# CHURCH COMMISSIONERS FOR ENGLAND

England & Wales · Charity number 1140097

## Details

| | |
|---|---|
| **Other names** | CHURCH COMMISSIONERS |
| **Status** | Registered |
| **Legal form** | Other |
| **Registered** | 2011-01-27 |
| **Register** | View on the Charity Commission register |

## Contact

| | |
|---|---|
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| **Website** | www.cofe.anglican.org/about/churchcommissioners/ |

## Activities

**Objects:** TO PROMOTE THE MISSION AND MINISTRY OF THE CHURCH OF ENGLAND IN THE WAYS MORE PARTICULARLY DESCRIBED IN: THE CHURCH COMMISSIONERS MEASURE 1947; THE PASTORAL MEASURE 1983; AND THE NATIONAL INSTITUTIONS MEASURE 1998

**Activities:** Promoting the mission and ministry of the Church of England especially by supporting poorer dioceses with ministry costs, providing funds to support mission activities, paying for bishops' ministry and some cathedral costs, administering the legal framework for pastoral reorganisation and closed church buildings, paying clergy pensions for service prior to 1998 and running the clergy payroll.

## Classification

- **How:** Makes Grants To Individuals, Makes Grants To Organisations, Provides Other Finance, Provides Buildings/facilities/open Space, Provides Services
- **What:** Religious Activities
- **Who:** Other Charities Or Voluntary Bodies, The General Public/mankind

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## Geography

- Throughout England

## Finances

| Period end | Income | Expenditure | Assets | Employees |
|---|---|---|---|---|
| 2024-12-31 | £207,417,455 | £370,068,024 | £9,893,512,515 | 184 |
| 2023-12-31 | £192,121,024 | £494,354,476 | £9,099,268,443 | 166 |
| 2022-12-31 | £148,459,318 | £246,247,909 | £9,056,774,953 | 113 |
| 2021-12-31 | £148,127,625 | £226,338,653 | £8,645,709,110 | 88 |
| 2020-12-31 | £134,822,897 | £319,642,153 | £7,572,490,343 | 82 |

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## Trustees

| Name | Role | Appointed |
|---|---|---|
| Alan Smith | | 2018-04-08 |
| Busola Sodeinde | | 2021-01-01 |
| Christopher Hancock | | 2023-01-01 |
| Cyrus Stokes Gentry | | 2025-03-25 |
| Dame Kate Barker | | 2023-04-01 |
| Dr Catharine Alison Rhodes | | 2024-01-01 |
| Dr Nicholas Land | | 2024-01-01 |
| Jenny Buck | | 2023-01-01 |
| MOST REVD AND RT HON STEPHEN GEOFFREY COTTRELL | | 2020-07-09 |
| Marsha de Cordova MP | | 2024-10-07 |
| Nigel TIMMINS | | 2021-04-03 |
| ROSALIND MORAG ELLIS KC | | 2019-01-01 |
| Remi Olu-Pitan | | 2022-10-01 |
| Rev CHRISTOPHER MICHAEL SMITH | | 2017-07-27 |
| Rev Sarah Jane Geileskey | | 2024-01-01 |
| Richard Christopher Somer Denno | | 2024-01-01 |
| Robert Zampetti | | 2024-01-01 |
| Rt Hon Sir Robert James Buckland | | 2025-02-18 |
| Rt Revd Graham Usher | | 2021-12-01 |
| Rt Revd Pete Wilcox | | 2024-01-01 |
| Rt Revd Philip John North | | 2025-10-30 |
| Rt Revd Rose Hudson-Wilkin | | 2026-01-17 |
| SUZANNE AVERY | | 2017-02-28 |
| The Most Revd Dame Sarah Elisabeth Mullally | | 2026-01-28 |
| The Revd Preb Amatu Christian-Iwuagwu | | 2024-01-01 |
| The Very Revd Rogers Govender | | 2022-05-01 |

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| Name | Role | Appointed |
| --- | --- | --- |
| Very Revd Mark Bonney | | 2019-01-01 |

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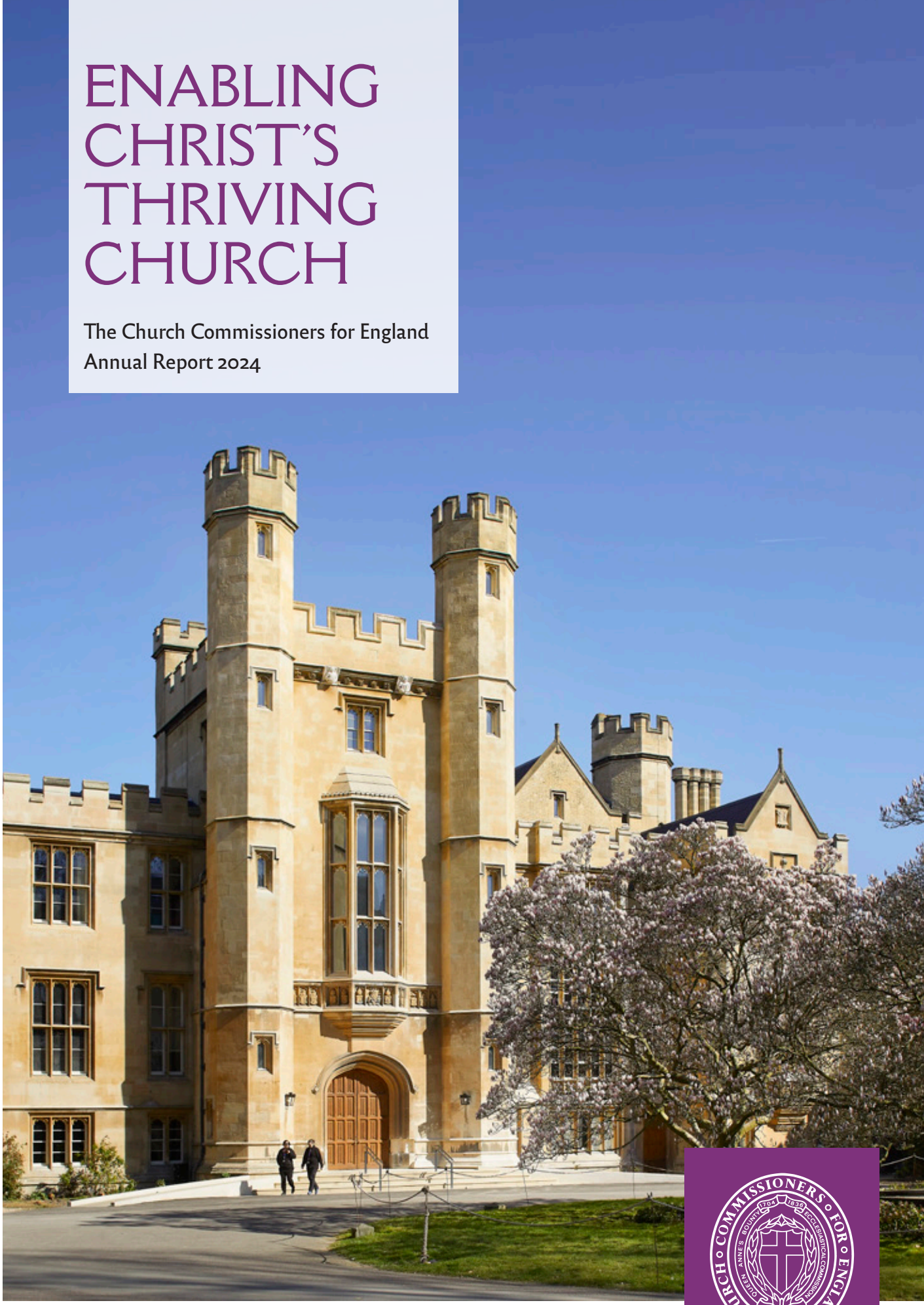
**CHURCH COMMISSIONERS FOR ENGLAND**

England & Wales - Charity number 1140097

# Accounts

# ENABLING CHRIST'S THRIVING CHURCH

The Church Commissioners for England
Annual Report 2024



CHURCH COMMISSIONERS *for* ENGLAND

# The Church Commissioners
# Annual Report 2024

Enabling Christ's Thriving Church

Presented to Parliament pursuant to section 12(2)
of the Church Commissioners Measure 1947

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THE CHURCH COMMISSIONERS FOR ENGLAND

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Front cover: Lambeth Palace refurbishment

# OVERVIEW AND WELCOME FROM THE ARCHBISHOP OF YORK

*I am pleased to introduce this report on the work of the Church Commissioners for England, which supports the Church tirelessly through its financial stewardship of its permanent endowment fund and the many other responsibilities it manages for the Church of England.*

Writing this foreword is an opportunity to reflect on a challenging year for the Church of England. As I have said elsewhere, some areas where we as a Church have fallen short were quite rightly brought into sharp focus with the publication of the independent review by Keith Makin into the Church of England's historic handling of allegations of serious abuse by the late John Smyth.

The Church Commissioners is truly sorry for the prolific and abhorrent abuse highlighted in the report and its lifelong effects on his victims. We recognise that victims were badly let down by many in different parts of the Church of England and are profoundly grateful for their courage to come forward and share their experiences, knowing how costly this would be.

The Church Commissioners for England's role as financial steward for the Church of England's endowment fund is key to ensuring the long-term flourishing of our mission and ministry. A key part of that work is the Commissioners' ongoing commitment to funding the Church of England's future arrangements for Safeguarding and Redress.

Thanks to its outgoing CEO, Gareth Mostyn, and his colleagues, the Commissioners' finances are secure and able to support the Church's long-term goals with confidence.

The Church Commissioners' vision is to enable Christ's thriving Church. We strive for excellence in all that we do. We act with integrity and show respect for all we encounter. And we show compassion and seek to work across divides. These attributes can be seen through the work the Commissioners has done over the last year.

Its investment strategy as a whole has successfully generated average returns of 8.6% over the past decade, creating a fund of £11.1bn. These impressive returns continue to be reached by investing ethically and responsibly, with a focus on net zero carbon, nature, and human rights.

In the last 12 months, the Responsible Investment team has been recognised for its leadership in the transition to net zero carbon with notable industry awards. The importance of the subject to the Church is reflected in how the Commissioners is helping our cathedrals, churches, church halls, schools and housing achieve net zero carbon.

The investment portfolio includes a significant amount of land across the UK. It uses this land to build new houses to address the nation-wide housing crisis, as well as managing commercial property, farmland, and forests. All Commissioners land is managed in a way that supports nature, the environment, and the needs of our tenants.

The Commissioners' ongoing work on improving human rights data available to investors is also significant, not least because it echoes the separate work we are doing to account for the sins of our past. We continue to work on addressing our historic links to African chattel enslavement, through the creation of an impact investment fund that will create a fairer future for impacted communities. This fund, when designed, will attract additional investment from other organisations so as to make a lasting impact on the world.

The work of the Commissioners is done with a focus on the long term. This year represents the end of the funding triennium that saw the largest distribution in the Church's history. In 2024, £204.9m was distributed to the Archbishops' Council, enabling grants to support dioceses and local churches.

The Commissioners will soon announce the next triennium funding (2026-2028), with a commitment to provide significant funds to support both redress and the creation of safeguarding structures needed by the Church of England. The ambition is also that parishes and those who minister, as well as deprived and vulnerable communities, are helped to thrive.

This foreword usually comes from the Archbishop of Canterbury, yet I write it this year following Justin Welby's decision to announce his resignation as Archbishop of Canterbury in November, which took effect on 7 January 2025. When he resigned as Archbishop of Canterbury,







Justin decided to take his share of responsibility for the failures identified by the Makin review. I believe that was the right thing to do. But he was also responsible for championing safeguarding developments and changes in the Church in the past ten years.

I would like to offer my thanks to Gareth Mostyn. 2024 was the last full year that the Commissioners benefited from his careful stewardship and leadership, and I am grateful for all his work and wish him well for the future.

The work of the Church Commissioners in the life of our Church is vital and I am thankful for the passionate and professional commitment of the staff over the last year. Their commitment to supporting the Church of England and its mission continues as we all seek to proclaim the good news of Jesus Christ to the nation.

Stephen Cottrell
Archbishop of York

# A LETTER FROM THE CHIEF EXECUTIVE

*Reflecting on my five years as Chief Executive of the Church Commissioners, I am both proud of all that we have achieved together during a turbulent period and grateful for the opportunity to serve God and the Church of England.*



I write this introduction well ahead of the annual report's publication date, having announced last year that I will be leaving my role as Chief Executive and Secretary to the Church Commissioners in March 2025, after five years in the role and previously two years as the National Church Institutions' Chief Finance & Operations Officer. It has been both a hugely rewarding and also demanding period of my career, spanning Covid, turbulence in investment markets, geopolitical upheaval and crisis, and controversy within the Church of England. Despite the many challenges, the Church Commissioners has been and remains a special place to work, and I am privileged to have had the opportunity to serve God and the Church in these roles.

Quite naturally, given the Church Commissioners' role as stewards of the Church of England's historic endowment, much of this annual report focuses on financial matters. But in this, my final Chief Executive's letter, I would like to focus on people.

The Church of England is all about people; it is the faithful people of churches throughout this country who meet to worship and pray; love their neighbours through thousands of social outreach projects and daily personal witness and evangelism; give their time to look after church buildings and run children's work; and give their money to sustain the Church's work. So, while the trustees and staff of the Church Commissioners are pleased to have maintained strong investment performance in recent years, enabling us to increase our funding by more than 50% between 2017-2019 and 2023-2025, this is only important because such funding enables the wonderful ministry of so many people throughout the Church of England. They include parish priests, pioneer ministers and chaplains, lay leaders and faithful parishioners, cathedral clergy and bishops.

It has been my great privilege to lead the Church Commissioners' efforts to maximise our support for this array of people, and it will be the privilege of my successor to continue to do so – for we know that, notwithstanding the unprecedented level of funding the Church Commissioners provides, the financial pressures across the Church remain real and significant, felt most acutely by our sisters and brothers on the 'front line'.

In performing effectively our role at the Church Commissioners, we also place great emphasis on all those people whom we work with. Central to the successful delivery of any Chief Executive's objectives is the confidence of the Board and I have been grateful for this confidence from an excellent group of trustees, who have shown me genuine care and support.

I leave in the knowledge that the Church Commissioners' Board is a diverse, talented group of energetic and wise women and men, and that at their core is a deep desire to support the flourishing of the Church of England.

And then there is the exceptional team that I have worked with over the past seven years; while I am sad to be leaving my wonderful colleagues, I am at the same time very pleased to be able to leave in place such a strong team, led by an outstanding senior management group who are not only committed and capable but also enormously supportive of each other. That might be a rare combination, but it is an important one: such teams deliver better results, and they create healthier working cultures. It has been a joy to help build such a team, to share in its successes and to see colleagues support each other during challenging times in the Church, the economy and society.

I sign off by expressing my gratitude to our Board and Committee members, as well as my colleagues in the Church Commissioners and right across the National Church Institutions for all their work, support and fellowship over these last seven years. The Church Commissioners and all their beneficiaries will remain in my prayers.

Gareth Mostyn
Chief Executive





# AT A GLANCE

*We support the mission of the Church of England through ethical and responsible management of the Church's historic endowment fund.*

| | 2024 | 2023 |
|---|---|---|
| Total return | 10.3% | 4.1% |
| Total return (30 years average) | 9.6% | 9.4% |
| Supporting dioceses and the local church | £202.0M | £152.8M |
| Bishops' and Archbishops' ministry | £55.3M | £47.0M |
| Cathedrals' ministry | £14.7M | £14.1M |
| Other activities | £11.2M | £9.1M |
| Total charitable expenditure excluding clergy pension obligations | £283.2M | £223.0M |
| Total cash paid on clergy pensions | £124.1M | £120.6M |
| Investment fund | £11.1BN | £10.4BN |

# THE CHURCH COMMISSIONERS' ROLE WITHIN THE CHURCH OF ENGLAND

*The Church Commissioners is one of seven national administrative bodies that work together to support the mission and ministry of the Church of England. These are called National Church Institutions (NCIs).*

## NATIONAL CHURCH INSTITUTIONS

Each NCI has a role to play in helping the day-to-day work of churches across England. The NCIs serve as the Church's central office, managing finance, education, communications, and more, to keep the Church of England growing.

The NCIs are separate legal entities, but they are a common employer. The present arrangements were established under the National Institutions Measure 1998. The seven NCIs are:

- The Archbishops' Council.
- Lambeth Palace.
- Bishopthorpe Palace.
- Church Commissioners for England.
- The Church of England Pensions Board.
- The National Society (Church of England and Church in Wales) for the Promotion of Education.
- Church of England Central Services.

## THE CHURCH COMMISSIONERS FOR ENGLAND

Established in 1948, the Church Commissioners for England supports the work and mission of the Church of England by administering its permanent endowment fund. The Church Commissioners is accountable to Parliament, General Synod and, as a registered charity, the Charity Commission.

There are 33 Church Commissioners, who have responsibility for making sure we meet our charitable obligations. Six of the Commissioners hold Offices of State and the other 27 make up the Board of Governors, the main policy-making body (for more information, see page 64).

Three of the Commissioners are lay people who represent the Church Commissioners in the General Synod of the Church of England. The First and Second Commissioners are appointed by HM the King on the advice of the Prime Minister, while the Third Commissioner is appointed by the Archbishop of Canterbury.



Alan Smith

## FIRST CHURCH ESTATES COMMISSIONER

The First Church Estates Commissioner chairs the Church Commissioners' Assets Committee, a statutory committee responsible for the strategic management of the Church Commissioners' investment portfolio. They are also a member of the Church Commissioners' Board of Governors, the General Synod and the Archbishops' Council.

Alan Smith has held the office of the First Church Estates Commissioner since 1 October 2021.



Marsha de Cordova MP

## SECOND CHURCH ESTATES COMMISSIONER

The Second Church Estates Commissioner ensures our accountability to Parliament by regularly answering questions in the House of Commons. As a member of Parliament's Ecclesiastical Committee, they guide Church of England legislation through the House of Commons. The Second Church Estates Commissioner is also a member of the Church Commissioners' Board of Governors and an ex-officio member of the General Synod.

Marsha de Cordova MP has held the office of the Second Church Estates Commissioner since 7 October 2024, replacing Andrew Selous.



Sir Robert Buckland KBE

## THIRD CHURCH ESTATES COMMISSIONER

The Third Church Estates Commissioner chairs the Mission, Pastoral and Church Property Committee and the Bishoprics and Cathedrals Committee, in addition to membership of the Board of Governors. They also chair the Net Zero Carbon Programme Board.

Sir Robert Buckland KBE was appointed[1] on 18 February 2025, replacing the Rt Revd Flora Winfield, who held the position between 1 February 2022 and 31 October 2024.

1 Following the resignation of Justin Welby on 7 January 2025, the Archbishop of York Stephen Cottrell made the appointment having formally taken on the responsibilities of the Archbishop of Canterbury.

# A LETTER FROM THE FIRST CHURCH ESTATES COMMISSIONER

*Alan Smith, First Church Estates Commissioner, reflects on a year of change for the world – and the Church Commissioners.*

2024 was a year of upheaval across the world – in governments, in the economy, in the Church of England.

As an in-perpetuity investor that has been in existence for over 320 years, tumultuous times happen at regular cycles for the Church Commissioners. In such times, the key principles by which we operate come to the fore – values must drive value; capital allocation must be disciplined and underpinned by intergenerational equity and fairness; we must learn from the past to understand our present and build a better future; our decisions, especially when peering into uncertainty, must be data-driven and evidence-based.

A year of change has required us to draw on those key principles. As you read this, we will be finalising the next triennium funding for the Church of England, setting out commitments for the next three years, and the direction for the next nine years.

As we embark on this vital task, it is important to restate our first principles. The Church Commissioners is an endowment fund tasked not just with funding the mission and ministry of the Church of England today, tomorrow, or for the next three years. Our mandate is to do so in perpetuity.



With such a long-term mandate, we must allocate our capital in a rigorous way, informed by history. No institution as old as ours can survive and thrive unless it uses the evidence of its past to enhance its risk management in the present. One example of a responsible, risk-informed action is our investigation of our historic links to African chattel enslavement.

Another is with regards to the environment. At a time when others retreat from their commitments, we remain steadfast. We recognise that climate change will have catastrophic consequences that will be felt by the poorest first and hardest, but also, ultimately, by all of us.

To ignore climate change is to misprice risk – and misallocate capital. Some criticise us, arguing that we should focus on maximising returns. We always do so in line with our mandate. Our performance demonstrates that. This year, we delivered returns of 10.3%, and over the last 30 years our average returns are 9.6%.

The year marked a changing of the guard. Gareth Mostyn announced his departure as CEO at the end of 2024, leaving the Commissioners at the end of March 2025. Throughout his tenure, Gareth embodied the Commissioners – its purpose, its values, its outcomes. Gareth operated with great integrity, calm and character.

He took over in February 2020, just a month before the pandemic lockdowns began, and helped steer us through the challenges of that epochal event.

Gareth oversaw a series of milestones: the largest nominal distribution to the Church of England's economy ever; our first bond issue; the building of a leadership team for the next generation; and groundbreaking work of responsible investment.

As Gareth departs, new faces have joined. Poppy Allonby joined us as Chief Investment Officer in September, bringing a wealth of experience. Her strategic vision and commitment to sustainable investing align perfectly with our long-term goals. I am confident that under her leadership, our investment portfolio will continue to prosper.

In October, we welcomed Marsha de Cordova MP as our new Second Church Estates Commissioner. Marsha has been a passionate advocate for social justice and equality throughout her career. I have been struck by how quickly she settled into the role during a particularly challenging period. She has handled these challenges with considerable grace and sophistication.

Finally, in March of 2025, Sir Robert Buckland KBE started as the new Third Church Estates Commissioner. His insight and leadership – and his experience in public life and the law – will be crucial as we continue our ethical stewardship of the Church's resources.

We look forward to all their contributions and look to the future with hope and ambition.

As we move forward in these challenging times, our core principles and mission remain unchanged and provide strength. Our work spans generations and the decisions we make today will lay the foundations for many generations to come.

