,089)	(6,239)	-	(45,034)
Closing Fair Value of Scheme Assets recognised on Balance Sheet	388,826	265,293	14,804	57,793	34,493	16,443	356,773
Closing Net Defined Benefit Obligation	7,915	-	-	-	-	7,915	6,163
Opening Net Defined Benefit Obligation	6,163	-	-	1,895	-	4,268	9,424

	2016 £000	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2015 £000
Analysis of Amount Charged to Net Income							
Current & Past Service Cost	1,153	862	-	-	-	291	366
Administration Costs	1,491	800	155	333	203	-	1,243
Total Operating Charge	2,644	1,662	155	333	203	291	1,609

	2016 £000	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2015 £000
Analysis of Amount Credited to Income from Investments							
Interest Income on Scheme Assets	15,004	10,766	565	1,857	1,281	535	14,024
Impact of Asset Ceiling on Net Interest	(1,710)	(1,452)	(90)	-	(168)	-	(1,182)
Interest on Scheme Liabilities	(13,523)	(9,320)	(474)	(1,917)	(1,111)	(701)	(13,125)
Net Interest on Net Defined Benefit Liability	(229)	(6)	1	(60)	2	(166)	(283)

	2016 £000	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2015 £000
Total Amount Charged to Statement of Financial Activities							
Total Operating Charge less Net Interest	2,873	1,668	154	393	201	457	1,892

	2016 £000	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2015 £000
Analysis of Amount recognised in Other Recognised Gains and Losses							
Actual return on Assets excluding amounts included in net interest	65,948	44,800	2,876	9,892	6,188	2,192	(6,380)
Actuarial (losses)/gains on Scheme obligations	(34,538)	(15,666)	(2,054)	(6,503)	(4,628)	(5,687)	16,948
Increase in irrecoverable surplus from membership fall and other factors	(32,554)	(27,946)	(880)	(2,089)	(1,639)	-	(10,089)
Remeasurement (loss)/gain recognised in Other Recognised Gains and Losses	(1,144)	1,188	(58)	1,300	(79)	(3,495)	479

	2016 Total £000	Main Pension Fund £000	MDS Scheme £000	Social Care £000	CSC Fund £000	LGP Schemes £000	2015 Total £000
Major Categories of Scheme Assets:							
UK Equities	36,772	16,486	805	5,530	1,867	12,084	30,666
Overseas Equities	27,942	18,659	911	6,259	2,113	-	22,734
UK Managed Funds	66,414	29,736	7,575	12,725	16,378	-	65,242
Overseas Managed Funds	2,255	1,507	73	505	170	-	1,969
UK Unit Trusts	-	-	-	-	-	-	3,159
UK Government Index-linked Bonds	178,596	136,924	6,570	20,618	14,484	-	155,273
UK Government Fixed -interest Bonds	152,955	129,066	2,022	13,724	5,657	2,486	114,730
Property	1,291	-	-	-	-	1,291	1,284
Cash/Net Current Assets	1,899	535	198	521	63	582	6,750
Total Value of Assets	468,124	332,913	18,154	59,882	40,732	16,443	401,807
Actuarial Value of Liabilities	(396,741)	(265,293)	(14,804)	(57,793)	(34,493)	(24,358)	(362,936)
Surplus/(Deficit) of Funded Scheme Liabilities	71,383	67,620	3,350	2,089	6,239	(7,915)	38,871
Irrecoverable Surplus	(79,298)	(67,620)	(3,350)	(2,089)	(6,239)	-	(45,034)
Net Pension Liability	(7,915)	-	-	-	-	(7,915)	(6,163)

Although some of the defined benefit pension schemes show an accounting surplus as disclosed above, the financial positions as measured by the latest actuarial valuations require that the Charity makes total deficit repair payments as follows:

	£000		£000
Deficit Repair Payments			
2017	1,464	2022	1,685
2018	1,426	2023	1,782
2019	1,436	2024	1,831
2020	1,596	2025	1,881
2021	1,640	2026	500

	2016 %	2015 %
Financial Assumptions		
Retail Price inflation	3.50	3.25
Consumer Price inflation	2.65	2.40
Discount rate	2.70	3.80
Pension Increase Rate	2.00	2.40
Salary increase rate (LGP Schemes only)	4.50	4.30