The Church Commissioners will continue to support the Church of England in its mission to serve communities, promote justice, and uphold the values of faith and compassion.

Together, we will continue to navigate these tumultuous times with faith, resilience and hope.

**Alan Smith**
First Church Estates Commissioner

# OUR VISION AND PURPOSE

*Our vision is: "Enabling Christ's thriving Church".*

The Church Commissioners' core purpose is to provide long-term support for the ministry of the Church of England by delivering sustainable funding, practical guidance, and effective processes.

Our vision and purpose are enabled by talented teams and good governance, underpinned by our National Church Institution values:

- Strive for excellence.
- Act with integrity.
- Respect others.
- Show compassion.
- Collaborate.

LONG-TERM SUPPORT FOR THE MINISTRY OF THE CHURCH OF ENGLAND: through **practical guidance and effective processes** which contribute to its resilience and durability

| STRATEGIC OBJECTIVES | TIMEFRAME | 2024 ACHIEVEMENTS |
|---|---|---|
| *Strengthening the governance of all English Cathedrals through registration with the Charity Commission* | 2024 | • Work complete and all 41 Cathedrals registered on time before the end of April 2024. |
| *Develop and implement a strategy for supporting churches to manage and make the most of their church buildings, including implementation of the Buildings for Mission programme* | 2024 – 2025 | • Minor Repairs and Improvements Grants Fund allocations made to mainland dioceses, with more than a third of grants allocated to some of the most deprived parishes in the country.<br>• Church Building Support Officers funded through Buildings for Mission.<br>• Funding allocated to dioceses for pilots on collective action for building maintenance and facilities management. |

LONG-TERM SUPPORT FOR THE MINISTRY OF THE CHURCH OF ENGLAND: through **practical guidance and effective processes** which contribute to its resilience and durability

| STRATEGIC OBJECTIVES | TIMEFRAME | 2024 ACHIEVEMENTS |
|---|---|---|
| *Develop legislation for a new Mission and Pastoral Measure (MPM) in line with Synod approval, together with a plan for implementation* | 2024 – 2026 | • The new Mission and Pastoral Measure will replace the 2011 Measure.<br>• The Measure provides a legal structure to allow a church to make changes to its local arrangements for worship, mission, and ministry through a formal consultation process.<br>• New draft Mission and Pastoral Measure and Regulations tabled and passed at February 2025 Synod and moved to the revision stage of the process. |
| *Delivery of programme of response to historic links to transatlantic chattel enslavement, supporting the national Church in its own response and learning on this subject* | 2024 – 2031 | • Engaged with over 2,000 individuals along with several institutions to develop and design the programme. Preparations are ongoing to submit a series of applications to our principal regulator which our Board will be asked to approve in the coming months.<br>• Supported the College of Bishops and members of General Synod to learn more about the relationship between the Church and enslavement. |
| *Support the national Church's 2030 net zero carbon ambition, through programme management, oversight and funding for the Net Zero Carbon Programme* | 2024 – 2030 | • The Net Zero Carbon Programme supported diocesan net zero carbon roles across the country and secured external funding.<br>• Funding awarded to parishes wanting to implement net zero carbon projects.<br>• Fully funded energy audits for the top 20% highest emitting churches.<br>• Grants awarded to every diocese and the Pensions Board to progress clergy housing fabric-first retrofit works.<br>• Provided consultancy support to help dioceses submit applications to the Government's Low Carbon Skills Fund. |

# OUR VISION AND PURPOSE
continued

**LONG-TERM SUPPORT FOR THE MINISTRY OF THE CHURCH OF ENGLAND: through funding that is sustainable in terms of the performance of our portfolio, our ethical and responsible investment principles, and the processes and systems that ensure the efficient distribution of funds**

| STRATEGIC OBJECTIVES | TIMEFRAME | 2024 ACHIEVEMENTS |
|---|---|---|
| *Manage the endowment fund professionally and ethically in order to allow the Church Commissioners to maintain and grow its in-perpetuity funding support to the Church of England (in accordance with the principles of inter-generational equity)* | Long-term | ❄ Endowment returns for 2024 were 10.3%, outperforming the investment return objective (CPIH+4%) of 7.5% for the year, and making a good contribution to continued longer-term performance against target, on which sustainable growth in distributed funding relies.<br><br>❄ Investment activity continued in line with the Commissioners' Ethical Investment Policies, with the Commissioners remaining signatories to the UK Stewardship Code. |
| *Optimise the Church Commissioners' impact as a leading Responsible Investor (RI) through prioritising key themes and implementing a targeted RI programme accordingly* | 2023 – 2025 | ❄ Awarded: 'Leadership in Energy Transition and Net Zero' and 'Outstanding Contribution in Transition Management' at 2024 IPE transition awards.<br><br>❄ 2022 Stewardship Report approved by the FRC (Financial Reporting Council) as meeting the reporting requirements of the 2020 UK Stewardship Code. The Commissioners then remained signatories to the Stewardship Code for 2024. |

**LONG-TERM SUPPORT FOR THE MINISTRY OF THE CHURCH OF ENGLAND, ENABLED THROUGH:**
**-Diverse teams that feel engaged, appropriately resourced and supported to deliver their work, and**
**-Governing bodies that are equipped to make data-driven and values-led decisions**

| STRATEGIC OBJECTIVES | TIMEFRAME | 2024 ACHIEVEMENTS |
|---|---|---|
| *Proactively diversify our workforce at all levels, including within our governing bodies and at all levels of our staff teams* | 2023 – 2025 | ❄ Diversity data collection has reached a reasonable level of completion, enabling monitoring and publication of gender, ethnicity and disability pay gaps.<br><br>❄ Belonging & Inclusion action plan evaluation showed progress towards representation goals, with increased representation of UKME/GMH, disabled, and female colleagues in Senior and Manager roles.<br><br>❄ Moved from Bronze to Silver in external benchmarking of our Diversity and Inclusion work. |
| *Supporting the creation of a new Governance model for the national Church, through collaborative working with, and practical support to, the Governance Programme Team* | 2024 – 2026 | ❄ Draft Governance Measure introduced at July 2024 Group of Sessions and positively received. Revision stage of the process commenced in the autumn.<br><br>❄ Revised Measure tabled and progressed at February 2025 Synod. Final Measure due to be presented at July 2025 Synod.<br><br>❄ Governance Programme Team developing implementation plans, establishing an Executive Steering Committee to oversee the delivery of the implementation. |

# SUPPORTING THE CHURCH OF ENGLAND

*The Church Commissioners makes funds available to support mission and ministry across England.*

Children's choirs singing the Christingle service

# SUPPORTING DIOCESES AND THE LOCAL CHURCH

*One of the key ways in which the Church Commissioners achieves its purpose is through distributing funding to the Archbishops' Council which can then give grants to support dioceses and the local Church.*

A large part of this funding is distributed by the Archbishops' Council through three funding streams – the Diocesan Investment Programme, the Lowest Income Communities Funding, and the People and Partnerships Funding – as part of the Strategic Mission and Ministry Investment (SMMI) programme.

The SMMI programme supports the Church in achieving the strategic priorities and the bold outcomes of the Church of England's Vision and Strategy for the 2020s.

## THE VISION AND STRATEGY FOR THE 2020S

The Vision for the Church of England for the 2020s is that we become a Church that is centred on Jesus Christ and shaped by Jesus Christ through the five marks of mission. The three strategic priorities for the 2020s are:

- A church of missionary disciples;
- A church which is younger and more diverse; and
- A church where mixed ecology (i.e. church in a variety of different forms and settings) is the norm.

The six bold outcomes are:

**A church for everyone through:**

1) Doubling the number of children and young active disciples in the Church of England by 2030.
2) A Church of England which fully represents the communities we serve in age and diversity.

**A pathway for every person into an accessible and contextual expression of church through:**

3) A parish system revitalised for mission so churches can reach and serve everyone in their community.
4) Creating ten thousand new Christian communities across the four areas of home, work/education, social and digital.

**Empowered by:**

5) All Christians in the Church of England envisioned, resourced and released to live as disciples of Jesus Christ in the whole of life, bringing transformation to the church and world.
6) All local churches, supported by their diocese, becoming communities and hubs for initial and ongoing formation.

## STRATEGIC MISSION AND MINISTRY INVESTMENT (SMMI)

The Church Commissioners and the Archbishops' Council have allocated £0.4 billion to the Strategic Mission and Ministry Investment programme in the 2023-25 triennium, and potentially up to £1.2 billion over the period 2023-31, subject to the outcome of future triennial funding reviews.

The Strategic Mission and Ministry Investment Board (SMMIB) was created as a sub-committee of the Archbishops' Council in February 2023 to distribute and monitor the progress and impact of the SMMI programme on behalf of the Archbishops' Council. The SMMIB also has responsibility for tracking the effective delivery and impact of existing programmes across the country which were previously awarded funding to grow mission by its predecessors (the Strategic Investment Board and the Strategic Ministry Funding Board).

The SMMIB is also responsible for awarding funding for additional stipendiary curates previously discharged by the Strategic Ministry Board.

## DIOCESAN INVESTMENT PROGRAMME

In 2023-25 a total of £248m of Diocesan Investment Programme (DIP) funding is available for distribution.

DIP funding supports dioceses to advance their plans for the Vision and Strategy in parishes and communities across England, prioritising investment in the most deprived contexts. Dioceses can access funding for two different types of investment proposal:

- A plan to develop strategic mission and ministry across the whole diocese which sets out the additional people, capacity and other resources needed to deliver it; and
- A major change programme to develop mission and ministry focused on a particular geographical area or demographic.

Both types of investment must align with the diocese's overall strategy and the Church's Vision for the 2020s. Data analysis, local consultation, prayer, integrating lessons learnt and specialist knowledge should be combined to discern and design the proposal. Plans must demonstrate that the national funding integrates with the diocese's resources to deliver change in mission and ministry that can be sustained once this temporary national funding has ended.

In 2024, the SMMIB awarded DIP funding for the programmes listed below:

- **Birmingham:** £1.6m to revitalise St Mary and St Ambrose church, merging it with Anchor Church to form a multiplying church planting in areas with high percentages of other faiths. By 2029, it is expected that the worshipping community will have grown to 400 with around 60 new disciples.
- **Blackburn:** £12.1m funding for a renewal programme, including youth workers, lay pioneers, parish renewal, clergy development and an inter-cultural Mission Enabler in Burnley. By 2030, 50 parishes will be revitalised, leading to a 5% increase in regular adult attendance and a 3% annual growth in weekly giving.
- **Canterbury:** £3.2m to fund a church planting programme, including revitalising Holy Trinity Margate and St Paul's Cliftonville, with further revitalising plans for St John's and All Saints Westbrook. St Luke's and St Faith's churches in North Maidstone are partnering to support growth, aiming to increase their worshipping community from 250 to 600, with 25% under 16.
- **Durham:** £4.7m to support a restructuring and renewal programme, including church plants, youth and children's mission hubs and missional discipleship training. The funding will also extend support to church plants and develop youth chaplaincy engagement. Durham diocese has submitted further plans for £3.3m funding to revitalise Sunderland Minster and up to eight other churches. The programme aims to establish 20 new churches, increase Sunderland Minster's attendance and reach 900 children and young people weekly by 2027.
- **Hereford:** £0.5m to pilot a youth ministry model with two hubs in Leominster and Bishops' Castle, serving deprived and rural areas. Six youth-focused worshipping communities will be created in rural areas, led by volunteers. By 2026, the six new worshipping communities will aim to reach 180 young people monthly, with 1,000 young people connected to ministry.
- **Lichfield:** £0.8m to revitalise ministry in Stoke. Strand 1 will revitalise All Saints, Joiners Square, with a focus on young adults, young people, young families and students. Strand 2 will plant nine intergenerational worshipping communities. By 2031, Strand 1 aims to establish a worshipping community of 300 with 130 weekly attendees, while Strand 2 targets 450 attendees across nine new communities.
- **London:** £9.4m to support a transformation programme in Hackney and Islington deaneries, supporting ministry in low-income communities, church planting and youth work. By 2030, 2,320 new worshippers, including 370 children and young people, are expected due to new worshipping communities and increased giving.
- **Portsmouth:** £4.0m to invest in clergy and lay leadership, church development, and new worshipping communities. The programme includes family-oriented services, midweek worship for children in schools, and children's choirs across south-east Hampshire and the Isle of Wight. St Michael's estate church, serving a highly deprived community in Paulsgrove, will establish four new congregations, including Choir Church, and expand existing worship in the Catholic tradition. Over five years, the number of children and young disciples is expected to double to 1,800 across 124 parishes. Youth ministries are expected to increase from 11 to 40, with a 20% increase in average weekly attendance.
- **Southwark:** £21.6m to support a nine-year transformation programme, including parish revitalisations, resourcing churches and establishing new leadership pipelines. By 2033, the plan aims to increase worshipping community attendance, financial giving and missional energy within parishes, with greater diversity in ministry.
- **Southwell & Nottingham:** £20.9m for a church revitalisation programme, with a focus on deprived and ethnically diverse areas. By 2035, the worshipping community is expected to grow to 19,500, with 5,000 new to faith. This growth will be supported by 100 new worshipping communities and 1,000 new leaders, underpinned by increased financial sustainability.
- **York:** £0.3m for mission and ministry in Hull, supporting an associate vicar and project manager to develop a resource church in the Derringham Bank benefice.
- **Northern Province:** £1.8m awarded to the Archbishop of York to support planting and revitalisation across the Northern Province. Funding will support a specialist team, leader training and the launch of 350 new worshipping communities. By 2029, 2,325 new worshipping communities are expected across the Northern Province, with 80% of 70 new leaders placed in resource churches.

In addition to the above awards, the SMMIB also approved the release of funding totalling £3.6m to **Worcester** diocese, which was pending approval last year.

*In 2023-25, a total of £91.0m was available for distribution as Lowest Income Communities (LInC) Funding*

DIP funding is also available to help dioceses address constraints in their capacity to develop and implement strategies, and to take forward major programmes of transformation. In 2024, the SMMIB awarded a total of £8.5m of capacity funding to 19 dioceses.

In 2024, the SMMIB awarded £4.0m for 27.5 additional stipendiary curates. Requests for funding of additional stipendiary curates will in the future be included in dioceses' proposals for major DIP programmes or people capacity funding.

## LOWEST INCOME COMMUNITIES FUNDING (LINC)

The formula-based LInC funding was introduced in 2017 to support dioceses in developing mission and growth in the lowest-income communities and estates and, from 2023, it has been distributed as part of the SMMI programme.

Dioceses report annually on their use of this national funding, with a minimum of one outcome agreed at the outset to facilitate mutual accountability and learning.

Many dioceses use LInC funding to support deprived parishes that cannot meet their parish share, ensuring ongoing ministry provision in these areas. The SMMIB urges dioceses to target their LInC funding to their most deprived communities.

In 2023-25, a total of £91.0m was available for distribution as Lowest Income Communities Funding, plus £7.9m of transition funding to support dioceses that receive less LInC funding than they received under the previous formula.

In 2024, 29 dioceses received a total of £30.3m of LInC funding, with an additional £2.7m of transition funding for those receiving less funding under the previous formula.

In 2024, representatives from dioceses receiving LInC funding met in Birmingham, hosted by Archbishops' Council staff, for peer-led reflections on good practice in the use of LInC funding.

## PEOPLE AND PARTNERSHIPS FUNDING (PPF)

People and Partnerships Funding supports partners and networks and seeks to address gaps or barriers that inhibit delivery of the Vision and Strategy. In 2023-25 a total of £12.9m was available for award.

In 2024, the SMMIB awarded a total of £3.4m[2] of PPF for the following programmes:

- **The Way UK:** £1.0m has been proposed to the Archbishops' Council for an infrastructure and innovation programme but not yet fully approved. The digital youth ministry aims to increase the following of 13 to 17-year-olds from 3% to 10% by 2027. The funding will support staff, content creation, online community management and pathways for young people to connect with local churches.
- **Messy church:** £0.6m to the Bible Reading Fellowship Ministries for a project to engage children aged 11 and older. The project aims to increase Messy Church reach, retain young people and train leaders to adapt activities for older children.
- **Gregory Centre for Church Multiplication (CCX):** £1.0m for a programme to scale CCX's church planting and revitalisation training and to further develop a course for lay-led new worshipping communities. The programme will equip leaders of 350 worshipping communities to reach and disciple children and young people, leading to 11,500 new active disciples by 2030. In addition, CCX also received £45,000 to research disciple-making among Christians in their 20s and 30s. The research will inform a programme to support local churches in disciple-making.
- **Leading your Church into Growth (LyCiG):** £0.8m to strengthen LyCiG's focus on children and young people, supporting the development of two courses and LyCiG's transition to a charity equipped for the long term to help lead even more churches into growth. LyCiG's impact is expected to double, inspiring 500 more parishes and resulting in 8,000 new disciples, 2,000-2,500 of whom will be under 18.
- **The Society:** £45,000 to extend the employment of the current part-time missioner for 12 months, whilst The Society develops a full proposal for PPF.

2 This differs to the finance table due to the £1m award made to The Way UK not yet being formally confirmed due to ongoing procurement discussions. The figure in the finance table also includes £0.4m of funding for Missional Youth Church Network that was awarded in principle in 2023 and awarded in 2024.







Christingle Service 2024 at Exeter Cathedral



St Augustine's Church,
Scaynes Hill



## STRATEGIC DEVELOPMENT FUNDING AND STRATEGIC TRANSFORMATION FUNDING

The SMMIB is responsible for managing ongoing programmes and projects that were awarded under previous funding streams, namely Strategic Development Funding (SDF), Innovation Funding, Strategic Transformation Funding (STF) and Strategic Ministry Funding.

In 2024, the SMMIB awarded additional SDF and Innovation Funding totalling £1.0m to existing projects in six dioceses, mainly to support them with the impact of inflation on salary costs and with increases in building costs.

These additional funding awards included £145,000 to Southwark diocese for the Bubble Church project which is supported by Innovation Funding. The project has developed rapidly beyond the initial target and by early 2024 had already scaled up across 15 dioceses, with 30 churches having held their first Bubble Church service. The additional investment, which supplements the original award of £250,000, will fund support staff and help churches in lower income communities with Bubble Church start-up costs.

In 2024, the SMMIB released the second tranche of STF for Liverpool diocese's Fit for Mission programme, bringing the total amount of STF awarded for this programme to £7.6m.

## MONITORING, EVALUATION AND LEARNING

The SMMIB is responsible for tracking the effective delivery and impact of the programmes awarded funding by the SMMIB and by one of its predecessors, the Strategic Investment Board.

A monitoring, evaluation and learning framework for the SMMIB programme has been developed. This includes a shared outcome framework to provide a set of common measures for funded programmes and enable better comparisons to be made between different programmes and approaches, and more accurate aggregated data. Work is ongoing to ensure a consistent approach.

The Church Support Hub was launched in 2024 and provides an easily accessible central learning platform.

## FOLLOW-UP TO THE INDEPENDENT REVIEW OF LOWEST INCOME COMMUNITIES FUNDING AND STRATEGIC DEVELOPMENT FUNDING

In 2022, an independent review of Lowest Income Communities Funding and Strategic Development Funding, chaired by Sir Robert Chote, was published. The review made a series of recommendations about how the national funding should evolve.

General Synod requested a follow-up review to assess progress made against the recommendations. This was undertaken by BDO, the Archbishops' Council's internal audit partner, and received by General Synod in July 2024. Of the eleven recommendations made in the original review, the follow-up found that five had been implemented in full while, for the other six, progress had been made towards the goal.

The General Synod paper GS Misc 1382, which includes the SMMIB response to the follow-up review and to which the follow-up report is appended, can be found here.

## CLERGY RETIREMENT HOUSING

The Church Commissioners also supports the local church by distributing funding to the Archbishops' Council, which in turn provides grants to the Church of England Pensions Board to subsidise retirement housing services to clergy.

The Church of England Pensions Board provides retirement housing services to clergy in need of assistance, known as the Church's Housing Assistance for the Retired Ministry (CHARM) scheme.

The Church of England Pensions Board received a grant of £25.8m in 2024 from the Archbishops' Council towards the costs of Clergy Retirement Housing, £19.7m of which was funded by the Church Commissioners as a response to near-term cost pressures on the CHARM scheme due to increasing financial challenges, including rising inflation, high interest rates, significantly increasing demand and more stringent regulation.

# ARCHBISHOPS', BISHOPS' AND CATHEDRALS' MINISTRY

*The Church Commissioners meets the stipends, office and working costs of the archbishops and bishops, as well as cathedral senior clergy, in support of their ministry.*

Diocesan bishops can spend their funding according to local needs, which are regularly reviewed to inform future funding allocations.

## LAMBETH PALACE REFURBISHMENT

Lambeth Palace is owned and maintained by the Church Commissioners and has, as reported last year, undergone extensive repair. The refurbishment, the first in nearly 70 years, improves the safety, security, sustainability and accessibility of Lambeth Palace. It ensures that Lambeth Palace remains a global base for the Church's mission and hospitality, benefitting the nation for generations to come. The project also helps make Lambeth Palace a model for achieving genuine sustainability in historic buildings.

As is the case with buildings of an equivalent age and heritage significance, Lambeth Palace was in urgent need of substantial repairs to bring its heating, electrics and plumbing up to modern standards. There was a high risk of a catastrophic failure of these systems, with the potential to cause irreparable damage to the fabric of the building.

Works started in 2022, under the regular oversight of the Bishoprics and Cathedrals Committee and an additional project oversight board. Partial completion of the Blore building was achieved in December 2024 with completion of the main refurbishment project by Easter 2025.

## LAMBETH PALACE LIBRARY

In 2024, Lambeth Palace Library continued its focus on engaging people with its collections, serving readers and colleagues both in person and online, and enabling access through ongoing cataloguing of the backlog and new accessions. Building on the momentum from previous years, the Library hosted 21 events, offered popular tours on all the Garden Open Days, opened three exhibitions, and welcomed 5,281 visitors and 1,525 readers.

Key achievements include the conclusion of the conservation of 1,200 chancel plans and the initiation of a new project to conserve 15,000 parsonage plans. Notable accessions this year included a letter from Thomas Herring, Archbishop of Canterbury, and an autograph volume of sermons and prayers by Francis Cheynell, a seventeenth-century clergyman. Two of the exhibitions, *Women and the Church of England* and '*Her Booke': Early modern women and their books at Lambeth Palace Library* highlighted significant spiritual, pastoral, literary and business contributions by women. A third exhibition, *Building on Cathedrals*, illustrated a research collaboration led by Cardiff University using artificial intelligence tools and digitised images of cathedrals from the collections.

Digitisation efforts remain a significant focus, with the addition of nine psalters and books of hours to the Library's online collection. The Library also contributed to a Fragmentarium, a resource for medieval manuscript fragments, enhancing digital access to its collections.

Research and partnerships have been strengthened through collaborations with universities and support for research projects, including hosting seminars and placement students. The Library continues to support the Archbishop of Canterbury by offering advice on gifts and displays, and by providing a venue for meetings and events.

## BISHOPS' HOUSING

The Commissioners has a statutory duty to support diocesan bishops with housing and to provide suitable accommodation which facilitates the bishops' work and mission.

Three new diocesan bishops were appointed during 2024, and we took the opportunity to undertake essential asset management and refurbishment works at the Exeter See House and provide necessary support for works to the Sodor & Man See House (the property being owned by the Diocese of Sodor & Man). The work required to the Coventry See House commenced early in 2025 due to the See House being used as a base for the ministry of the Acting Bishop during the Vacancy-in-See. The works were completed in time for the new Bishop to take up their duties during the spring of 2025.

Although the Crown Nominations Commission failed to appoint the Sees of Carlisle and Ely, along with a long vacancy-in-see in the Durham Diocese, we have used the year to procure and commence works at the respective See Houses. Conversations continue with respect to the suitability of the Winchester See House and, given the projected significant investment required, we are undertaking full surveys to assist with decision-making that will consider appropriate and necessary net zero carbon interventions for such a historic building.



Challenges remained in 2024 in respect of buildings and maintenance cost inflation – these pressures remain a concern considering our wish to achieve best value across the portfolio.

## SUPPORT FOR CATHEDRALS

In 2024, the Cathedrals Measure 2021 was fully implemented, with the last few cathedrals transitioning to registered charities and adopting their new governance structures. As joint regulator with the Charity Commission, the Church Commissioners continue to support cathedrals to embed these changes in a relatively challenging financial environment.

We have a statutory obligation to meet the stipend and pension costs of the Dean and two residentiary canons but have also contributed £4.6m towards other cathedral clergy and lay staff costs. In 2024, the Cathedrals Sustainability Fund has awarded 45 grants totalling £3.2m, financing strategic advisors as well as supporting key operational and developmental roles within the cathedral community.

## SUSTAINABILITY AND THE AMBITION TO REACH NET ZERO CARBON BY 2030

While cathedrals constitute a relatively low proportion of the Church of England's total carbon footprint, they are large architecturally important buildings open to the public every day. As such, they are by their nature high energy users with relatively high carbon emissions.

It is unlikely that cathedrals will achieve net zero carbon by 2030 without some form of carbon offset, but we are working with the community to help reduce emissions as much as possible. During 2024, we offered to fund further surveys commissioned by cathedrals to identify options for reducing both energy use and carbon emissions.

We have also allocated £1.4m of funds to support 'quick wins' and 'demonstrator' projects. These will enable cathedrals to make relatively simple interventions that will reduce their carbon footprint and support the community as a whole through our support for larger interventions with shared learning opportunities.

As part of the Church of England's ambition to reach net zero carbon by 2030, See Houses have also been awarded funding from the Net Zero Carbon Programme Board. The Durham See House notably received funding to assist with the installation of solar panels within the grounds, battery storage back-up and a bivalent heating system that will include an air source heat pump. This will form part of the demonstrator projects to provide knowledge and technical expertise. This knowledge can then be used to inform an approach to achieving net zero carbon across the See House portfolio.

## CHANCEL REPAIR LIABILITY

The Commissioners has whole or partial chancel repair liability for approximately 800 parish churches, and from 1 January 2019 took on the full administrative and financial responsibility for the repair of approximately 190 chancels where the liability rests with cathedral chapters.

During the year, we have seen increasing examples of rainwater goods unable to cope with the increased rainfall levels now being seen as a result of climate change and we have noted an increase in the numbers of failed lath-and-plaster ceilings due to weakened plaster. This is likely to have been exacerbated by condensation forming due to the lack of ventilation when churches were closed for prolonged periods during the pandemic.

This has led, in part, to 48 new chancel repair projects being commissioned during the year, which, with the existing projects, enabled us to provide financial and administrative support to approximately 60 parishes where the Commissioners has a liability.

During 2024 we funded £1.3m of chancel repairs projects.



Lambeth Palace refurbishment

Photo credit: Hufton + Crow for Wright & Wright Architects

# CATHEDRAL AND CHURCH BUILDINGS

*The Cathedral and Church Buildings Department (CCB) works with and supports the people who care for our 16,000 churches and 42 cathedrals.*

We do this by providing training and guidance to Diocesan Advisory Committees and Fabric Advisory Committees, through online published guidance and advice on the day-to-day maintenance and conservation of churches and on how to go about making changes to church and cathedral buildings. We engage directly with some casework, where we are involved with individual churches or cathedrals. We work with government, Historic England and the wider heritage and places of worship sectors to develop policy and leverage funding.

## BUILDING CONFIDENCE

The CCB has initiated a conversation across the Church of England and the wider community about a strategy to sustain our church buildings, and how we support those who manage and care for them. The Building Confidence conversation is identifying ways of sustainably funding our church buildings to ensure they will be both fit for mission and for purpose, for now and in the future.

The CCB has renewed its Struggling Churches offer to develop engagement with churches where the future seems uncertain and where a fresh appraisal of the building and its potential can lead to good outcomes. The department also has a focus on supporting the strategic development of the 322 Major Parish Churches, strengthening the relationship between Major Churches and dioceses, building relationships with the Major Churches themselves and with relevant stakeholders.

To support dioceses to integrate church buildings into diocesan strategies, the CCB is looking at how this varies across dioceses, and how we can foster good practice and mutual learning. We will provide dioceses with guidance and resources to assist with strategic planning and developing a vision for church buildings that goes hand in hand with pastoral reorganisation and new initiatives in mission and ministry.

## BUILDINGS FOR MISSION

During 2024, the CCB continued to grow and deliver the innovative Buildings for Mission (BFM) programme. The £11.0m allocation in the 2023-25 triennium enables the Church Commissioners to provide funding to the Archbishops' Council, enabling it to make grants and provide advice to dioceses and parishes, with an emphasis on devolving the money to the grassroots.

BFM reinforces other strategic work, such as the Net Zero Carbon Programme, and leverages funding from other organisations while building confidence and capacity within dioceses to keep church buildings fit for mission.

The Church Buildings Support Officers Grant Scheme has 35 new posts appointed around England, 32 in dioceses and three in partner organisations. They provide advice and support to parishes on repairs and maintenance and professional development to support officers through regular online and in-person training.

The Minor Repairs and Improvements Grants Fund has provided £6.2m to dioceses to distribute in the form of grants for urgent and necessary small-scale repair or improvement projects. During 2024, dioceses made a total of 475 grant offers, with 37% of these given to churches in the most deprived 20% of parishes. The Fund is administered jointly with the Net Zero Carbon Quick Wins Fund providing £2.4m of funding to dioceses to make grants towards small-scale energy-saving works and stop-gap heating solutions, complementing the BFM funding for building repairs and improvements.

The Church Buildings Management Partnerships initiative is exploring ways to improve the effectiveness and cost efficiency of church buildings maintenance and facilities management through collective procurement. Five diocese-led pilot schemes have been awarded grants to test different approaches.

The CCB has strengthened its digital offer to dioceses by redeveloping the Online Faculty System and attached Church Heritage Record, through a new buildings management system. This will provide an integrated digital platform with a single streamlined system for information sharing, planning applications and data capture. Testing of the new site began in the spring of 2025, followed by a national roll-out.

## CONTESTED HERITAGE

The Contested Heritage Committee of the Church Buildings Council (CBC) advises the CBC and the Cathedrals Fabric Commission for England (CFCE) on related casework.

We have continued to work throughout the year with the Archbishops' Commission on Racial Justice, the Contested Heritage Committee, and ecclesiastical lawyers on our work relating to contested heritage.

Work to refresh the Contested Heritage guidance continues. The CCB has been working carefully to ensure the theology is thoroughly embedded throughout the guidance to better support cathedral chapters, dioceses, and parishes through the decision-making process around their church buildings. Spotlights have been prepared to support the guidance and provide practical examples of ways that parishes and cathedrals have addressed their contested heritage. These cover a range of different types of churches and cathedrals, and geographical locations. They demonstrate different approaches that have been taken by a parish or cathedral, and present insights and learnings from those involved in the process.

## FUNDING

In 2024, the Conservation Grants Programme, which has been run since the 1950s by the Church of England in partnership with the Pilgrim Trust, the Radcliffe Trust and others, awarded £263,000 to 124 projects conserving the precious and fascinating interior features of churches in 33 dioceses. Our grants are published on the https://www.360giving.org website.




Fountains Church, Bradford

## NET ZERO CARBON PROGRAMME

To support the Church of England's ambition to be "net zero" by 2030[3], the Church Commissioners has earmarked up to £190m over the next three triennia (up to 2031) to drive delivery against the Routemap to Net Zero Carbon by 2030. The Net Zero Carbon Programme team has been deploying the first £30m in funding towards a series of demonstrator projects aimed at building knowledge and experience in decarbonising our cathedrals, churches, church halls, schools and houses. Dioceses and parishes have submitted a wide range of applications for funding towards projects which help to make progress against the milestones and outcomes of the Routemap. Support has also been provided to dioceses to help them establish their net zero carbon capacity and capability.

**Key achievements include:**

- Every diocese has benefited from financial support to establish or build upon existing capacity to help drive net zero carbon activity forward.
- 587 of the Church's highest carbon emitting churches have been offered fully funded energy audits, of which 418 have been completed.
- 24 Demonstrator Church projects have been approved and are in the process of being implemented, with the Benefact Trust providing additional funding for four capital works projects within this number.
- Eight dioceses have piloted a 'Give to Go Green' fundraising offer with 71 churches participating so far. The churches involved have raised £496,000 in total, matched by programme funds, to deliver a wide range of small-scale net zero carbon projects which are delivering tangible and missional benefits.
- Six cathedrals decarbonisation projects have been approved.
- Under the National Framework and pipeline for schools decarbonisation projects, 107 Heat Decarbonisation Plans and a further 34 feasibility studies to support Public Sector Decarbonisation Scheme (PSDS) bids are being progressed.
- Grants have also been awarded to all 42 dioceses and the Pensions Board to progress clergy housing fabric-first retrofit works to circa 58 clergy houses as demonstrator housing decarbonisation projects.
- Finally, the programme has successfully leveraged £3.6m in additional external funding from government grants and local fundraising, plus a commitment of £1.5m from the Benefact Trust for the Demonstrator Churches project.

3 Scope 1 and 2 emissions plus some business-related travel, as defined in the Routemap to Net Zero Carbon by 2030.

# MISSION, PASTORAL AND CHURCH PROPERTY

*The Church Commissioners works with parishes, diocesan teams, patrons and bishops to further the mission of the Church and the 'cure of souls' by helping the Church manage changes to the local provision of worship, mission and ministry at a parish and diocesan level.*

This work is fundamental to our shared mission and ministry, as it enables the Church to respond to changing needs and opportunities.

Within that context, the Commissioners has a quasi-judicial role that means it is responsible for the management and delivery of the decision-making processes relating to the Mission and Pastoral Measure (2011) (MPM), the Church Property Measure (2018) and other legislation. This work is overseen by the Mission, Pastoral and Church Property Committee (MPCPC). The Committee is chaired by the Third Church Estates Commissioner. The Right Revd Dr Flora Winfield stepped down as Third Church Estates Commissioner in October 2024 and was succeeded by Sir Robert Buckland KBE in February 2025.

We work with parish representatives and diocesan teams as they bring forward draft proposals under the MPM and adjudicate on objections to those proposals when required. These include changes to pastoral provision, such as parish boundaries, ministry provision, and church buildings – which can include the disposal of closed church buildings for a new use. The Committee also considers wider policy and strategy matters, and works with the National Church Institutions and other partners.

**The casework in 2024 was as follows:**

- The MPCPC adjudicated on 21 MPM-related cases and one case in relation to the Church Property Measure 2018. There was a committee visit to the Diocese of Truro and hearings were held in the Diocese of Lichfield on a pastoral scheme and in the Diocese of Leeds on a potential church building closure.
- 121 new draft pastoral schemes were received during the year and 103 were subsequently made.
- 23 disposals of closed church buildings were completed, which included nine longstanding cases where the building had been closed for over five years.
- 16 draft schemes for settling the future of closed church building were published.

In total, just over £0.9m in net proceeds from the disposal of nine closed churches and sites was allocated to dioceses to support mission, ministry and new initiatives in 2024. The proceeds from the remaining 14 cases which were completed in 2024 will be allocated in 2025. In the past ten years, we have transferred approximately £15.2m of net proceeds to dioceses.

## REVIEW OF THE MISSION AND PASTORAL MEASURE (MPM)

During 2024 work progressed on the preparation of the new Mission and Pastoral Measure (MPM) which will replace the 2011 Measure[4]. There were three main areas of activity: deciding how to divide the 2011 Measure into a new Measure and a suite of secondary legislation, reviewing and transferring clauses from the existing 2011 Measure, and developing drafting for new areas of policy. There were further technical consultations with the Government and partners on various policy issues which informed the drafting. The draft Measure and Regulations and accompanying policy paper were passed at the General Synod sessions in February 2025 and now move to the revision stage of the process.

## TRAINING AND DIOCESAN SUPPORT

The Church Commissioners' Pastoral and Closed Churches team provides a regular programme of support, training and engagement to the diocesan officers who lead MPM-related work. This programme includes a monthly drop-in for lead officers where they can share issues and get advice on processes, training sessions across all areas of the Measure, and targeted training for particular groups, such as the Archdeacons' network. In addition, a regular e-newsletter keeps the teams up to date with MPM matters, including the progress of the draft legislation and MPCPC matters.

## PASTORAL & CLOSED CHURCHES TEAM RESTRUCTURE

During 2024 there was a restructure process within the Pastoral and Closed Churches team. Consultations took place with the team over the summer, and a new structure was implemented in the autumn. The most significant change was that the team has been divided into a new Mission & Pastoral Services team, which oversees the new Measure, the MPM transformation programme, the MPCPC and diocesan liaison and training, while the Closed Churches team has moved into the Cathedral and Church Building directorate effective from 1 January 2025. This was a strategic decision to enable the teams working with both open and closed church buildings to be together so that they can more effectively join up their support for parishes. The restructure also provided new opportunities for progression and promotion and training roles will be established to support longer-term succession planning. Additional staff are being recruited to increase the teams' capacity.



St Barnabas, Gloucester

## CHURCHES CONSERVATION TRUST (CCT)

The MPCPC is also responsible for overseeing the Commissioners' relationship with the Churches Conservation Trust (CCT), which is jointly funded by the Commissioners and the Department for Digital, Culture, Media and Sport (DCMS). The CCT works in partnership with communities to conserve the most historically significant church buildings and is currently responsible for 357 churches.

In 2024, the CCT began work to refresh its strategy for the next three years and there was ongoing engagement about the review of the MPM. The MPCPC approved a new lease for Bolton All Souls in March and reviewed the annual report and accounts. Three churches were identified for potential new vestings, and the CCT began the costings process to inform the vesting decisions which will be taken by the MPCPC in 2025. There was ongoing engagement with the DCMS through the regular joint meeting cycle which looks at finance, performance and risk, progress on longstanding cases and potential vestings.

4 General Synod approved the policy proposals for a new Measure in July 2023 in GS2315. The background on the review can be found here: Review of the Mission and Pastoral Measure 2011 | The Church of England.

# INVESTING FOR THE FUTURE

*The objectives, strategy and performance of the Church Commissioners' investment fund.*

Helping farmers improve environmental sustainability

# REVIEW OF INVESTMENTS

*The Church Commissioners manages an investment fund of £11.1bn, in an ethical and responsible way. The fund has delivered an average return of 8.6% per annum over the last ten years. The figures cited in this commentary are all in sterling terms.*

## OBJECTIVES

- To manage the fund to ensure consistent and sustainable distributions for our beneficiaries.
- To achieve a total return of CPIH+4.0% per annum measured over the long term.
- To meet performance benchmarks for individual asset classes.
- To manage risk appropriately.
- To act within our ethical guidelines and be at the forefront of responsible investment globally.

## FUND PERFORMANCE AND STRATEGY

The Church Commissioners manages a diversified portfolio spread across a broad range of asset classes, consistent with our ambition to be at the global forefront of responsible investment.

Our investment objective is to generate a return of CPIH+4.0% per annum, on average, over the long term to support the work and mission of the Church of England today and for future generations. We have managed to exceed our target over 5, 10, 20 and 30 years.

Over the past ten years, the fund has achieved an average return of 8.6% per annum. Based on these returns and given the Commissioners' funding distribution over the year, the value of the Church Commissioners' investment assets at 31 December 2024 stood at £11.1bn, net of the bond debt, compared with £10.4bn at the start of the year.

Meeting or exceeding our performance objective allows us to meet our pension obligations and to grow, in real terms, our support for the Church, balancing the needs of both current and future beneficiaries.

The Commissioners' investment policy is to hold a diversified portfolio of investments across a broad range of asset classes consistent with our Responsible and Ethical Investment Policy. The asset allocation chart on page 37 shows our asset weightings at the end of 2024, with the biggest change since last year being the growth of our Fixed Income allocation, which we have increased to close to 10% of the fund, funded mostly from defensive equity and absolute return investments. The fixed income allocation aims to benefit from the prevailing higher level on interest rates.

2024 saw the equity market rally, which had started towards the end of 2023, continue almost uninterrupted through the year (bar a brief fall in August). Initially it was a narrow rally driven by US technology stocks, notably the Magnificent 7, with Nvidia's stock price gaining 150% in the first six months alone, becoming in the process the world's most valuable company. The rally in equity markets broadened out to include other sectors, as central banks started to cut rates, led by the Federal Reserve, and investors became more confident in a soft landing. 2024 was one of the strongest periods of gains for equities in recent history. It leaves the global stock index benchmark, MSCI ACWI up some 20% over the year.

Against this backdrop the Church Commissioners' portfolio returned 10.3% in 2024. This is the sixteenth year in a row that the Commissioners has delivered a positive return. The very strong environment for equity markets boosted returns, with our public equities portion of the portfolio delivering 15.6% returns over the year. The absolute return and defensive equity allocations also delivered double digit returns.

While our public market allocations delivered strong returns, our private markets and real asset portfolios contributed more modestly (gaining 7.1% and 3.8% respectively). In private markets, private equity and venture capital were held back by some valuations continuing to adjust lower. Private credit (which has benefited from higher interest rates) did better. Real Estate returns were negatively impacted by weakness in areas like Timberland and Indirect Property although other areas such as Commercial property, Infrastructure and Value Linked Loans (VLLs) performed better.

## PUBLIC MARKETS

Global equity markets were strong across the board in 2024, but the US really led the way with the S&P500 up 25% and the Nasdaq up 33%. Europe, Japan and Emerging Markets were more subdued although China did stage a strong rebound in the second half of the year. Smaller companies again struggled to keep up with large








Human Rights Greenhouse, Hyde Park Estate

companies and in particular US technology stocks. Our portfolio tends to be more diversified than the index and also has a tilt to smaller companies so while our equities portfolio did well, gaining 15.6%, it could not quite keep up with the MSCI ACWI index.

Our absolute return portfolio and defensive equity portfolios, which represent around 14% of the fund, are designed to generate returns which are more insulated from the overall direction of equity markets, and these delivered solid returns of 12.0% and 13.3% respectively.

Fixed income, which we have been adding to, given the higher prevailing level of interest rates, is now around 8% of our total portfolio. This consists both of UK investment grade debt, and also a variety of other funds across the fixed income spectrum (from US high yield to Emerging Market debt). Although the UK side of the portfolio was negatively impacted by a rise in yields in 2024, as investors scaled back their expectations of Bank of England rate cuts, the overall fixed income portfolio still delivered returns of 8.7%.

Sterling had a choppy year against the USD ending the year modestly lower around 1.25 but having seen a low of 1.23 in April and a high above 1.34 in September. We continue to actively manage our FX hedging as USD assets account for around half of our fund allocation.

Tactical Asset Allocation activity was limited this year as one would expect given the market strength. Overall Tactical Asset Allocation was broadly flat on the year with losses on tail risk hedging offset by gains on other positions.

## PRIVATE MARKETS

The private equity and venture capital allocations, which invest in unlisted companies, achieved total returns of 8.4% and 3.8% respectively in 2024. Whereas for much of the last decade an allocation to private asset classes, like private equity and venture capital, has been a positive relative to liquid markets, this has not been the case for the last couple of years as valuation adjustments have weighed on performance. We do think though that this is largely behind us, meaning the outlook for 2025 and beyond should be better. We continue to deploy capital into the space reflecting our long-term approach. During the year, we agreed further commitments to the private equity portfolio totalling £61m and £57m to the venture capital portfolio. Over the long term, our private equity and venture portfolios have significantly outperformed public equity markets, returning 17.0% per annum on average over the past ten years.

Private credit is an area we have continued to add to given the higher interest rate environment. We made £85m of new commitments in 2024. The portfolio returned 8.5% in 2024, driven by consistently strong income receipts from typically floating interest rate loans.

We incorporate responsible investment ESG into our investment process. Across public and private markets, we typically make investments by partnering with asset managers that are expert in a particular asset class. Therefore, the choice of asset manager is important to ensure alignment and coherence with our responsible investment approach. We assess our current and prospective asset managers against our proprietary RI Manager Framework, which was updated in 2024 to reflect our updated Responsible Investment strategy and policy, as well as a tailoring by asset class. We also work with our asset managers to implement our ethical exclusions, but we recognise that in certain circumstances there may be 'restricted exposures' (e.g. in pooled funds) where the restrictions can't easily be applied. Any restricted exposure is monitored quarterly by the Assets Committee, and we set a 1% maximum threshold for restricted exposures across the portfolio. We continued to carry out stewardship activities across asset classes, as detailed in our Stewardship Report.