Reference and Administrative Details

Council of Assembly

Members of the Council of Assembly Voting Members and Charity Trustees

- **Rev Dr Grant Barclay** Convener (until May 2016) (Minister, Kilmarnock: St Kentigern's at time of serving)
- **Dr Sally Bonnar** Convener (from May 2016) (Elder, Perth: North)
- **Miss Catherine Coull** Vice-Convener (Elder, Dundee: Chalmers-Ardler)
- **Mrs Hilary Cameron** (from May 2016) (Elder, Inverkip)
- **Mr John Corrigan** (Elder, Stewarton: John Knox)
- **Rev Iain Cunningham** Convener, World Mission Council (Minister, Carluke: Kirkton)
- **Rev Graham Duffin** Convener, Panel on Review and Reform (Minister, Loanhead)
- **Rev Dr John Ferguson** (Minister, Peterculter)
- **Rev Sally Foster-Fulton** (until March 2016) Convener, Church and Society Council
- **Miss Elizabeth Fox** (Elder, London: St Columba's)
- **Rev Dr Richard Frazer**, (from March 2016) Convener, Church and Society Council (Minister, Edinburgh: Greyfriars Kirk)
- **Rev Neil Glover** Convener, Ministries Council (Minister, Cambuslang: Flemington Hallside)
- **Mrs Isobel Hunter** (Elder, Skirling)
- **Mr Andrew Kimmitt** (until May 2016) (Member, Dundee: Coldsides)
- **Ms Anne Lamont** (Elder, Edinburgh: Leith North)
- **Mr Murdo Macmillan** (until May 2016) (Elder, Stornoway: Martin's Memorial at time of serving)
- **Rev Fiona Mathieson** (until May 2016) (Minister, Edinburgh: Carrick Knowe)
- **Rev Prof Andrew McGowan** (from May 2016) (Minister, Inverness: East)
- **Rev Dr John McPake** (from May to September 2016) (Minister, East Kilbride: Mossneuk)
- **Rev Alexander Millar** (until May 2016) (Minister, Stirling: St Columba's)
- **Rev Colin Sinclair** (until May 2016) Convener, Mission and Discipleship Council (Minister, Edinburgh: Palmerston Place)
- **Rev Norman Smith** (from May 2016) Convener, Mission and Discipleship Council (Minister, Edinburgh: Granton)
- **Rev Alan Sorensen** (from May 2016) (Minister, Greenock: Wellpark Mid Kirk)
- **Mr Bill Steele** (from May 2016) Convener, Social Care Council (Elder, Alvie and Insh)
- **Mr David Watt** (Elder, Airdrie: The New Wellwynd)

Non-Voting Members

- **Rev Dr Martin Scott** (until May 2016) Secretary, Ministries Council; (from May 2016) Secretary to the Council of Assembly
- **Mrs Pauline Weibye** (until May 2016) Secretary to the Council of Assembly
- **Mrs Anne Macintosh** (from May 2016) General Treasurer
- **Ms Mary Macleod** (from May 2016) Solicitor of the Church
- **Mrs Janette Wilson** (until May 2016) Solicitor of the Church
- **Very Rev Dr John Chalmers** Principal Clerk of the General Assembly
- **Very Rev Dr Angus Morrison** (from May 2016) Immediate Past Moderator of the General Assembly
- **Very Rev Dr Lorna Hood** (until May 2016) Immediate Past Moderator of the General Assembly
- **Rev Dr Martin Johnstone** Secretary, Church and Society Council
- **Rev Jayne Scott** (from July 2016) Secretary, Ministries Council
- **Rev Dr Alister Bull** Secretary, Mission and Discipleship Council
- **Mr Peter Bailey** Secretary, Social Care Council
- **Rev Ian Alexander** Secretary, World Mission Council



Scottish Charity Number

SC011353

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Auditors

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Chartered Accountants
and Statutory Auditor
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Glasgow
G2 7EQ

PricewaterhouseCoopers
(Auditors of Israeli Subsidiaries)
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East Jerusalem
Palestinian Territories

Bankers

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The Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Bank Hapoalim
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Netanya 42505
Israel

Mercantile Discount Bank Ltd
PO Box 1292
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Tel Aviv 61012
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Investments

**The Church of Scotland
Investors Trust**
121 George Street
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Every day, everywhere
are glimpses of Your glory, Lord.
Creation basks in the warmth of the sun's rays
and I know that You hold me.
Clouds throw their cover over the earth
and I know that You enfold me.
Today, Lord God,
scatter Your grace around me
that I might haul it in
and marvel at its beauty.
And may I be ready to let it go
so others may catch sight of You.

AMEN