## REAL ASSETS

The Church Commissioners' real asset portfolio consists of a diverse range of property-related investments which enable us to take a long-term approach in line with good stewardship.

The overall real assets portfolio delivered a modest positive return of 3.8% during 2024. Our Commercial and Value-Linked Loans investments produced returns of 34.0% and 15.6% respectively, which were the best returns in the real assets portfolio. Residential, Farmland, Infrastructure and Strategic land portfolios performed well, each delivering returns of between 3% and 9% during the year. The Timberland and Indirect portfolios saw negative returns of (12.8)% and (8.6)% respectively, albeit long-term returns remain very strong for Timberland at 10.2% average over ten years.

The Strategic Land team continued to progress work aligned with the 'Coming Home' report (2021). In September, HRH The Princess Royal opened a 13-home scheme in Shepherdswell, Dover. The partnership between English Rural Housing Association, the Shepherdswell & Coldred Community Land Trust and the Church Commissioners provides a blueprint for the delivery of affordable housing in rural areas. Several planning applications were submitted, including at Newton Aycliffe, County Durham, for a community of 1,400 homes and at Fiskerton, in Lincoln, for 150 homes.

Our Timberland team maintained a focus on ensuring the sustainable production of timber from our forests. Work progressed with partners in the UK and the US to support renewable energy developments, which can deliver strong investment returns whilst supporting local communities and a renewable energy transition. In the UK, planning consent was secured for the Crystal Rig 4 wind farm in the Scottish Borders. The wind farm will generate 17.6 MW of energy on the Church Commissioners' land.





We gained approval to plant a new woodland, Garlow Wood, in Angus, Scotland. This involves reintroducing Caledonian Scots pine and other native species to improve habitats, alongside areas for sustainable timber production.

The Farmland team spent time understanding farm tenants' businesses, with increased focus on data collection. The collated survey results will help to identify further opportunities to support farmers in the transition to sustainable agriculture. Successful grant funding from the Species Survival Fund enabled a joint landscape-scale conservation project with the RSPB across salt marshes in Kent, as well as a new national partnership launched with the Farming and Wildlife Advisory Group (FWAG) to assess biodiversity and food production projects across the country.

There were several highlights across the London team, (managing our commercial and residential assets). The Hyde Park Estate featured in the second edition of the NLA's Great Estates book. In partnership with March Arch BID and the Portman Estate, we published a placemaking strategy for Edgware Road and work began on the Connaught Village Green public realm scheme. The former home of the Church of England's archives in Bermondsey was leased to the National Theatre to create their Green Store, promoting re-use and recycling. A new NHS community diagnostic centre opened at the Metrocentre providing 145,000 appointments a year. The freehold of Vogue House on Hanover Square was sold following the departure of Condé Nast and the sale of their leasehold interest.

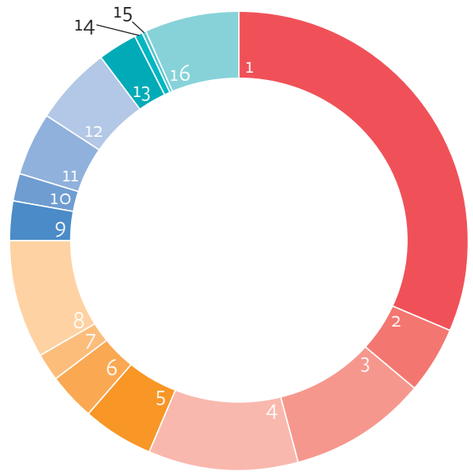
The Infrastructure portfolio made new commitments of £65m to two funds in 2024. The portfolio continues to be weighted towards energy efficiency and environmentally innovative infrastructure investments. Performance during the year has been solid, returning a positive 9.3%.

## CURRENT INVESTMENT ENVIRONMENT CONSIDERATIONS

The current geopolitical environment presents significant uncertainties for the Church Commissioners' investment portfolio, with ongoing trade tariffs, global conflicts, and heightened market volatility all contributing to a more unpredictable landscape. Trade restrictions and shifting diplomatic relations can disrupt supply chains, while geopolitical tensions can exacerbate risks and lead to sudden market fluctuations. These factors also risk significantly damaging economic growth, creating an investment climate that demands careful navigation.

In this context, the Church Commissioners continues to manage investment risk in a number of ways, including through a long-term, actively managed and diversified investment approach and by incorporating suitable hedging. However, whilst the approach aims to provide some shield to the portfolio from volatility, hedging strategies cannot fully protect the portfolio from the impact of market movements.

## ASSET ALLOCATION




- 1. Public Equities ..... 31.6%
- 2. Defensive Equities ..... 4.7%
- 3. Absolute Return ..... 9.6%
- 4. Private Equity ..... 10.6%
- 5. Venture Capital ..... 5.1%
- 6. Timberland ..... 3.4%
- 7. Infrastructure ..... 2.0%
- 8. Fixed Income ..... 8.3%
- 9. Private Credit ..... 2.8%
- 10. Commercial ..... 1.8%
- 11. Residential ..... 4.6%
- 12. Rural ..... 5.4%
- 13. Strategic Land ..... 2.7%
- 14. Indirect Property ..... 0.8%
- 15. Portfolio Hedges ..... 0.1%
- 16. Cash, and Cash-Like Assets ..... 6.6%

# APPROACH TO RESPONSIBLE INVESTMENT

*As a faith-based investor, the Church Commissioners considers its investments in line with Christian values to ensure that they adhere to our Responsible and Ethical Investment Policy.*

The Church Commissioners is a universal asset owner. This means that the value of the endowment fund is interlinked with the global economy and macroeconomic risks. Therefore, the Church Commissioners is dependent on social and environmental stability over the long term.

Our investment strategy is focused on maximising positive outcomes, minimising negative impacts, and managing risk exposure. Our goal is to achieve target financial returns while generating meaningful, positive effects for both people and the planet.

We consider that it is important to consider climate change, nature and biodiversity loss and social inequality as systemic risks that will likely cause significant disruption to the financial system, the economy and wider society – effects that are already being felt today and require active management and engagement.

These risks may be thought of as distinct and separate, but in our view, they are interconnected and interdependent. Our integrated approach to responsible investment aims to affect real change in the wider economy through engagement and partnership working. The Church Commissioners seeks to take action through involvement in collective initiatives, engaging with our managers and interacting with policy makers, alongside engaging with investee companies and tenants.

In 2024, the Church Commissioners published an updated Responsible and Ethical Investment Policy, a report on Integrating Human Rights into Responsible Investment and our annual Stewardship Report. All Responsible Investment publications can be found in the Responsible Investment section of our website. In addition, we published our annual Sustainability Bond Allocation and Impact Report.

> *Our integrated approach to responsible investment aims to affect real change in the wider economy through engagement and partnership working*







John Weir, Head of Real Estate, at the IPE Real Estate conference in Madrid



Hoo Peninsula, Rochester, Kent

# TOP 20 HOLDINGS (as at 31 December 2024)

| TOP 20 EQUITY HOLDINGS | TOP 20 PROPERTY HOLDINGS |
|---|---|
| Accenture | Ashford Estate (Farmland) |
| Alcon | Bishopstone Estate (Farmland) |
| Alphabet | Brownhills Forest (Timberland, Scotland) |
| Amazon.com | Canterbury Estate (Farmland) |
| Apple | Carlisle Estate (Farmland) |
| Becton Dickinson & Co | Chichester Estate (Farmland) |
| Charles Schwab | Ely Estate (Farmland) |
| Danaher | Hereford Estate (Farmland) |
| HDFC Bank Limited | Huntingdon Estate (Farmland) |
| Intuit | Hyde Park Estate (Residential) |
| Mercadolibre | Metrocentre (Commercial) |
| Merck & Co | Millbank Estate (Farmland) |
| Meta | Peterborough Estate (Farmland) |
| Microsoft | Rochester Estate (Farmland) |
| Nvidia | Royal Lancaster Hotel (Residential) |
| Taiwan Semiconductor Manufacturing Corp | South Durham Estate (Farmland) |
| Thermo Fisher Scientific | South Lincoln Estate (Farmland) |
| UnitedHealth Group | West Buccleuch Forest (Timberland, Scotland) |
| Visa | Wycombe Retail Park (Commercial) |
| Workday | York Estate (Farmland) |




Connaught Village

# A VISION FOR HEALING, REPAIR AND JUSTICE

*In January 2023, the Church Commissioners published a report detailing its historic links to African chattel enslavement.*

## BACKGROUND

The investigation was initiated in 2019 via a risk identification query raised at the Church Commissioners' Audit and Risk Committee. From the outset it was rooted in our risk management disciplines and duties as a 320-year-old in-perpetuity endowment fund. From a stewardship and risk management perspective – both financial and reputational – it was essential that we assess this risk as part of our fiduciary duties as a responsible investor. Consistent with that, the Church Commissioners report is underpinned by forensic financial analysis carried out by independent accountants, and advice from professional, specialist, independent historians. Since the work was initiated, the Church Commissioners has disclosed progress in its annual reports and through its website, including regular updates to a comprehensive suite of FAQs. The initiative also formed part of the information disclosures in the due diligence process when the Church Commissioners successfully executed its first ever bond issuance in July 2022.

The research traced the origins of the Church Commissioners' endowment fund to Queen Anne's Bounty, which invested heavily in assets linked to the South Sea Company. The South Sea Company was established in 1711 and, between 1714 and 1739, the company's primary business was transporting enslaved Africans, with around 34,000 individuals trafficked under brutal, inhumane conditions.

The Bounty also received benefactions from individuals such as Edward Colston, whose wealth was derived from the enslavement of African people. As a result, Queen Anne's Bounty, subsumed into the Church Commissioners' endowment in 1948, directly links our historic endowment to the legacy of African chattel enslavement.

## OUR RESPONSE

The Church Commissioners is a responsible investor that manages its exposure to risk methodically. Our role is to maximise the value of our investment fund to support the mission of the Church of England – and to do so in a way that promotes the flourishing of people and the planet.

Addressing our links to African chattel enslavement is a part of that and our response will help us deliver a better and fairer future for all. The Church Commissioners' proposed response to these links includes:

- The creation of a new in-perpetuity impact investment fund, to grow over time, attracting additional investment from external parties to make a lasting impact.
- To enable grant-making aimed at creating a fairer future for all, especially for communities impacted in the present by the mindsets and values represented by transatlantic African chattel enslavement.
- Continued research into the Commissioners' and the Church of England's historic links to transatlantic African chattel enslavement.
- Use of its voice as a responsible investor to combat modern slavery.
- The Board has pledged £100m over nine years to enable meaningful action while prioritising and respecting the financial commitments consistent with the mandate of the Church Commissioners.

In formulating its response, the Church Commissioners Board engaged with external experts as well as voices within and outside the Church. An independent Oversight Group made recommendations, which are helping us to shape the proposed response.

The Church Commissioners has also engaged extensively with dissenting voices. On occasion this has involved being on the receiving end of correspondence that has been vitriolic and abusive, such that the Commissioners has had to take appropriate steps, in line with its safeguarding responsibilities, to protect its staff and volunteers from harm. The Church Commissioners is now working to implement the proposed fund and enable grant making, in line with its legal obligations as a charity.

## KEY MILESTONES OF 2024

During 2024, the following progress was made:

- The Archbishop of Canterbury, in reflections of Project Spire to the Global Anglican community, publicly noted "the abomination of transatlantic chattel slavery was and has always been blasphemy".
- As part of the initial implementation phase, a series of briefings and in-person engagement sessions were conducted from February to May 2024. These were attended by more than 400 people and structured to include information-sharing and reflective discussions, which sparked valuable dialogue around the aspirations and expectations of communities as the initiative develops. In July 2024, the team hosted an event in York for members of the General Synod, offering an opportunity to share progress updates and gather input on the implementation phase of our work. This event allowed Synod members to gain deeper insights, share their perspectives, and have their questions addressed directly. Previously, in February 2024, a presentation was given to General Synod members about the theological and financial principles underpinning the work.
- Further engagement sessions were held in the autumn, and in total, during 2024, over 2,000 stakeholders came to events about this work.
- The Church Commissioners committed to a three-part research programme to further understand the historic links of the Church Commissioners and the Church of England with African chattel enslavement. To initiate this commitment, briefing and engagement sessions involving more than a hundred people supported the co-design and shaping of key elements of a grant programme to help research take place into churches, cathedrals, and dioceses, to understand their historic involvement in African chattel enslavement. Within the Church of England, the College of Bishops heard from leading voices who are advocating for reparatory justice and spent time together reflecting on this topic.
- In summer 2024, the Church Commissioners, at the invitation of the Francesco Collaborative and the Catholic Impact Investing Collaborative, shared our work at an international seminar titled 'How to Repair? Addressing Historic Injustices through Faith-First Investing'. The Francesco Collaborative convenes Catholic investors and close associates to explore practices of 'faith-first investing' that nurture economic futures.

One of our core guiding principles throughout this work and process is transparency. This current phase requires us to address various practical and legal details, including consultations with the relevant regulatory authorities and adherence to established guidelines, best practices and legal principles. We are committed to ensuring that we proceed thoughtfully and effectively, as emphasised by our many engagements. We remain dedicated to doing this right – and honouring our commitments.





Lincoln Cathedral

# FINANCIAL REVIEW

Manchester Cathedral

# REVIEW OF FINANCIAL ACTIVITY

*In a year with significant geopolitical uncertainty, the Church Commissioners was pleased to be able to distribute £283.2m in charitable expenditure (excluding pre-1998 clergy pensions), a year-on-year increase of £60.2m (27.0%). At the end of 2024, the Commissioners' funds were £9.9bn, which included £142.5m of tangible and heritage assets.*

The total return on the fund is derived from income and gains on investments. Total income for the year was £207.4m (2023: £192m), £15.4m higher than the previous year. This reflects an increase in income from fixed income and equity investments. Total gains on investment assets, including movements on derivatives, foreign currencies and taxation, were £949.7m (2023: £345.1m). Investment performance is described earlier in this report.

Expenditure during 2024 totalled £370.1m (2023: £494.4m), a decrease of £124.3m on the previous year. Excluding pre-1998 clergy pensions expenditure, which for accounting purposes (not cash payments) decreased by £177.4m, there was an underlying increase in charitable expenditure of £60.2m (27.0%). The cost of raising funds decreased by £7.0m year on year to £100.3m (2023: £107.3m). A summary of the expenditure in 2024 and 2023 and the difference between the two is shown below. The amount spent on supporting dioceses and the local church was £202.0m (2023: £152.8m), a substantial increase of £49.2m (32.2%), mostly driven by a £36.5m increase in the support provided to dioceses through the Diocesan Investment Programme and an £11.7m increase in the support provided to retirement housing services to clergy through the Church's Housing Assistance for the Retired Ministry scheme. Further details of expenditure in this category can be found in note 5 to the financial statements and are also discussed in an earlier section of this report.

Expenditure on Bishops' and Archbishops' ministry also increased by £8.3m (17.7%) during the year to £55.3m (2023: £47.0m), reflecting the continuation of the major refurbishment and repair programme taking place at Lambeth Palace. Finally, expenditure on Cathedrals' ministry increased by £0.6m (4.3%) in the year to £14.7m (2023: £14.1m).

The Church Commissioners meets the cost of clergy pensions earned in service until the end of 1997 and has provided in full for forecast future payments. The most recent annual actuarial update has generated income of £15.5m, with scheme administration costs of £2.0m and support costs of £0.2m, resulting in overall income of £13.3m. In 2024, the Commissioners' cash payments for clergy pensions were £124.1m (2023: £120.6m). Total charitable expenditure in the year (inclusive of the pension charge) was £269.9m (2023: £387.1m).

At 31 December 2024, total net assets of the Church Commissioners are £9,893.6m (2023: £9,099.3m), which is an increase of £794.3m. This is driven by the £719.6m increase in the investments, which stand at £10,687.3m (2023: £9,967.7m) at the year end.







St John and
St Stephen,
New Clee



Triple Consecration
York Minster



Lambeth Palace refurbishment

Photo credit: Hufton + Crow for Wright & Wright Architects



# LONG-TERM FINANCIAL STRATEGY

*Reserves policy: the Church Commissioners' policy is to invest the endowment it manages on behalf of the Church to provide long-term financing to pay the pre-1998 clergy pension obligations and to make charitable distributions to support the mission of the Church of England in perpetuity.*

There is an aspiration to increase the in-perpetuity distributions in line with an inflationary factor, so that future beneficiaries receive distributions at a level broadly equivalent (in real terms) to current beneficiaries. The level of distribution each year is determined drawing on independent actuarial advice from Hymans Robertson LLP. Further details are provided in the Independent Actuaries' Report, later in this report, including their qualifications for providing such advice.

The Commissioners account for and report returns (whether capital or income) on a total return basis under the terms of the Total Return Order obtained from the Charity Commission on 19 June 2012. This splits the fund into two components: the base level of the endowment and the unapplied total return.

As of 19 June 2012, the initial value of the base level of the endowment was £3.0bn and the initial value of the unapplied total return was £2.2bn. Further information on the Total Return Order is provided in note 18 to the financial statements. In addition to being able to spend unapplied total return, the Commissioners has a time-limited power, which expires in December 2032, to spend endowment capital on its clergy pension obligations. In 2024, this resulted in £124.1m (2023: £120.6m) being charged to the base level of the endowment.

The total endowment fund of the Commissioners as at 31 December 2024 stood at £9.9bn (2023: £9.1bn), net of the provision for the pre-1998 clergy pension liability of £1.1bn (2023: £1.2bn) which is due for payment in future years. The base level of the endowment was valued at £2.6bn at 31 December 2024 (2023: £2.6bn), with the unapplied total return at the end of 2024 being £7.3bn (2023: £6.5bn).

The trustees consider the level of unapplied total return to be sufficient, considering their distribution policy, to meet their expenditure plans. The total funds of the charity stood at £9.9bn (2023: £9.1bn) and reflect the value of the endowment fund described above, along with £0.8m (2023: £0.7m) restricted income funds.

## SPENDING PLANS

The Church Commissioners and Archbishops' Council prepare joint three-year spending plans. A Triennium Funding Working Group (TFWG), comprising members from the House of Bishops, Archbishops' Council and Church Commissioners, advised in 2022 on how our funds should be most effectively distributed in 2023-25, informed by the following priority areas:

- Supporting the Church to deliver the bold outcomes and strategic priorities of the Vision and Strategy, including reaching the young and the poor, and better representing the communities we serve;
- Helping the Church to transition to a lower carbon approach in line with the Net Zero 2030 goal;
- Making a step change in the areas of Racial Justice, and other areas of diversity and social justice; and
- Ensuring the Church is a safe place for all.

The Church Commissioners has established total funding plans of £1.2bn for the 2023-25 triennium, an increase of about 30% on the previous triennium.

# GOING CONCERN

*The Church Commissioners' role in funding the Church's ministry comprises certain legal obligations and discretionary funding.*

In assessing the going concern status of the Church Commissioners, the trustees have considered the Church Commissioners' role in funding the Church's ministry, the spending strategy, the application of total returns and the legislation to allow endowment to be spent for specific pension purposes.

In addition, the trustees take account of independent actuarial advice provided by Hymans Robertson LLP on the affordability in perpetuity of their planned distributions. This advice is provided every three years when setting the spending plans for the next three-year period (the "triennium") and is updated annually to ensure that the spending plans for the current and next triennium remain affordable.

The approach adopted includes a smoothing mechanism which aims to give three years' notice on a rolling basis of the need for any reduction in distributions unless there has been a significant deterioration in the balance between the Commissioners' assets and its spending plans. This means that while events such as the current geopolitical context are factors for consideration, the Commissioners has a clear framework for assessing whether the events are sufficiently significant that they would change the amounts available for distribution to beneficiaries in the short term.

The annual actuarial update for the year ended 31 December 2024 was scrutinised by the Assets Committee and includes stress testing scenario analysis which models the impact on distributions in the event of different levels of reduction in asset values. This includes consideration of the impact of changes in the value of the asset portfolio, expected future returns or inflation, on the affordability of distributions.

In light of this analysis, there is no reason to consider that any changes are required to the planned remaining distributions within the 2023 to 2025 triennium or that the anticipated distributions for the 2026 – 2028 triennium cannot be considered affordable (as they are subject to Assets Committee approval); the trustees have therefore concluded that the Commissioners is able to sustainably meet both its legal obligations and planned discretionary funding for at least the period to 31 December 2028. In addition, the trustees have given due consideration to the availability of sufficient liquidity in light of market volatility caused by ongoing geopolitical instability, a challenging economic environment and other external factors.

Under their Investment Risk Framework, the Commissioners seeks to hold cash and near cash for the next 18 months' worth of planned expenditure (after including net new investments, forecast income, cash receipts and expenditure), and is satisfied that sufficient cash is available to meet its obligations within this timeframe. Therefore, the Commissioners continues to adopt the going concern basis of accounting in the preparation of these financial statements.





# CARBON REPORTING

*In 2018, the Government published Regulations concerning Streamlined Energy and Carbon Reporting (SECR).*

These are designed to increase awareness of energy costs within organisations, to provide data to inform adoption of energy efficiency measures, and to help them to reduce their impact on climate change. The Commissioners are not required to follow these Regulations; however, they are mindful of the General Synod's resolution of February 2020 for the whole Church, including the National Church Institutions (NCIs), to work to achieve year-on-year reductions in emissions in support of the Church's ambition to reach net zero emissions by 2030. The SECR Regulations concern direct energy usage, and the Commissioners discloses further information on this area below, albeit these disclosures are voluntary and do not incorporate the full scope of the SECR Regulations.

The Church Commissioners intends to monitor its emissions using an intensity ratio of tonnes of $CO_2$ equivalent per square metre of floor space or per headcount. However, the Church Commissioners has not yet decided on an appropriate base year for monitoring its emissions. As most energy usage relates to the use of offices, 2020 and 2021 were not suitable since most staff were working from home during these periods and during 2022 and 2023 their use of Church House was significantly restricted by extensive refurbishment undertaken by The Corporation of the Church House (the owner of Church House) ("the Corporation"). In addition, the current refurbishment programme at Lambeth Palace has significantly affected energy usage there. It is thought that 2025 or 2026 is likely to be the most appropriate base year for monitoring emissions although a formal decision has not yet been taken on this.

The direct energy usage by the Church Commissioners is incurred as a result of staff travel and in the operation of offices at Church House, Lambeth Palace and Bishopthorpe Palace. Initially, the data available for energy costs incurred relating to staff travel was limited. However, in 2021 the NCIs entered into an arrangement with a travel management provider which now enables travel costs and energy usage to be monitored effectively.

The NCIs now operate hybrid working arrangements for staff. Consequently, direct energy usage in the operation of their offices is thought to be lower than when staff were based in the office full time although we are unable to quantify whether the additional energy usage incurred as a result of staff working from home outweighs the savings on our buildings. Energy usage in the office buildings our staff occupy principally consists of electricity and gas used in respect of heating and lighting. The refurbishment of Church House undertaken by the Corporation is intended to improve energy efficiency with a commitment to move towards net zero carbon. The new Lambeth Palace Library is designed to use no gas and has solar panels that are anticipated to provide approximately half of the annual electricity use of the building. The refurbishment programme at Lambeth Palace is intended to reduce its carbon footprint by half and Lambeth Palace now uses no gas.

The total energy use by the Church Commissioners during 2024 at Church House, Lambeth Palace, and Bishopthorpe Palace was 1.2m kWh (2023: 1.0m kWh) and the associated greenhouse gas emissions were 244.0 tonnes (2023: 205.8 tonnes) of carbon dioxide equivalent ($CO_2e$). This was calculated on the basis of energy usage as disclosed on utility bills and Government $CO_2e$ conversion ratios. The total energy use in respect of travel booked through our travel management provider for Church Commissioners' staff and others who use the provider was 356.6 tonnes (2023: 353.9 tonnes) of $CO_2e$ of which 342.3 tonnes (2023: 342.9 tonnes) related to air travel, 9.1 tonnes (2023: 11.09 tonnes) to train travel, and 5.2 tonnes (2023: n/a) to hotel usage. These figures do not include energy use for travel booked independently or in respect of car usage.

# RISK MANAGEMENT STATEMENT

*The Church Commissioners recognises the importance of robust risk management practices in safeguarding our assets and activities. Our commitment to effective risk management is integral to fulfilling our strategic objectives and is an essential component of our overall governance and stewardship responsibilities.*

The Risk Management Policy and the Risk Management Methodology (which underpins the policy) has been updated in 2024, providing an updated and comprehensive understanding of risk, helping the Church Commissioners with the identification and assessment of risks encountered in delivering upon our mission and strategic priorities, including the approach to managing the endowment fund.

Our risk management system has been further embedded, and functionality utilised to provide insight of the Church Commissioners' risks, controls, and interdependencies. This system supports the Church Commissioners by providing a layer of accountability and transparency to our risk management framework. Individual risk owners and the senior leadership (Commissioners' Management Group or CMG) regularly monitor, review and assess risks and horizon scan for potential threats and opportunities. Any identified risks are scored utilising our risk scoring methodology.

The risk management practices are independently reviewed and audited by our Risk and Assurance team, who report to the Audit and Risk Committee. The Church Commissioners recognises that a robust governance structure and positive risk culture provide a strong mitigative influence and ensure the adequacy of risk management arrangements.

During 2024 and into 2025, a particularly significant strategic risk facing the Church Commissioners is in relation to sustainable distributions. Financial pressures experienced by many organisations around the Church of England inevitably lead to growing pressure on the Church Commissioners to increase charitable expenditure, and this has been heightened during the triennial prioritisation process which has taken place during late 2024 and early 2025 to determine the level of their distributions for the next triennium (2026-28). Several Diocesan Synods have passed motions calling upon the Church Commissioners to release more funding to support diocesan finances. There is a risk that the Church Commissioners may feel compelled into paying distributions at an elevated level that is not sustainable, thus disadvantaging future generations. Conversely, there is also a risk that the Church Commissioners takes a conservative approach and pays out less in distributions than is affordable and sustainable. Robust processes and controls help the Church Commissioners to manage this risk through seeking to pay out the maximum sustainable level of distributions, reflecting our responsibility to provide funding for the Church today while ensuring we can provide a comparable level of funding for the Church of tomorrow. The Church Commissioners recognises the challenges faced and opportunities that exist across the Church of England and works hard to invest well and distribute wisely to provide as much support as possible for the Church's work and ministry.

Reputation is important for any charity and the Church Commissioners considers its reputational risk currently to be at an elevated level. Members of the public, whether they consider themselves part of the Church of England or not, can quickly form opinions about the Church as an institution based on what they see/hear/read in various forms of media, which understandably impacts their perception and view of the Church Commissioners. In late 2024, the Makin Report into the Church's handling of allegations of serious abuse by the late John Smyth was published. This gave rise to serious questions about safeguarding practice in the Church of England and, shortly after the report was published, the Archbishop of Canterbury announced his resignation. This case and other safeguarding failures undermine public confidence in the assertions made by the Church, including the Church Commissioners, about the importance of, and priority given to, safeguarding. The potential reputational impacts could be far reaching; for example they may in turn make it more difficult for us to attract and retain staff. Prior to the publication of the Makin Report, reputational risk was already considered a strategic risk for the Church Commissioners. The highly significant and contested nature of the Church Commissioners' work researching and responding to historical links with African chattel enslavement also attracted significant attention, comment and, in some cases, criticism. Further reaction (including negative comment) to this programme of work is expected when the intended new Fund for Healing, Repair and Justice is launched, making investments and issuing grants.

During 2024, the Church Commissioners reviewed and accepted that the strategic inherent risks outlined below serve as the principal barriers to realising key objectives. A summary of key management actions has also been provided to address these challenges.

| PRINCIPAL RISK AREA | KEY MANAGEMENT ACTIONS AND PLANS |
|---|---|
| **Investment Returns**<br>Failure to achieve target investment returns over the medium to long term.<br><br>Inability to maintain the capital value (to ensure the fund is sustained in perpetuity). | ❄ Effective and experienced Assets Committee oversight.<br>❄ Disciplined valuation-led Investment Strategy and Process.<br>❄ Genuinely diversified portfolio.<br>❄ Proactive monitoring of market and currency exposures.<br>❄ Clearly articulated Investment Policy, including supporting frameworks and guidelines.<br>❄ Ongoing investment in systems infrastructure to support investment process.<br>❄ Successful transition to new Chief Investment Officer, who joined at the end of September 2024. |
| **Sustainable Funding**<br>In response to Church needs, distributions exceed affordable levels and hence cannot be sustained.<br><br>OR<br><br>Excessive restraint/prudence in distributions impact on near-term support to the wider Church. | ❄ Assets Committee governance of money available for distribution, including independent actuarial review and advice. The role of the Assets Committee and the Church Commissioners' actuarial advisors remains a core mitigation for the risk of excessive distributions or overly conservative distributions. Regular engagement between actuaries, staff and Assets Committee.<br>❄ Internal and external financial analysis and stress testing.<br>❄ The triennial prioritisation process (with the Triennium Funding Working Group – TFWG). Close working relationships across NCIs and with the wider Church ensure a comprehensive understanding of priorities. |
| **Effective use of Church Commissioners funding**<br>Church Commissioners funding (for dioceses, cathedrals and other purposes) does not achieve the intended outcomes and there are ineffective review/monitoring controls in place. | ❄ Strategic Mission & Ministry Investment Board (SMMIB) – a Committee of the Archbishops' Council – gives strong oversight of grant allocation via the Archbishops' Council and ongoing monitoring.<br>❄ Annual review of SMMIB reported to Commissioners' Board, along with reports after every SMMIB meeting.<br>❄ Appropriate mechanisms are in place to decide overall prioritisation of funds for the next triennium by way of the TFWG recommendations.<br>❄ Operation of a virement policy which allows the Church Commissioners (and Archbishops' Council) to respond effectively to emerging needs as they arise.<br>❄ A programme of work is underway to seek to give improved confidence and assurance in the effective use of funding. This includes:<br>  ❄ A specialist grant management system is in the process of being procured to further enhance the monitoring and oversight of grants (evaluating both the use and impact of the funds invested).<br>  ❄ A dedicated resource to review and align grant processes across different grant streams. |

| PRINCIPAL RISK AREA | KEY MANAGEMENT ACTIONS AND PLANS |
|---|---|
| **Reputational Risks**<br>Existing and emerging issues (for the Church Commissioners and for the wider Church of England) have reputational implications for the Church Commissioners and hence impact upon the ability of the Church Commissioners to achieve strategic objectives. | ❄ Proactive and frequent engagement with key Church stakeholders on Commissioners' strategy and priorities. Engagement plan developed to deepen relationships with the wider Church – considered by the Board of Governors in 2024.<br>❄ Financial Communications team proactively manages responses to media in relation to Investment Strategy.<br>❄ Experienced and effective governance and scrutiny applied by the Assets Committee, Audit and Risk Committee and Board of Governors.<br>❄ Proactive engagement with local communities and churches regarding local housing schemes.<br>❄ Response to links to African chattel enslavement:<br>  ❄ Ahead of the publication of the independent Oversight Group report regarding our planned response to the Church Commissioners' historical linkages to African chattel enslavement in 2024, a full package of communications materials and detailed plans was created and delivered.<br>  ❄ Pre-emptive actions are in place by placing importance on communications and risk planning, which have been integrated into the programme management.<br>  ❄ A programme of work has been implemented to establish the response, shaped by recommendations from the Oversight Group. This is governed by a sub-group of the Church Commissioners' Board of Governors, while still involving some individuals who had previously been members of the Oversight Group.<br>  ❄ Documents and FAQs are available on the Church Commissioners website. |
| **Climate Change**<br>Failure to understand and respond to the paradigm shifts caused by climate change (transition risk) impacts upon the Church Commissioners' ability to provide support to the Church's ministry. | ❄ Ensuring organisational goal of being at the forefront of responsible investment, using our voice to encourage companies to make changes in accordance with our Responsible and Ethical Investment Policy. Implemented a comprehensive Responsible Investment Manager Framework.<br>❄ Systematic proxy voting programme, focusing on companies with insufficient climate transition strategies, as assessed by the Transition Pathway Initiative (TPI).<br>❄ Member of Net Zero Asset Owner Alliance committed to net zero portfolio emissions by 2050.<br>❄ Embedding of Restrictions Policy.<br>❄ Divestment from companies involved in the extraction, production and refining of oil or gas.<br>❄ Climate Action Plan published in 2023 and new refreshed 5-year plan with targets being developed.<br>❄ A refreshed scenario analysis by the Investment team will be undertaken in 2025/26 to help us understand how climate-related risks could impact the portfolio. |



| PRINCIPAL RISK AREA | KEY MANAGEMENT ACTIONS AND PLANS |
|---|---|
| **Health and Safety**<br>Risk of serious harm to the health, safety and wellbeing of staff and communities on Church Commissioners owned/operated land, buildings or offices (real assets within the investment portfolio, See Houses, closed churches and offices). | ❄ Pan-NCI oversight of Health & Safety matters by Joint Staff Council Health & Safety Committee.<br>❄ Church Commissioners' management Health and Safety Forum established.<br>❄ Third-party specialist consultancy engaged to provide additional Health & Safety (H&S) expertise and capacity.<br><br>**See Houses**<br>❄ Smartlog system at all properties with quarterly reporting to the NCIs' Health & Safety Committee.<br>❄ Statutory checks are completed by a third-party provider.<br><br>**Investment Assets**<br>❄ Robust contractual arrangements in place with third-party providers, including compliance with H&S, legal requirements and insurance cover.<br>❄ Quarterly reporting and monitoring of H&S actions, reviews and issues with agents.<br>❄ Regular site visits to help identify H&S issues.<br>❄ Bi-annual review of the Commissioners' H&S risks. |

## EXTERNAL AUDITOR INDEPENDENCE AND PROVISION OF NON-AUDIT SERVICES

The Audit and Risk Committee reviews and monitors the external auditor's independence and objectivity in line with relevant regulations and directives. This includes oversight of the engagement of the external auditor to supply non-audit services in the limited number of cases where this might be appropriate. Any non-audit services are approved by the Audit and Risk Committee in advance, with due consideration given to the related fee levels, and the fee levels individually and in aggregate relative to the audit fee. The Committee also considers the nature of the work undertaken, to ensure that it is of a permitted nature, and that they are satisfied about the safeguards in place to ensure auditor independence.



Hemingby
St Margaret

# GOVERNANCE



Rt Revd Stephen Lake,
Bishop of Salisbury



# HOW THE CHARITY IS CONSTITUTED

## STRUCTURE AND SUBSIDIARIES

The Church Commissioners for England ("the Church Commissioners") is a statutory body created by the Church Commissioners Measure 1947 and a registered charity (number 1140097) under the Charities Act 2011. The Church Commissioners has a number of subsidiaries for investment purposes; the principal subsidiaries are set out in note 2(b) to the financial statements. A number of joint ventures are also held as part of the investment portfolio. The Church Commissioners, together with the Archbishops' Council and The Church of England Pensions Board, is an equal partner in Church of England Central Services (ChECS), a joint venture providing cost-effective shared financial, legal and other services.

## PUBLIC BENEFIT

As trustees, the Church Commissioners are mindful of the Charity Commission's guidance, Charities and Public Benefit, and, in particular the supplementary guidance for charities whose aims include advancing religion, The Advancement of Religion for the Public Benefit, and have regard to both guidance documents when reviewing the Commissioners' aims and objectives and in planning future activities.

We are confident that the financial resources provided to parishes, dioceses, bishops and cathedrals help to promote the Church's whole mission (pastoral, evangelistic, social and ecumenical) more effectively, in individual parishes, in cathedrals, in dioceses and at a national level. In doing so, the Church provides a benefit to the public by:

- providing facilities for public worship, pastoral care and spiritual, moral and intellectual development both for its members and for anyone who wishes to benefit from the Church's offering; and
- promoting Christian values and service by members of the Church in and to their communities, to individuals and society as a whole.

The report outlines examples of this public benefit in action.

# ORGANISATIONAL STRUCTURE AND STAFFING

*We are proud of our staff, and their expertise and commitment in enabling the support given to the Church. Working with the other NCIs, the Church Commissioners serves and supports the wider Church, ensuring effective use of the Church's money.*

The day-to-day management of the Church Commissioners is delegated to Gareth Mostyn (until 20 March 2025 – his successor is currently being recruited. Rosie Slater-Carr, our Chief Operating Officer, will play a pivotal leadership role during the interim by taking responsibility for representing the Church Commissioners in many forums, working together with Poppy Allonby, Chief Investment Officer, who will lead on all matters related to the investment fund). He is supported in his role by the senior management group and the wider staff team:

Chief Executive and Secretary:
**Gareth Mostyn (until 20 March 2025)**

Chief Operating Officer:
**Rosie Slater-Carr**

Chief Investment Officer:
**Poppy Allonby (from 30 September 2024)**

Chief Operating Officer (Investments):
**Nicola Dymond**

Director of Bishoprics and Cathedrals:
**Michael Minta**

Head of Mission & Pastoral Services:
**Wendy Matthews**

Director for Churches and Cathedrals:
**Emily Gee**

Director for Planning and Engagement:
**Georgia Boon**

Finance Director:
**Mark Barker (from 9 January 2024)**

Deputy Director of Finance (Church Commissioners):
**Samantha Da Soller (from 29 May 2024)**

Director for Finance Transformation:
**Joanna Woolcock**

People Director:
**Christine Hewitt-Dyer (until 31 May 2024), Emma Trenier (from 1 June 2024)**

Head of Financial Communications:
**Alistair Hammond**

Official Solicitor:
**Alexander McGregor**

Deputy Official Solicitor to the Church Commissioners:
**Paul Stevenson**

At the National Church Institutions, our focus is on building an affirming, high performing, inclusive culture to support the mission and ministries of the Church of England and its Vision and Strategy for the 2020s.

## OUR PEOPLE

The Church Commissioners for England announced in May 2024 the appointment of Poppy Allonby as Chief Investment Officer, following the departure of Tom Joy in April. Poppy is a senior financial services executive with more than 20 years of experience in strategic leadership and investment roles. She joined the NCIs at the end of September from T. Rowe Price. Between 2014 and 2022, Poppy was on the Church Commissioners' Board of Trustees and a member of its Assets Committee.

In October, Gareth Mostyn, Chief Executive of the Church Commissioners for England, announced that he would be stepping down after five years in the role. Gareth joined the Church of England's national institutions as Chief Financial & Operating Officer in 2018 and was promoted to the Chief Executive role two years later. He departed on 20 March 2025 to focus on his non-executive career.

And it was with a deep sadness that in December we learnt of the death of our colleague, Rachel Cosgrave, Senior Archivist at Lambeth Palace Library. Our thoughts are with her family, her friends and her colleagues at the Lambeth Palace Library.







Triple Consecration, York Minster

## OUR TEAMS

As part of the Transforming Effectiveness programme, the Church Commissioners completed a staffing review of the Pastoral & Closed Churches team. From 1 January 2025, the Closed Churches team moved to Cathedral and Church Buildings, led by Emily Gee. This move will enable all the church buildings functions to be gathered in one team. The Pastoral team, led by Wendy Matthews, was re-named the Mission & Pastoral Services team.
A number of staffing changes have taken place to facilitate the transition of staff members into new roles and recruit into vacant posts created by the restructure and the retirement of two colleagues.

## SUMMARY OF OUR PEOPLE

At the end of 2024, a total of 185 staff were employed or funded directly by the Commissioners. The Commissioners makes up about 23% of the overall staff at the NCIs.

The Church Commissioners is a joint employer of NCI staff together with the other NCIs. It receives services from ChECS, which is also a joint employer. The NCIs ended 2024 with 806 employed staff, compared to 763 at the end of 2023. Overall turnover in 2024 rose to 15% compared to 13% in 2023.

Across the NCIs, the share of female employees increased from 59% in 2023 to 60% of total employees in 2024. The percentage of women in senior positions rose by 2 percentage points to 46% in 2024.

The percentage of people who classed themselves as black or minority ethnic within the Commissioners was 12.4% (2023: 12.4%) compared with overall representation of 18.4% (2023: 17.4%) across the NCIs.

The percentage of people who classed themselves as having a disability within the Commissioners was 5.4% compared to 8.7% for the NCIs overall.

## EMPLOYEE ENGAGEMENT

More than 650 people (85%) completed our latest employee engagement survey, held during May and June 2024. The results showed that across the 67 statements in the survey, the average favourability score rose by 3 percentage points to 76% (the combined percentage of people who agree or strongly agree to a statement). The biggest uplifts were in the areas covering our corporate values, senior leaders, wellbeing, purpose and partnership working. Respondents felt more positive about working at the NCIs than the benchmark for the UK not-for-profit sector by an average of 5 percentage points, up 2 percentage points since 2022.

## HEALTH AND WELLBEING

As part of the 2024 annual pay award, we committed to introducing health checks as an additional benefit for staff. The new healthcare scheme was introduced in November which allows colleagues to claim back the cost of an annual routine health check, as well as contributions towards everyday healthcare costs. NCIs invested further in mental health training with an extra 30 Mental Health First Aiders taking the two-day course, bringing the total number of MHFAs to just under 50.

## ADDRESSING OUR PAY GAPS

Alongside our gender pay gap report we have, for the first time, reported on our ethnicity pay gap and disability pay gap. In doing so, our aim is to present a more holistic picture of where we are as an employer and where we need to place our efforts to reduce our pay gaps.

On the snapshot date of 5 April 2024, our median gender pay gap remained static at 18%. Our mean gender pay gap fell by 1.2 percentage points to 17%. Our median ethnicity pay gap was 12.2%, a fall of 10.7 percentage points. Our mean ethnicity pay gap was 15.9%, a fall of 2.5 percentage points. Our median disability pay gap was 8%, a rise of 7.9 percentage points. Our mean disability pay gap was 8%, a rise of 4.8 percentage points.

The percentage of staff for whom we have ethnicity data (90%) and disability data (66%) fell between 2023 and 2024. This is due in large part to moving to a new people system at which point staff were required to re-enter their diversity data. We continue to encourage colleagues to complete their diversity profiles to build as full a picture of our employee population as possible.

Due to the limited size of the staffing populations reported on in the ethnicity pay gap report and the disability pay gap report, it is worth noting that a small number of changes can make a noticeable difference to the percentages reported for the median and the mean pay gaps. It is also worth highlighting that we observed a sharp increase in declared disability from 35 people in 2023 to 75 people in 2024.

## BELONGING AND INCLUSION

We have established plans to address these gaps, including the delivery of our 2022-2025 Belonging and Inclusion Action Plan.

In 2024, we completed an end-to-end review of our recruitment processes and identified a number of areas for improvement. We have subsequently restructured our recruitment team to enable them to offer increased quality assurance, deliver new Confident Recruiter training to 97 line managers in 2024 and ensure diversity across recruitment panels and shortlists for all senior roles.

Our Confident Career programme offered 28 UK Minority Ethnic (UKME)/Global Majority Heritage (GMH) colleagues working in non-managerial level roles the opportunity to develop their confidence and skills. Our Confident Leadership programme has developed leadership confidence and capability for 22 women. We continue our focus on how we can 'bring people on' through secondments, short-term assignments, mentoring and better partnership working with dioceses. 'Reasonable Adjustment Passports' are now available for all new and current colleagues who declare a disability.

Over 200 staff completed our Inclusion training course in 2024. In September, the NCIs received a Talent Inclusion and Diversity Evaluation (TIDE) Silver award in recognition of our Belonging and Inclusion strategy.

## LEARNING AND DEVELOPMENT

In addition to the Confident Recruiter training mentioned above, new mandatory GDPR training and mandatory cyber security training were rolled out in 2024 to help equip staff to keep the data that the NCIs hold safe. A whistleblowing webinar – Speak Up, Speak Out – was held in May to highlight the importance of whistleblowing and our procedures for reporting any concerns at the NCIs.

A total of 218 people attended a wide range of learning workshops throughout the year. Overall, the feedback from delegates consistently rated courses and workshops as good or excellent.

In 2024, 62 managers and leaders completed, or entered into, one of our Confident Manager or advanced practice leadership development programmes. The Confident Manager programme is a four-week programme designed to develop self-awareness, confidence and skills to effectively manage people and teams. 124 managers completed Dignity at Work training.

Our 2023/24 reciprocal mentoring cohort concluded in July with 46 leaders and managers acting as mentors and 42 as mentees. Over 30 staff were matched with trained colleagues as part of our coaching programme. We enrolled 18 people on apprenticeships, and 13 people completed their apprenticeships in 2024.

## SAFEGUARDING

All NCI employees are required to complete basic awareness safeguarding training every three years. Senior leaders must also undertake additional extended training, while new joiners are required to complete this training as part of their induction.

In Q1 2025, we have focused on ensuring that all employees' basic awareness training is up to date. As of the end of March 2025, we are reporting a 96% compliance with timely completion. Management is actively reminding those yet to complete their training to do so as soon as possible.

## RAISING AWARENESS

The National Safeguarding team marked White Ribbon Day with an accreditation launch event, attended by over 100 colleagues to raise awareness of the scale and impact of violence towards women and girls. The event was followed by 16 days of activism which saw many more people join a series of webinars to learn more about different forms of abuse from experts in the field. The NCIs are working towards White Ribbon accreditation.

## SUPPORTING OUR STAFF NETWORKS

We work hard to ensure a regular drumbeat of events are hosted throughout the year on a wide range of professional, inclusion and wellbeing topics.

In February, the UKME Network organised an impactful awareness raising campaign about the impact of micro-aggressions to mark Race Equality Week.





In March, the Disability and Neurodiversity Network celebrated Sign Language Week and Neurodiversity Celebration Week, including free British Sign Language lessons.

In April, our staff-led Project Management Forum hosted its second annual event with 'collaboration' as the theme. The event helped to connect colleagues from different NCIs, share insights and discuss best practices in project management. Over 40 colleagues attended the Menopause Awareness for Everyone session; and a follow-up workshop offered advice for managers supporting colleagues who are experiencing wellbeing challenges, including menopause symptoms.

In August, the UKME Network also held a space for anyone affected by the riots that took place across the country. The UKME Network also organised a number of NCI events throughout October to mark Black History Month, including: a Mental Health in the Black Community webinar, and collaborations with the Film and Book Clubs, as well as a special in-person event at Church House as First Church Estates Commissioner Alan Smith hosted a memorable Q&A with former England cricketer Devon Malcolm.

## STAFF REMUNERATION AND EXECUTIVE PAY

The staff of the Church Commissioners, excluding asset management staff, are covered by a unified pay policy that operates across all the NCIs. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value based on pay bands.

For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market-related salaries and is subject to annual review. The NCIs are an accredited Living Wage employer and ensure that all staff – including apprentices, interns and those on training schemes – receive the appropriate living wage for their location.

A number of senior roles, including those of the NCI Chief Executives, sit outside the banding system, as the skill sets required to fulfil the roles are not readily measured within the NCIs' standard job evaluation system. Salaries for these roles are set individually with reference to the wider marketplace. This process is overseen by the Remuneration Committee, comprising senior trustees from each of the main NCIs as part of the Joint Employment and Common Services Board (JECSB). In general, these staff can expect the same percentage annual uplift for cost of living as those on the NCI bands.

## ASSET MANAGEMENT STAFF

Staff engaged directly in the management of the Church Commissioners' investment portfolio are on separate contracts of employment and sit outside the general NCI pay arrangements described above. The Church Commissioners is a large and sophisticated institutional investor investing in a broad range of asset classes, including significant property holdings, and as such seeks to attract and retain high-calibre investment professionals.

Accordingly, salaries are designed to reflect the market for investment specialists and incorporate an element of long-term incentives which encourage consistent outperformance of the Commissioners' target investment return over a sustained period of five years.

The level of pay and the value of incentive awards are overseen by a Church Commissioners' Remuneration Committee, comprising trustees on the Assets Committee supported by independent benchmarking data. The scheme is reviewed for consistency with the executive remuneration policy adopted by the Church's National Investing Bodies (NIBs) on the recommendation of the Ethical Investment Advisory Group (EIAG).

Amounts payable under the incentive scheme are spread over up to five years and the full amounts are only payable if the recipient remains in post during that time. By this method, the Commissioners ensures incentives are directly aligned with its objectives and are also long-term in nature. In the year to 31 December 2024, payments under the scheme, including deferred payments that became due, totalled £2.83m (2023: £2.01m). The highest paid member of staff received a payment of £290,911 (2023: £305,310).

The Chief Executive and Secretary to the Church Commissioners does not participate in the scheme. During 2024, the total remuneration (salary and incentive payment) for the highest paid member of Commissioners' staff was 19.7 times (2023: 23.4) the total remuneration received by the lowest paid member of Commissioners' staff and 9.6 times (2023: 11.8) the median total remuneration.

This is consistent with the recommendations on company remuneration adopted by the NIBs on the advice of the EIAG in 2013.

## STAFF PENSIONS

The staff of the Church Commissioners are either members of the Church Administrators Pension Fund defined benefit section (if employed before July 2006) or a separate defined contribution arrangement if employed subsequently. Employer contribution rates range from 8% to 18% depending on age and additional voluntary contributions made. New staff are encouraged to take advantage of our matched additional voluntary contributions scheme and are also offered ethical pension scheme choices.

# TRUSTEES AND THE BOARD OF GOVERNORS

*There are 27 Church Commissioners who constitute the Board of Governors and have trustee responsibility for meeting our charitable obligations. In addition, there are six further Church Commissioners who hold Offices of State and are not members of the trustee Board.*

Thirteen Board members are elected, either by the General Synod or the cathedral deans, and others are appointed, by the Crown or the archbishops, for various kinds of professional expertise. Board members also generally serve on one or more of our committees – the Assets Committee, the Audit and Risk Committee, the Bishoprics and Cathedrals Committee and the Mission, Pastoral and Church Property Committee. Except for the Assets Committee, they all contain non-Commissioner as well as Commissioner members. All are supported by an executive team led by Chief Executive and Secretary, Gareth Mostyn (until 20 March 2025, with interim arrangements in place while his successor is recruited). All new Commissioners receive a welcome pack containing information about governance in the charity sector and in the Church, and all are offered an extensive induction programme and other relevant training from time to time.

Since the publication of the 2023 annual report, the Church Commissioners has said farewell to two Estates Commissioners. Following the General Election in July 2024, the Second Church Estates Commissioner, Andrew Selous, departed after four and a half years of faithful and expert service. He answered almost 400 Parliamentary questions on a wide range of topics and successfully piloted a variety of Church Measures through the elected House and we all thank him for his energy, commitment and wisdom. He is succeeded by Marsha de Cordova who has immediately made an impressive contribution, bringing together MPs (from across the House of Commons) with a shared interest in the Church's contribution to the nation.

In October, the Third Church Estates Commissioner, the Rt Revd Dr Flora Winfield, left following her consecration as the Bishop of Selby. Flora made an enormous contribution as a key member of the Board of Governors, as Chair of our Mission, Pastoral and Church Property Committee, Bishoprics and Cathedrals Committee and Net Zero Carbon Programme Board, and in so many other ways. While we were delighted to hear of her consecration, we were sad to lose her, and we wish her well in her future ministry. She is succeeded by Sir Robert Buckland KBE, who will be an invaluable asset at a pivotal moment for the Commissioners and the wider Church. His leadership will be especially crucial as we move toward the implementation of the National Church Governance Measure which will ultimately abolish the Third Church Estates Commissioner role and transfer a number of functions to a new body. Effective management of this transition is essential, and Sir Robert will play a critical role in ensuring its success. We were also sorry that Helen Steers departed on the expiry of her term in February 2025. She was an excellent member of the Board, the Assets Committee and Chair of the Securities Group and we give thanks not only for her investment expertise but for her wide-ranging wisdom. We also pay tribute to her tireless work to promote diversity and we were delighted when she received an MBE for services to gender equality in business. We wish her well for the future and warmly welcome Cyrus Gentry as her successor. With impressive professional experience in the infrastructure and private equity sectors, Cyrus was appointed a Church Commissioner and member of the Assets Committee on 25 March 2025.

As noted in the 2023 annual report the election of Revd Amatu Christian-Iwuagwu as Church Commissioner has created a non-Commissioner vacancy on the Mission, Pastoral and Church Property Committee. We are now pleased to report that the Archdeacon of Gloucester, the Venerable Hilary Dawson, has been appointed to this role. We warmly welcome her and greatly appreciate the strong contribution she has already made to our work.

The Church Commissioners takes trustee recruitment very seriously and invests time and resources in finding, inducting and developing the highest calibre people. Vacancies are advertised in a range of publications depending on the specialism of the roles and search consultants are often employed to assist us. We place particular emphasis on equity, diversity and inclusion, at both trustee and staff levels; in this context, we held a successful engagement event in May 2024 at Manchester Cathedral for UK Minority Ethnic (UKME)/Global Majority Heritage (GMH) people with an interest in our work. It was very informative and enabled us to establish valuable relationships; we will be holding further such events in due course.







Board meeting

## THE CHURCH COMMISSIONERS AND BOARD OF GOVERNORS

The Board of Governors transacts the functions and business of the Commissioners except where, by statute or through delegation by the Board, these are exercised by committees. Except State Office-Holders, all Church Commissioners are members of the Board of Governors. The membership is as follows:

## ARCHBISHOPS (EX OFFICIO)

Archbishop of York, Stephen Cottrell

Archbishop of Canterbury, Justin Welby (resigned 7 January 2025)

## CHURCH ESTATES COMMISSIONERS APPOINTED BY HIS MAJESTY

Alan Smith, First Church Estates Commissioner

Marsha de Cordova MP, Second Church Estates Commissioner (appointed 7 October 2024)

Andrew Selous MP, Second Church Estates Commissioner (resigned 7 October 2024)

## CHURCH ESTATES COMMISSIONER APPOINTED BY THE ARCHBISHOP OF CANTERBURY

Sir Robert Buckland KBE, Third Church Estates Commissioner (appointed 18 February 2025)

Revd Canon Dr Flora Winfield, Third Church Estates Commissioner (resigned 31 October 2024)

## ELECTED BY THE GENERAL SYNOD

### HOUSE OF BISHOPS

Bishop of Salisbury, Rt Revd Stephen Lake, Deputy Chair

Bishop of Bristol, Rt Revd Vivienne Faull

Bishop of Norwich, Rt Revd Graham Usher

Bishop of Sheffield, Rt Revd Pete Wilcox

### HOUSE OF CLERGY

The Revd Preb Amatu Christian-Iwuagwu

The Revd Sarah Geileskey

The Revd Christopher Smith

### HOUSE OF LAITY

Richard Denno

Dr Nick Land

Dr Cathy Rhodes

Robert Zampetti

### ELECTED BY THE DEANS

Dean of Ely, Very Revd Mark Bonney

Dean of Manchester, Very Revd Rogers Govender

### NOMINATED BY HIS MAJESTY

Kif Hancock

Suzanne Avery

Nigel Timmins

### NOMINATED BY THE ARCHBISHOPS OF CANTERBURY AND YORK

Morag Ellis KC

Busola Sodeinde

Dame Kate Barker

### NOMINATED BY THE ARCHBISHOPS OF CANTERBURY AND YORK

After consultation with others, including the Lord Mayors of the Cities of London and York, and the Vice Chancellors of Oxford and Cambridge Universities

Remi Olu-Pitan

Helen Steers (resigned 26 February 2025)

Cyrus Gentry (appointed 25 March 2025)

Jenny Buck

### Secretary to the Church Commissioners and Board of Governors

Gareth Mostyn (until 20 March 2025)

Rosie Slater-Carr (Interim from 20 March 2025)

### State Office-Holders

First Lord of the Treasury

Lord President of the Council

Lord Chancellor

Secretary of State for Digital, Culture, Media & Sport

Speaker of the House of Commons

Speaker of the House of Lords

### Assets Committee

Subject to any general rules made by the Board, the Assets Committee has an exclusive power and duty to act in all matters relating to the management of the Church Commissioners' assets.

Alan Smith, Chair

The Revd Christopher Smith

Bishop of Norwich, Rt Revd Graham Usher

Dr Cathy Rhodes

Remi Olu-Pitan

Suzanne Avery

Helen Steers (resigned 26 February 2025)

Cyrus Gentry (appointed 25 March 2025)

Kif Hancock

Dame Kate Barker

Jenny Buck

Marsha de Cordova MP (appointed 7 October 2024)

Gareth Mostyn, Committee Secretary (to 20 March 2025)

Poppy Allonby, Interim Committee Secretary (from 20 March 2025)

### Audit and Risk Committee

Acts in matters relating to the external auditors, the annual accounts and internal control systems.

Hilary Wild, Chair

Busola Sodeinde

George Stylianides

Dave Jennings

Emma Upstone

Robert Zampetti

Muir Laurie, Committee Secretary

### Bishoprics and Cathedrals Committee

Acts for the Board in matters relating to episcopal and cathedral support.

Sir Robert Buckland KBE, Third Church Estates Commissioner (appointed 18 February 2025)

Revd Canon Dr Flora Winfield, Third Church Estates Commissioner (resigned 31 October 2024)

Bishop of Bristol, Rt Revd Vivienne Faull

Bishop of Salisbury, Rt Revd Stephen Lake

Dean of Ely, Very Revd Mark Bonney

Dean of Manchester, Very Revd Rogers Govender

Dean of Guernsey, Very Revd Tim Barker

Dr Nick Land

Ruth Mounstephen – Representative of Bishops' spouses

Anna Pitt – Representative for Association of English Cathedrals and Cathedrals Administration and Finance Association (until 30 January 2025)

Michael Minta, Committee Secretary

### Mission, Pastoral and Church Property Committee

Acts for the Board in matters relating to pastoral reorganisation, parsonages and diocesan glebe, and matters relating to the future of church buildings closed for regular public worship.

Sir Robert Buckland KBE, Third Church Estates Commissioner (from 18 February 2025)

Bishop of Jarrow, Rt Revd Sarah Clark (until 9 January 2025)

Bishop of Thetford, Rt Revd Ian Bishop (from 6 February 2025)

Bishop of Sheffield, Rt Revd Pete Wilcox

The Ven Simon Fisher

The Revd Canon Clare MacLaren

The Revd Christopher Smith

The Revd Sarah Geileskey

The Revd Preb Amatu Christian-Iwuagwu

Dr Cathy Rhodes

Morag Ellis KC

Shane Waddle (until 7 August 2025)

Garth Watkins (until 31 January 2025)

Wendy Matthews, Committee Secretary

## PROFESSIONAL ADVISERS

**Bankers:**
Lloyds Bank plc
39 Threadneedle Street
London EC2R 8AU

**Custodians:**
JP Morgan Chase Bank N.A.
25 Bank Street
Canary Wharf
London E14 5JP

**Auditor:**
Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

**Actuaries:**
Hymans Robertson LLP
One London Wall
London EC2Y 5EA

# ATTENDANCE AT MEETINGS

*The table below gives details of the meetings attended by governors and non-Commissioner committee members during 2024.*

| | BOARD | ASSETS | AUDIT AND RISK | BISHOPRICS AND CATHEDRALS | MISSION, PASTORAL AND CHURCH PROPERTY |
|---|---|---|---|---|---|
| Number of meetings | 4 | 5 | 4 | 6 | 10 |
| Archbishop of Canterbury, **Most Revd Justin Welby** | The Archbishop of Canterbury chairs the Annual General Meeting. By arrangement he does not attend meetings of the Board of Governors. The Bishop of Salisbury is the Archbishop's appointed deputy from 1 January 2024. | | | | |
| Archbishop of York, **Most Revd Stephen Cottrell** | 0 | 0 | | | |
| First Church Estates Commissioner, **Alan Smith** | 4 | 5 | 1 | | |
| Second Church Estates Commissioner, **Andrew Selous MP** (until 7 October 2024) | 2 | 0 | | | |
| Second Church Estates Commissioner, **Marsha de Cordova MP** (from 7 October 2024) | 0 | 0 | | | |
| Third Church Estates Commissioner, **Revd Canon Dr Flora Winfield** (until 31 October 2024) | 3 | | | 5 | 5 |
| Bishop of Bristol, **Rt Revd Vivienne Faull** | 2 | | | 4 | |
| Bishop of Norwich, **Rt Revd Graham Usher** | 4 | 4 | | | |
| Bishop of Sheffield, **Rt Revd Pete Wilcox** | 3 | | | | 6 |
| Bishop of Salisbury, **Rt Revd Stephen Lake** | 4 | | | 4 | |
| Bishop of Jarrow, **Rt Revd Sarah Clark** | | | | | |
| Bishop of Thetford, **Rt Rev Ian Bishop** | | | | | 0 |
| Dean of Ely, **Very Revd Mark Bonney** | 4 | | | 6 | |
| Dean of Guernsey, **Very Revd Tim Barker** | | | | 6 | |
| Dean of Manchester, **Very Revd Rogers Govender** | 1 | | | 4 | |
| **The Venerable Hilary Dawson** | | | | | 2 |
| **The Venerable Simon Fisher** | | | | | 7 |
| **The Revd Christopher Smith** | 4 | 5 | | | 10 |
| **The Revd Sarah Geileskey** | 3 | | | | 5 |
| **Dame Kate Barker** | 2 | 4 | | | |
| **Jenny Buck** | 3 | 4 | | | |
| **Suzanne Avery** | 3 | 5 | | | |
| **Simon Cawte** | | | | | 8 |
| **Richard Denno** | 4 | | | | |
| **Morag Ellis KC** | 3 | | | | 5 |
| **The Revd Preb Amatu Christian-Iwuagwu** | 3 | | | | 3 |
| **Kif Hancock** | 4 | 4 | | | |
| **Dave Jennings** | | 1 | 4 | | |
| **Dr Nick Land** | 4 | | | 6 | |
| **The Revd Canon Clare MacLaren** | | | | | 7 |
| **Ruth Mounstephen** | | | | 6 | |
| **Remi Olu-Pitan** | 3 | 4 | | | |
| **Dr Cathy Rhodes** | 4 | 4 | | | 10 |
| **Busola Sodeinde** | 3 | 1 | 3 | | |
| **Helen Steers** | 4 | 4 | | | |
| **George Stylianides** | | 1 | 2 | | |
| **Jennifer Thomas** | | | | 6 | |
| **Nigel Timmins** | 4 | | | | |
| **Emma Upstone** | | | 4 | | |
| **Canon Shane Waddle** | | | | | 5 |
| **Garth Watkins** | | | | | 8 |
| **Hilary Wild*** | 4 | | 4 | | |
| **Anna Pitt** | | | | 6 | |
| **Robert Zampetti** | 3 | 1 | 3 | | |

* As Chair of the Audit & Risk Committee, Hilary Wild is invited to attend Board meetings but is not a member of the Board. A member of the Audit & Risk Committee attends every Assets Committee as an observer.

# TRUSTEE RESPONSIBILITIES

*The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with UK law and accounting practices.*

## TRUSTEE RESPONSIBILITY STATEMENT

The Charities Act 2011 requires the trustees to prepare financial statements for each financial year. The trustees have to prepare the financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The trustees must not approve the financial statements unless they are satisfied that they 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, including the income and expenditure, 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 (FRS102);
- make judgements 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 adequate accounting records that are sufficient to show and explain the charity and its subsidiaries' transactions; disclose with reasonable accuracy at any time the financial position of the charity and the Group; and enable them to ensure that the financial statements comply in all material respects with the Charities Act 2011, the Church Commissioners Measure 1947, and the Charity (Accounts and Reports) Regulations 2008.

The trustees are also responsible for safeguarding the assets of the Church Commissioners for England (the "parent charity") and its subsidiaries ("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 organisational and financial information included in the Commissioners' section of the Church of England website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board by:



**Alan Smith**
First Church Estates Commissioner





# MONEY AVAILABLE RESOLUTION

*Money available resolution and summary of the independent actuaries' report*

## INTRODUCTION

As required by the Church Commissioners Measure 1947 (as amended), at the 2025 Annual General Meeting of the Commissioners, the Board of Governors will recommend that the meeting (i) receives the Annual Report and Financial Statements; (ii) considers a revised recommendation on the planned allocation of money available for distribution in 2026-2028, based on the forecast of sums that can be made available for distribution in each year of that triennium; and (iii) notes a forecast of the sums that it is hoped can be made available in each year of the following two triennia 2029-2034, subject to the outcome of future triennial reviews.

## MONEY AVAILABLE RESOLUTION

At its meeting on 15 April 2025, the Assets Committee, having received updated advice from its actuarial advisors Hymans Robertson LLP (as required by the Church of England Pensions Measure 2018) which is summarised below, resolved to inform the Board that the Commissioners' expenditure plans can be made on the assumption that the following sums (totalling £1,638 million) can be made available for distribution from income generated in each of the years 2026-2028:

- Up to £506m for historical distributions.
- Up to £606m for core (in-perpetuity) distributions.
- Up to £229m for transformational time limited distributions.
- Up to £297m for strategic ongoing distributions.

subject to £50m being withheld until a future recommendation by the Assets Committee and subsequent agreement by the Board allows for its release.

## SUMMARY OF THE REPORT FROM THE INDEPENDENT ACTUARIES

The Commissioners holds assets ("the assets") from which it pays pensions to retired clergy and other licensed ministers ("the pension obligation") and staff ("the pensions liability"), and provides money to support the mission and ministry of bishops, cathedrals and parishes and for other purposes ("the distribution"). The distribution is affected by the extent of the pension obligation and pensions liability. To assist the Commissioners in formulating the distribution policy, we carry out a detailed review from time to time.

Our most recent detailed review was carried out as at 31 December 2024 and it involved calculating the capital value (also known as the present value) of the following areas of future expenditure from the assets, according to their term:

1. Historical distributions mainly comprising an allowance to enable the Commissioners to meet its historical pensions obligation and pensions liability. As the pensions are payable throughout the lifetimes of the pensioners, the term of this area of expenditure is longevity related and not known in advance. We therefore make assumptions of future life expectancy for the purpose of calculating the capital value of the pensions obligation and pensions liability.
2. Planned core (in-perpetuity) distributions, for example the grants to support bishops' and cathedrals' ministry, sub-divided into separate elements with appropriate rates of planned annual increases.
3. Planned or previously agreed distributions which have a fixed term.

Having calculated the capital values of the above areas of expenditure, we compare the total with the value of the assets held to assess whether the planned distributions are sustainable. If the level of assets exceeds the aggregate of the above distributions, as was the case in our most recent full review as at 31 December 2024, we also calculate the level of strategic ongoing distributions that could be afforded in perpetuity on agreed assumptions. This is reflected in the numbers set out above.

Many occupational pension schemes have actuarial valuations performed using significant margins for prudence. This is done so that the scheme has a funding buffer should future events prove unfavourable, in particular if the pension scheme's sponsoring employer becomes insolvent. In contrast, our calculations for the Commissioners are made on a 'best estimate basis' and do not include such margins of prudence. We consider that such margins are not required, as the assets are significantly larger than the pension obligation and pensions liability, and no further margin is necessary. Moreover, if margins were to be included, this would restrict the level of other distributions, with the expectation that they are likely to be increased at some point in the future by more than the planned increases. This would lead to inter-generational inequity, with the future recipients of the distribution receiving more in real terms at the expense of current recipients.

It should be noted that the distribution which the assets can support – and in particular the fund's capacity for strategic ongoing distributions – is extremely sensitive to a number of factors. These include the actual investment returns on the assets, the assumed average future investment return, actual increases in the national minimum stipend (on which the starting level of clergy pension is based) and inflation (which determines increases in pensions in payment and planned ongoing and in-perpetuity distributions) and the actual and prospective longevity of pensioners.

Recognising the high level of volatility in the sum available for strategic ongoing distributions, we continue to advise that the Commissioners should pay a significant proportion of such distributions in a form that will automatically cease or can be stopped within a reasonably short timescale, if any future actuarial review determines that such distributions are no longer affordable. We recommend that the Commissioners should reinforce the messaging within the Church that the strategic ongoing spending is designed to support short-term projects and reliance on its continuation at current levels should be limited where possible to mid-2028, in line with the agreed policy to aim to give three years' notice on a rolling basis for any distribution cuts unless there is an extreme situation which requires swifter action. We note that much of the strategic ongoing spend is intended to continue until 2034.

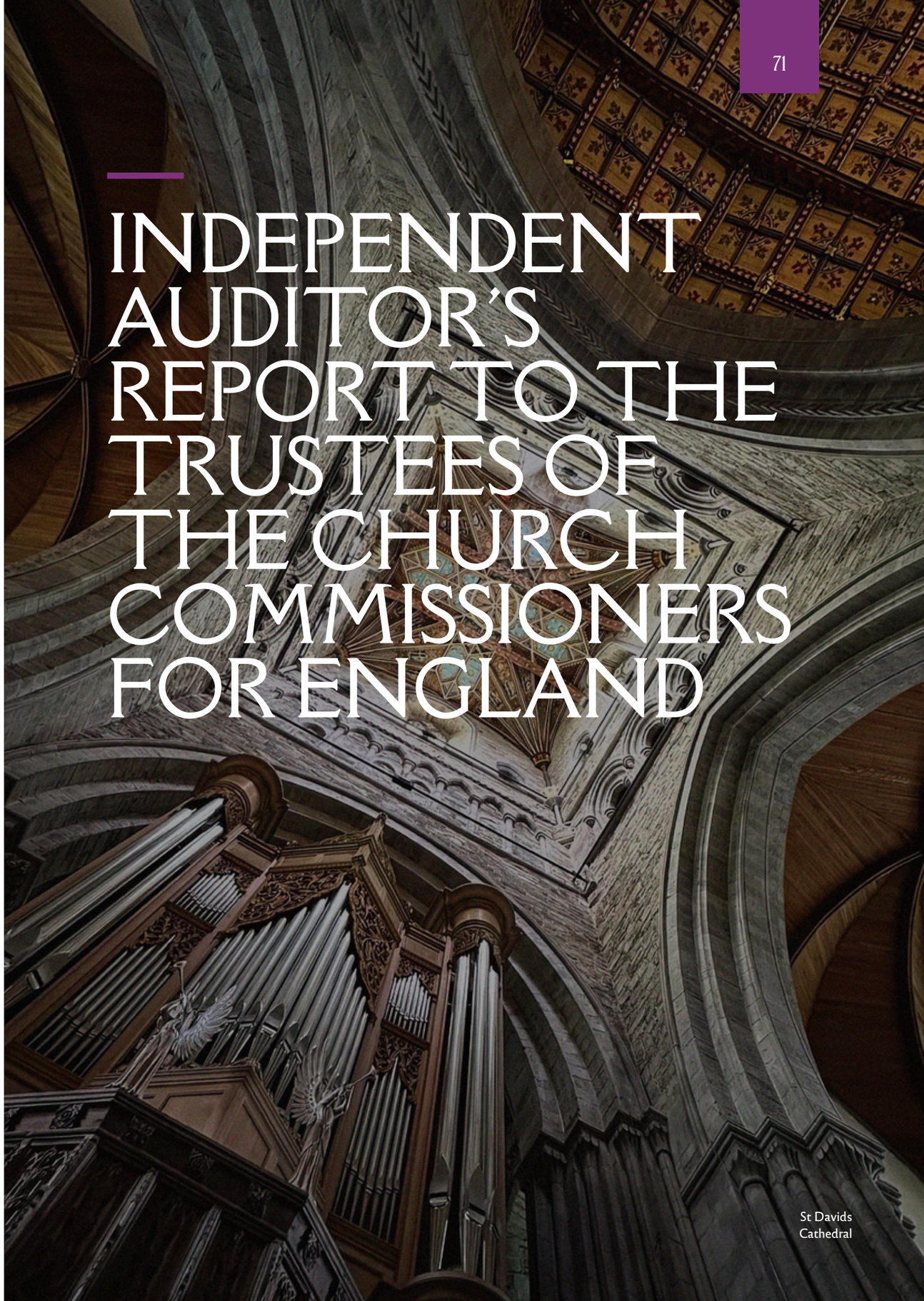
In summary, the overall conclusion of our calculations was that the package of distributions proposed for the 2026-2028 triennium is deemed affordable on our best estimate assumptions. The affordability of this package of distributions should be re-examined in detail at the next triennial review as at 31 December 2027 and also on an approximate basis at the interim assessments as at 31 December 2025 and 2026.

**Alec Day** FIA C.Act
**Peter Carver** FIA C.Act CERA





# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND



St Davids Cathedral

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

## OPINION

**Our opinion on the financial statements is unmodified**

We have audited the financial statements of The Church Commissioners for England (the 'parent charity') and its subsidiaries (the 'Group') for the year ended 31 December 2024, which comprise the consolidated and Commissioners statements of financial activities, the consolidated and Commissioners balance sheets, the consolidated cash flow statement and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 December 2024 and of the group's and the parent charity's incoming resources and application of resources, including the group's and the parent charity's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Statement of Recommended Practice: Accounting and Reporting by Charities, 2019 Edition; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

## BASIS FOR OPINION

We have been appointed as auditor under section 151 of the Charities Act 2011. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent charity in accordance with the ethical requirements that are relevant to our audit of the group and the parent charity financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## CONCLUSIONS RELATING TO GOING CONCERN

We are responsible for concluding on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent charity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent charity to cease to continue as a going concern.

Our evaluation of the trustees' assessment of the group's and the parent charity's ability to continue to adopt the going concern basis of accounting included:

- Evaluation and challenge of the assumptions used in the independent actuarial report provided by Hymans Robertson LLP on the affordability in perpetuity of the parent charity's planned distributions using our knowledge of the parent charity. The report covers the spending plans for the next three-year period (the "triennium") and is updated annually to assess that the spending plans for the current and next triennium remain affordable;
- Evaluation of the liquidity of the parent charity and the group by assessing the cash and liquid assets held by the parent charity and the group to meet obligations in the 12 months from the date of signing of the report;
- Assessment of the associated sensitivity analysis (including stress and scenario testing) and reasonableness of assumptions used based on the engagement team's knowledge of the parent charity and the group and by corroborating base case inputs to supporting evidence;
- Assessment of the adequacy of disclosures concerning the basis of preparation of the financial statements and going concern;
- Checking the completeness of assumptions used in the model by considering the post-year-end performance; and
- Assessment of the accuracy of management forecasts prepared for prior periods by comparing against actual results.

In our evaluation of the trustees' conclusions, we considered the inherent risks associated with the parent charity and the Group's business model, including effects arising from macroeconomic uncertainties such as geopolitical instability, we assessed and challenged the reasonableness of estimates made by the trustees and the related disclosures and analysed how those risks might affect the parent charity's and the group's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## OUR APPROACH TO THE AUDIT

**Overview of our audit approach**

***Overall materiality:***

**Group:** £97.1 million, which represents 1% of the group's net assets

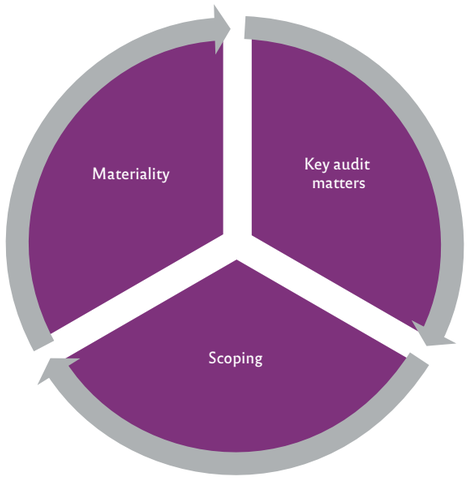
**Parent charity:** £92.2 million, which represents 1% of the parent charity's net assets, capped at 95% of Group materiality.

***Key audit matters for the parent charity and group were identified as:***

- Valuation of Unlisted Investment Securities (same as previous year); and
- Valuation of Rural and Strategic Investment Properties (same as previous year).

Our auditor's report for the year ended 31 December 2023 included no key audit matters that have not been reported as key audit matters in our current year's report.

We performed a full-scope audit of the financial statements using the component materiality of the parent charity and specific-scope audit for two subsidiaries achieving 100% coverage of net assets and 100% coverage of total revenues.

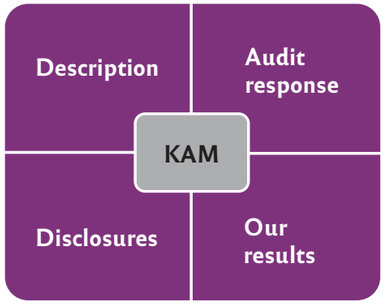


# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

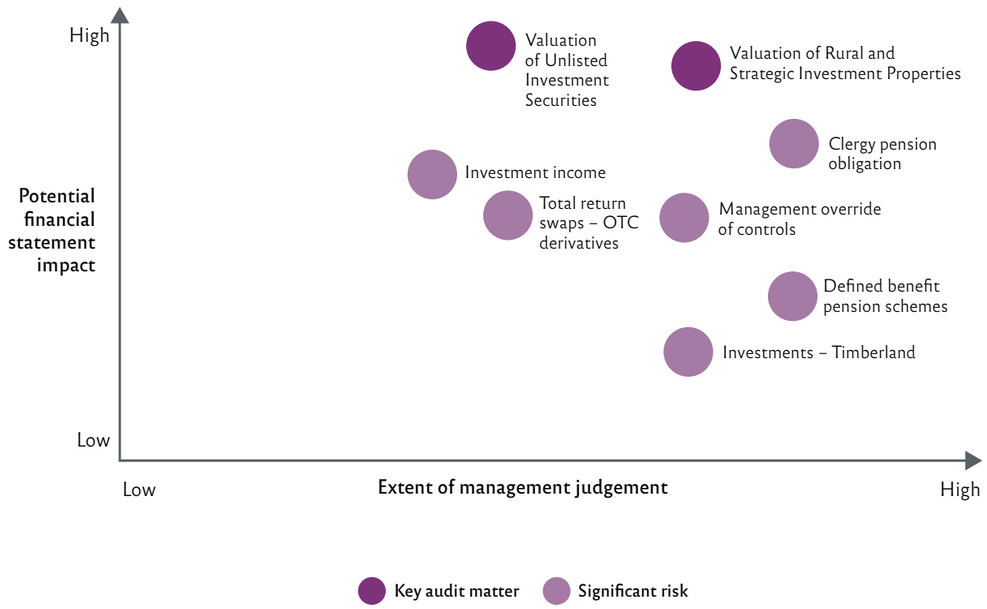
continued

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the parent charity and group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.




In the graph below, we have presented the key audit matters and significant risks relevant to the audit. This is not a complete list of all risks identified by our audit.




| Key Audit Matter – Group and parent charity | How our scope addressed the matter – Group and parent charity |
|---|---|
| **Valuation of Investment Securities – excluding listed investment securities, including indirect property**<br><br>We identified valuation of unlisted Investment Securities, including indirect property, as one of the most significant assessed risks of material misstatement due to error.<br><br>The Group and parent charity have a number of unlisted securities which include private equity, private credit and venture capital, whereby management relies on valuations by third-party investment managers. There is a risk that these valuations may be materially misstated given these funds are valued by reference to the estimated net asset values or final net asset values received from the fund managers at year end.<br><br>Unlisted investments including unlisted securities at £4,473.1 million (2023: £4,318.4 million), indirect property at £96.5 million (2023: £109.0 million), indirect timberland at £72.5 million (2023: £66.7 million), and infrastructure at £239.3 million (2023: £230.2 million). | **In responding to the key audit matter, we performed the following audit procedures:**<br><br>❄ Enquired of management to understand the controls and procedures in place to ensure appropriate recording and valuation of unlisted investment securities.<br><br>❄ Evaluated the design and implementation of relevant controls and identified significant control deficiencies.<br><br>❄ On a sample basis, having tested the operating effectiveness of E-Front (investment application) controls for the capital calls and distributions, we also inspected direct confirmations in the E-Front application of the year-end valuation from the investment manager.<br><br>❄ On a sample basis, we corroborated this to available financial information such as latest valuation and available audited financial statements of the unlisted investments, adjusted for any cashflows, to assess the reasonableness of the year-end valuation and to check the accuracy of the estimates by comparing the net asset value ('NAV') on the unaudited capital/valuation statements to the audited financial statements' net assets and comparing against management's estimated valuation as at year end.<br><br>❄ On a sample basis, we obtained the outstanding commitments at year end and compared to the latest capital statement available. |
| **Relevant disclosures in The Church Commissioners for England Annual Report 2024**<br><br>Financial statements: note 1, Accounting policies and note 2, Investments | **Our results**<br><br>Our testing did not identify material misstatements in the valuation of Investment Securities – excluding listed as at the year-end date. |

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

continued

| Key Audit Matter – Group and parent charity | How our scope addressed the matter – Group and parent charity |
|---|---|
| **Valuation of Investment Properties – excluding indirect property, residential and commercial property**<br><br>We identified valuation of rural and strategic investment properties as one of the most significant assessed risks of material misstatement due to error within the investment property portfolio which also consists of residential and commercial properties.<br><br>The investment property portfolio consists of different types of property, including direct and excluding indirect investment property.<br><br>The direct investment property portfolio consists of the following asset classes:<br><br>1) Rural and strategic – Key Audit Matter due to limited market information being available to verify judgements involved such as yields and projected income flow, therefore may be materially misstated due to inappropriate judgements being applied.<br><br>Direct investment property amounts to £1,622.0 million of which £939.7 million relates to rural and strategic land (2023: £1,597.6 million of which £901.3 million relates to rural and strategic land). | **In responding to the key audit matter, we performed the following audit procedures:**<br><br>❋ Queried management to understand the controls and procedures in place to ensure appropriate recording and valuation of investment properties.<br><br>❋ Evaluated the design and implementation of relevant controls and identified significant control deficiencies.<br><br>❋ We attended the property valuation meetings between Church Commissioners and the valuation experts to observe management challenge on the valuation of the properties and develop our understanding of the judgements included in the valuations such as yields, and projected income flows, and to understand the methodologies applied and, where necessary, challenge their assumptions.<br><br>❋ Based on the understanding of the portfolio, we selected a sample of properties based on quantitative and qualitative characteristics. For the samples selected, we have performed the following:<br><br>– Used the expertise of our internal valuation experts who inspected either the external valuation reports or the cost model, which was used in determining the valuation to assess the methodologies used and the reasonableness of the assumed yields. This included checking that the valuations had been prepared in line with the Royal Institution of Chartered Surveyors (RICS) guidelines.<br><br>– Tested the input data used in the valuations by agreeing to supporting evidence such as rental agreements.<br><br>– Tested the mathematical accuracy of the valuations by performing a re-calculation.<br><br>❋ Assessed the external valuation experts' objectivity, competence, and capability.<br><br>❋ For a sample of post-year-end sales, compared actual property sales prices against previous values reported by management valuation experts. |
| **Relevant disclosures in The Church Commissioners for England Annual Report 2024**<br><br>Financial statements: note 1, Accounting policies and note 2, Investments | **Our results**<br><br>Our testing did not identify material misstatements in the valuation of Investment Properties – excluding indirect property – strategic and rural as at the year-end date. |





## OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

| Materiality measure | Group | Parent charity |
|---|---|---|
| **Materiality for financial statements as a whole** | We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work. | |
| Materiality threshold | £97.1 million (2023: £90.8m), which represents 1% of the group's net assets. | £92.2 million (2023: £90.8m), which represents 1% of the parent charity's net assets, capped at 95% of Group materiality. |
| Significant judgements made by auditor in determining the materiality | In determining materiality, we made the following significant judgements:<br><br>❋ Net assets are considered to be the key driver for the group's performance as they directly impact the ability of the charity to fulfil its ongoing obligations.<br><br>❋ 1% of net assets is considered to be an appropriate threshold to apply to the chosen benchmark having considered the expectations of the users of the financial statements and the engagement risk.<br><br>Materiality for the current year is higher than the level that we determined for the year ended 31 December 2023 due to an increase in the net assets. | In determining materiality, we made the following significant judgements:<br><br>❋ Net assets are considered to be the key driver for the parent charity's performance as they directly impact the ability of the charity to fulfil its ongoing obligations.<br><br>❋ 1% of net assets is considered to be an appropriate threshold to apply to the chosen benchmark having considered the expectations of the users of the financial statements and the engagement risk.<br><br>Materiality for the current year is higher than the level that we determined for the year ended 31 December 2023 due to an increase in the net assets. |
| **Performance materiality used to drive the extent of our testing** | We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. | |
| Performance materiality threshold | £72.8 million (2023: £68.1m), which is 75% of financial statement materiality for the group. | £69.2 million (2023: £68.1m), which is 75% of financial statement materiality for the parent charity. |
| Significant judgements made by auditor in determining the performance materiality | In determining performance materiality, we made the following significant judgements:<br><br>❋ Whether there were any significant adjustments made to the group financial statements in prior years; and<br><br>❋ Whether there were any significant control deficiencies identified in prior years. | In determining performance materiality, we made the following significant judgements:<br><br>❋ Whether there were any significant adjustments made to the Group financial statements in prior years; and<br><br>❋ Whether there were any significant control deficiencies identified in prior years. |
| **Specific materiality** | We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. | |
| Specific materiality | We determined a lower level of specific materiality for the following areas:<br><br>❋ Charitable expenditure.<br><br>❋ Raising funds expenditure.<br><br>❋ Investment income.<br><br>❋ Related party transactions. | We determined a lower level of specific materiality for the following areas:<br><br>❋ Charitable expenditure.<br><br>❋ Raising funds expenditure.<br><br>❋ Investment income.<br><br>❋ Related party transactions. |

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

continued

| Materiality measure | Group | Parent charity |
|---|---|---|
| Communication of misstatements to the Audit and Risk Committee | We determine a threshold for reporting unadjusted differences to the Audit and Risk Committee. | |
| Threshold for communication | £4.8 million (2023: £4.5m), which represents 5% of financial statement materiality for the group, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. | £4.6 million (2023: £4.5m), which represents 5% of financial statement materiality for the parent charity, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. |

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – group




Overall materiality – parent charity




**FSM:** Financial statement materiality
**PM:** Performance materiality
**TfC:** Threshold for communication to the Audit and Risk Committee

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We performed a risk-based audit that requires an understanding of the parent charity and group's business and in particular matters related to:

**Understanding the group, its components, their environments, and its system of internal control including common controls**

- The engagement team obtained an understanding of the group and its environment, including Group-wide controls, and assessed the risk of material misstatement at the group level;
- The engagement team obtained an understanding of relevant internal controls at both the group and subsidiaries. This included obtaining an understanding of the internal controls and assessing whether they are designed and implemented effectively;
- Discussions held with management to understand key changes to the business and reinforce our understanding of the group's control environment and key risk areas;
- Obtaining an understanding of the design and implementation of relevant controls related to the investment accounting and administration services by evaluating the Type I service auditor's report;
- Obtaining an understanding of the design and implementation of relevant internal controls linked to the unlisted securities portfolio, including assessment of the design, implementation and operating effectiveness of the one key identified control;
- We obtained an understanding of the business processes for all significant classes of transactions, including significant risks, in order to confirm our understanding of the control environment across the Group; and
- We documented and assessed the design and implementation of controls related to key audit matters and other significant risks communicated in this report. This included obtaining and assessing internal controls reports prepared by third-party auditors where applicable.

**Identifying components at which to perform audit procedures**

- The group audit team evaluated the identified components to assess their significance and determined the planned audit response based on a measure of materiality. Significance was determined as a percentage of the group's income and net assets as well as considering qualitative factors, such as a component's specific nature and circumstances.
- One component (Parent company) was identified as a significant component.

**Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)**

- An audit of the financial information using component materiality (full-scope audit) was performed on The Church Commissioners for England, the parent charity.
- Audits of one or more account balances, classes of transactions or disclosures (specific scope procedures) were performed on C.C. Licensing and Cherry Tree Timber LLC.
- Analytical procedures using group materiality were performed on the financial information for the remaining components of the group.

All key audit matters identified were addressed with the full-scope and specific-scope audit procedures. The procedures performed in respect of these have been included in the key audit matters section of our report.

**Performance of our audit**

All the UK subsidiaries are in the same location as the parent charity, and the group engagement team visited that location as part of our audit. Overseas subsidiaries are in USA and Australia; the Group engagement team communicated with one component auditor in the USA virtually.

Further audit procedures performed on components subject to specific scope and specified procedures may not have included testing of all significant account balances of such components, but further audit procedures were performed on specific accounts within that component that we, the group auditor, considered had the potential for the greatest impact on the group financial statements either due to risk, size or coverage.

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

continued

The components within the scope of further audit procedures accounted for the following percentages of the Group's results, including the key audit matters identified:

| Audit approach | No. of components | % coverage Total income | % coverage Total net assets |
|---|---|---|---|
| Full-scope audit | 1 | 99% (2023: 98%) | 99% (2023: 96%) |
| Specific-scope audit | 2 | 1% (2023: 2%) | 1% (2023: 3%) |
| Analytical procedures | 15 | 0% (2023: 0%) | 0% (2023: 1%) |
| **Total** | **18** | **100%** | **100%** |

**Communications with component auditors**

- The component auditor of the reporting component where a specific-scope approach was required was issued with detailed audit instructions. These instructions highlighted the significant risks that needed to be addressed through the audit procedures and specified the information that we required to be reported to the Group engagement team.
- Throughout the planning, fieldwork, and concluding stages of the Group audit, the Group engagement team communicated with the component auditor and conducted a review of their work. Key working papers were prepared by the Group engagement team to summarise their review of component auditor files.
- The Group engagement team held detailed discussions with the component audit team, including remote reviews of the work performed, update calls on the progress of their fieldwork and concluding procedures.

**Changes in approach from previous period**

- No changes in approach have been made since the prior year audit.

## OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the Annual Report is inconsistent in any material respect with the financial statements; or
- the parent charity has not kept sufficient accounting records; or
- the parent charity's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.





## RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Trustee Responsibilities Statement set out on page 68, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent charity and group and industry in which it operates. We determined that the following laws and regulations were the most significant: the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008, 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland' (Charities SORP (FRS 102) (second edition – October 2019)), and Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).
- We enquired of management and the Audit and Risk Committee, concerning the Group's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit and Risk Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We corroborated the results of our enquiries to relevant supporting documentation such as minutes of the Audit and Risk Committee and Board meetings.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - The Group's operations, including the nature of its revenue sources, and of its objective and strategy to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Group's control environment, including the policies and procedures implemented to comply with annual and financial reporting requirements.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the group engagement team included:
  - Testing completeness of journal entries and identifying and testing high-risk journal entries, in particular manual journal entries processed at the year end for financial statements preparation.
  - Evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud.
  - Challenging the assumptions and judgements made by management in its significant accounting estimates.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

continued

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the group and parent charity operates; and
  - understanding of the legal and regulatory requirements specific to the parent charity and group including:
    - the provisions of the applicable legislation;
    - the regulators' rules and related guidance, including guidance issued by relevant authorities that interprets those rules;
    - the applicable statutory provisions.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit; and
- We communicated with component auditors to request identification of any instances of non-compliance with laws and regulations that could give rise to a material misstatement of the group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the Audit and Risk Committee, we were appointed by the trustees on 1 November 2024 to audit the financial statements for the year ending 31 December 2024. Our total uninterrupted period of engagement is 9 years, covering the years ending 31 December 2016 to 31 December 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent charity and Group and we remain independent of the Group and the parent charity in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

## USE OF OUR REPORT

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008 and section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

**Grant Thornton UK LLP**
Statutory Auditor, Chartered Accountants
London
15 May 2025

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006







St Paul's Cathedral

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 December 2024

| | Notes | 2024 Other funds £m | 2024 Endowment £m | 2024 Total £m | 2023 Other funds £m | 2023 Endowment £m | 2023 Total £m |
|---|---|---|---|---|---|---|---|
| **Income from:** | | | | | | | |
| Donations and legacies | | 0.1 | – | 0.1 | 0.2 | – | 0.2 |
| Investments | 2 | – | 204.5 | 204.5 | – | 188.3 | 188.3 |
| Other income | | 2.8 | – | 2.8 | 3.5 | – | 3.5 |
| Transfer to income | 18 | 282.8 | (282.8) | – | 221.6 | (221.6) | – |
| **Total income** | | 285.7 | (78.3) | 207.4 | 225.3 | (33.3) | 192.0 |
| **Expenditure on:** | | | | | | | |
| Raising funds | 3 | (0.2) | (100.1) | (100.3) | (0.4) | (106.9) | (107.3) |
| Charitable activities | | | | | | | |
| Supporting dioceses and the local church | 4 | (202.0) | – | (202.0) | (152.8) | – | (152.8) |
| Bishops' and Archbishops' ministry | 4 | (55.3) | – | (55.3) | (47.0) | – | (47.0) |
| Cathedrals' ministry | 4 | (14.7) | – | (14.7) | (14.1) | – | (14.1) |
| Other activities | 4 | (11.2) | – | (11.2) | (9.1) | – | (9.1) |
| Pre-1998 clergy pensions | 4, 16 | (2.2) | 15.5 | 13.3 | (1.5) | (162.6) | (164.1) |
| **Total charitable expenditure** | | (285.4) | 15.5 | (269.9) | (224.5) | (162.6) | (387.1) |
| **Total expenditure** | | (285.6) | (84.6) | (370.2) | (224.9) | (269.5) | (494.4) |
| **Total net income/(expenditure) before investment gains** | | 0.1 | (162.9) | (162.8) | 0.4 | (302.8) | (302.4) |
| Gains on investment assets | 2 | – | 927.1 | 927.1 | – | 334.4 | 334.4 |
| Gains on derivatives | | – | 7.3 | 7.3 | – | 45.6 | 45.6 |
| Gains/(losses) on foreign currency | | – | 15.3 | 15.3 | – | (34.9) | (34.9) |
| **Total net income before taxation** | | 0.1 | 786.8 | 786.9 | 0.4 | 42.3 | 42.7 |
| Current taxation | 10 | – | (3.1) | (3.1) | – | 1.9 | 1.9 |
| Deferred taxation | 10 | – | 4.8 | 4.8 | – | (1.0) | (1.0) |
| **Total net income after taxation** | | 0.1 | 788.5 | 788.6 | 0.4 | 43.2 | 43.6 |
| **Other recognised gains and losses** | | | | | | | |
| Actuarial gain/(loss) on defined benefit pension schemes (staff pre-2000) | 17 | – | 5.7 | 5.7 | – | (1.1) | (1.1) |
| **Total other recognised gains and losses** | | – | 5.7 | 5.7 | – | (1.1) | (1.1) |
| **Net movement in funds** | | 0.1 | 794.2 | 794.3 | 0.4 | 42.1 | 42.5 |
| **Reconciliation of funds:** | | | | | | | |
| Total funds brought forward | | 0.7 | 9,098.6 | 9,099.3 | 0.3 | 9,056.5 | 9,056.8 |
| **Total funds carried forward** | | 0.8 | 9,892.8 | 9,893.6 | 0.7 | 9,098.6 | 9,099.3 |

The income, expenditure and other recognised gains and losses all relate to continuing operations, none of which were acquired during the year.

The breakdown of other funds is shown in note 18.





## COMMISSIONERS' STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 December 2024

| | Notes | 2024 Other funds £m | 2024 Endowment £m | 2024 Total £m | 2023 Other funds £m | 2023 Endowment £m | 2023 Total £m |
|---|---|---|---|---|---|---|---|
| **Income from:** | | | | | | | |
| Donations and legacies | 21 | 0.1 | 13.3 | 13.4 | 0.2 | (18.0) | (17.8) |
| Investments | | – | 195.0 | 195.0 | – | 206.2 | 206.2 |
| Other income | | 2.6 | – | 2.6 | 3.1 | – | 3.1 |
| Transfer to income | 18 | 282.8 | (282.8) | – | 221.6 | (221.6) | – |
| **Total income** | | 285.5 | (74.5) | 211.0 | 224.9 | (33.4) | 191.5 |
| **Expenditure on:** | | | | | | | |
| Raising funds | | – | (96.0) | (96.0) | – | (99.8) | (99.8) |
| Charitable activities | | | | | | | |
| Supporting dioceses and the local church | 4 | (202.0) | – | (202.0) | (152.8) | – | (152.8) |
| Bishops' and Archbishops' ministry | 4 | (55.3) | – | (55.3) | (47.0) | – | (47.0) |
| Cathedrals' ministry | 4 | (14.7) | – | (14.7) | (14.1) | – | (14.1) |
| Other activities | 4 | (11.2) | – | (11.2) | (9.1) | – | (9.1) |
| Pre-1998 clergy pensions | 4, 16 | (2.2) | 15.5 | 13.3 | (1.5) | (162.6) | (164.1) |
| **Total charitable expenditure** | | (285.4) | 15.5 | (269.9) | (224.5) | (162.6) | (387.1) |
| **Total expenditure** | | (285.4) | (80.5) | (365.9) | (224.5) | (262.4) | (486.9) |
| **Total net income/(expenditure) before investment gains** | | 0.1 | (155.0) | (154.9) | 0.4 | (295.8) | (295.4) |
| Gains on investment assets | 2 | – | 922.8 | 922.8 | – | 335.8 | 335.8 |
| Gains on derivatives | | – | 7.3 | 7.3 | – | 45.9 | 45.9 |
| Gains/(losses) on foreign currency | | – | 12.1 | 12.1 | – | (41.8) | (41.8) |
| **Total net income before taxation** | | 0.1 | 787.2 | 787.3 | 0.4 | 44.1 | 44.5 |
| Current taxation | | – | (1.9) | (1.9) | – | (0.2) | (0.2) |
| Deferred taxation | | – | 3.2 | 3.2 | – | (0.7) | (0.7) |
| **Total net income after taxation** | | 0.1 | 788.5 | 788.6 | 0.4 | 43.2 | 43.6 |
| **Other recognised gains and losses** | | | | | | | |
| Actuarial gain/(loss) on defined benefit pension schemes (staff pre-2000) | 17 | – | 5.7 | 5.7 | – | (1.1) | (1.1) |
| **Total other recognised gains and losses** | | – | 5.7 | 5.7 | – | (1.1) | (1.1) |
| **Net movement in funds** | | 0.1 | 794.2 | 794.3 | 0.4 | 42.1 | 42.5 |
| **Reconciliation of funds:** | | | | | | | |
| Total funds brought forward | | 0.7 | 9,098.6 | 9,099.3 | 0.3 | 9,056.5 | 9,056.8 |
| **Total funds carried forward** | | 0.8 | 9,892.8 | 9,893.6 | 0.7 | 9,098.6 | 9,099.3 |

The income, expenditure and other recognised gains and losses all relate to continuing operations, none of which were acquired during the year.

The breakdown of other funds is shown in note 18.

# BALANCE SHEETS
As at 31 December 2024

| | Notes | Consolidated 2024 £m | Consolidated 2023 £m | Commissioners 2024 £m | Commissioners 2023 £m |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 11 | **138.9** | 133.2 | **138.3** | 132.6 |
| Heritage assets | 12 | **3.6** | 3.6 | **3.6** | 3.6 |
| Investments | 2 | **10,687.3** | 9,967.7 | **9,800.9** | 9,201.6 |
| **Total fixed assets** | | **10,829.8** | 10,104.5 | **9,942.8** | 9,337.8 |
| **Current assets** | | | | | |
| Debtors | 13 | **200.0** | 209.8 | **1,105.4** | 992.1 |
| Current asset investments | | **246.8** | 272.6 | **246.8** | 272.6 |
| Cash and cash equivalents | | **687.2** | 667.3 | **681.1** | 661.6 |
| **Total current assets** | | **1,134.0** | 1,149.7 | **2,033.3** | 1,926.3 |
| **Liabilities** | | | | | |
| Creditors: amounts falling due within one year | 14 | **(259.3)** | (213.3) | **(270.5)** | (223.9) |
| **Net current assets** | | **874.7** | 936.4 | **1,762.8** | 1,702.4 |
| **Total assets less current liabilities** | | **11,704.5** | 11,040.9 | **11,705.6** | 11,040.2 |
| Creditors: amounts falling due after one year | 15 | **(669.2)** | (647.7) | **(669.2)** | (647.7) |
| **Provisions** | | | | | |
| Deferred tax asset/(liability) | | **1.1** | (3.8) | **–** | (3.1) |
| Clergy pre-1998 pension obligation: | | | | | |
| Expected to fall due within one year | | **(127.5)** | (127.8) | **(127.5)** | (127.8) |
| Expected to fall due after one year | | **(941.9)** | (1,081.2) | **(941.9)** | (1,081.2) |
| **Total clergy pre-1998 pension obligation** | 16 | **(1,069.4)** | (1,209.0) | **(1,069.4)** | (1,209.0) |
| **Net assets excluding pension scheme liabilities** | | **9,967.0** | 9,180.4 | **9,967.0** | 9,180.4 |
| Defined benefit pension scheme liabilities | 17 | **(73.4)** | (81.1) | **(73.4)** | (81.1) |
| **Total net assets** | | **9,893.6** | 9,099.3 | **9,893.6** | 9,099.3 |
| **Funds of the charity** | | | | | |
| Endowment funds | | **9,966.2** | 9,179.7 | **9,966.2** | 9,179.7 |
| Pension reserves | 17 | **(73.4)** | (81.1) | **(73.4)** | (81.1) |
| Unrestricted funds: | | | | | |
| Designated funds | | **–** | – | **–** | – |
| General funds | | **–** | – | **–** | – |
| Restricted funds | | **0.8** | 0.7 | **0.8** | 0.7 |
| **Total charity funds** | 18 | **9,893.6** | 9,099.3 | **9,893.6** | 9,099.3 |

By order of the Board



**Alan Smith**
First Church Estates Commissioner





# CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2024

## Cash flow statement

| | Notes | 2024 £m | 2023 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | **342.1** | (35.2) |
| Cash paid from endowment capital for pre-1998 clergy pensions | 16 | **(124.1)** | (120.6) |
| **Net cash used in operating activities** | | **218.0** | (155.8) |
| **Cash flows from investing activities** | | | |
| Income from investments | | **206.0** | 188.3 |
| Expenditure on raising funds paid from endowment capital | | **(101.7)** | (98.0) |
| Movement in current asset investments | | **25.8** | 317.7 |
| Tangible assets: additions | 11 | **(6.6)** | (13.7) |
| Tangible assets: proceeds from sale | 11 | **–** | – |
| Investments: additions | | **(4,539.3)** | (3,597.7) |
| Investments: sale proceeds | | **4,202.4** | 3,639.2 |
| **Net cash used in investing activities** | | **(213.4)** | 435.8 |
| **Change in cash and cash equivalents in the year** | | **4.6** | 280.0 |
| **Reconciliation of cash and cash equivalents** | | | |
| Cash and cash equivalents at the start of the year | | **667.3** | 422.2 |
| Change in cash and cash equivalents in the year | | **4.6** | 280.0 |
| Change in cash due to exchange rate movements | | **15.3** | (34.9) |
| **Cash and cash equivalents at the end of the year** | | **687.2** | 667.3 |
| **Cash and cash equivalents consist of:** | | | |
| Cash at bank | | **57.5** | 71.2 |
| Money Market Funds | | **629.7** | 596.1 |
| **Cash and cash equivalents at the end of the year** | | **687.2** | 667.3 |

## CONSOLIDATED CASH FLOW STATEMENT continued
For the year ended 31 December 2024

### Analysis of changes in net debt

| | At 1 January 2024 £m | Cash flows £m | Non-cash changes £m | At 31 December 2024 £m |
|---|---|---|---|---|
| Cash and cash equivalents | 667.3 | 19.9 | – | **687.2** |
| **Total cash and cash equivalents** | 667.3 | 19.9 | – | **687.2** |
| 3.250% Sustainability Bonds (2032) | (248.2) | – | (0.2) | **(248.4)** |
| 3.625% Bonds (2052) | (293.5) | – | (0.2) | **(293.7)** |
| **Total net asset** | 125.6 | 19.9 | (0.4) | **145.1** |

Non-cash movements represent adjustments in relation to the amortisation of bond issue costs and discount on issuance. See note 15 for further details.

### Reconciliation of net income to net cash flows from operating activities

| | Notes | 2024 £m | 2023 £m |
|---|---|---|---|
| Net income for the year | | **788.6** | 43.6 |
| Adjustments for: | | | |
| Depreciation | 11 | **0.9** | 0.9 |
| Expenditure on raising funds paid from endowment capital | 3 | **100.1** | 106.9 |
| Expenditure on charitable activities paid from endowment capital | 16 | **(15.5)** | 162.6 |
| Income from investments | 2 | **(204.5)** | (188.3) |
| Gains on investments | 2 | **(364.9)** | (334.3) |
| (Gains)/losses on foreign currency | | **(15.3)** | 34.9 |
| Amortisation of bond issue costs | 15 | **0.4** | 0.4 |
| Movement in debtors (excluding outstanding investment trades and accrued income) | 13 | **3.6** | 65.6 |
| Movement in creditors (excluding outstanding investment trades and accrued expenditure) | 14, 15 | **55.6** | 75.3 |
| Movement in deferred tax provision | | **(4.9)** | 1.1 |
| Pension reserve adjustment to net income | 17 | **(2.0)** | (3.9) |
| **Net cash used in operating activities** | | **342.1** | (35.2) |





## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2024

## 1. ACCOUNTING POLICIES

### (a) Legal status
The Church Commissioners for England ("the Commissioners") is a statutory body established by the Church Commissioners Measure 1947 (as amended) and has been regulated by the Charity Commission since registration on 27 January 2011.

### (b) Basis of preparation
The consolidated and charity financial information has been prepared in accordance with:
- Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102");
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ("the SORP"); and
- the Charities Act 2011.

The Commissioners meet the definition of a Public Benefit Entity ("PBE") and therefore apply the PBE prefixed paragraphs in FRS 102. The financial information has been prepared on the historical cost basis (except for the revaluation of investments) and on an accruals basis. A summary of the accounting policies, which have been applied consistently across the Group, is set out below. The Commissioners adopts a total return approach to investments. Note 18 explains how the unapplied total return and the use thereof is calculated. The Commissioners has presented a consolidated cash flow statement and has taken advantage of the exemption within FRS 102 from presenting a cash flow statement for the Commissioners only.

The functional currency of the Commissioners is considered as pounds sterling because that is the currency of the primary economic environment in which the Commissioners operates. The consolidated Financial Statements are presented in pounds sterling. The numbers included within the Financial Statements are presented in millions, rounded to one decimal point.

### (c) Significant judgements and estimates
***Key judgements in applying the accounting policies***
The preparation of the financial statements includes the following key judgements in applying the accounting policies which would have the most significant effect on the amounts recognised:
- **Carrying value of investment assets and tangible fixed assets** – judgement is applied in selecting appropriate valuation methods for the assets of the Commissioners. The carrying values for each class of fixed asset are set out below. The accounting policies describe the valuation method applied for each class of asset, and the further disclosure notes provide breakdowns of the relevant asset classes.

| | Accounting policy | Further details | Consolidated 2024 £m | Consolidated 2023 £m | Commissioners 2024 £m | Commissioners 2023 £m |
|---|---|---|---|---|---|---|
| Fixed assets | | | | | | |
| Tangible assets | 1(j) | 11 | **138.9** | 133.2 | **138.3** | 132.6 |
| Heritage assets | 1(k) | 12 | **3.6** | 3.6 | **3.6** | 3.6 |
| Investments | 1(l) | 2 | **10,687.3** | 9,967.7 | **9,800.9** | 9,201.6 |
| **Total fixed assets** | | | **10,829.8** | 10,104.5 | **9,942.8** | 9,337.8 |

## NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2024

### 1. ACCOUNTING POLICIES continued
**(c) Significant judgements and estimates continued**

*Key accounting estimates and assumptions*

The preparation of the financial statements includes the use of estimates and assumptions. Significant estimates are key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The significant accounting estimates are described in the accounting policies and are summarised below:

- **Clergy pension obligation** – estimations are made in the valuation of the pre-1998 clergy pensions obligation which is based on an actuarial assessment carried out by independent qualified actuaries. The carrying value is set out below, and the assumptions and estimates employed in the valuation are set out in note 16.

| | Accounting policy | Further details | Consolidated and Commissioners 2024 £m | Consolidated and Commissioners 2023 £m |
|---|---|---|---|---|
| Expected to fall due within one year | 1(h) | 16 | **(127.5)** | (127.8) |
| Expected to fall due after one year | 1(h) | 16 | **(941.9)** | (1,081.2) |
| Clergy pre-1998 pension obligation: | | | **(1,069.4)** | (1,209.0) |

- **Pension liabilities** – estimations are made in the valuation of the Commissioners' defined benefit pension liabilities, which are undertaken by independent qualified actuaries. The carrying value is set out below, and the assumptions and estimates employed in the valuation are set out in note 17.

| | Accounting policy | Further details | Consolidated and Commissioners 2024 £m | Consolidated and Commissioners 2023 £m |
|---|---|---|---|---|
| Defined benefit pension scheme liabilities | 1(i) | 17 | **(73.4)** | (81.1) |
| Defined benefit pension scheme liabilities | | | **(73.4)** | (81.1) |

**(d) Going concern**

The Commissioners' role in funding the Church's ministry comprises certain legal obligations and discretionary funding. In assessing the going concern status of the Commissioners, the trustees have considered the Commissioners' role in funding the Church's ministry, the spending strategy, the application of total return and the legislation to allow endowment to be spent for specific pension purposes. In addition, the trustees take account of independent actuarial advice provided by Hymans Robertson LLP on the affordability in perpetuity of their planned distributions. This advice is provided every three years when setting the spending plans for the next three-year period (the "triennium"), and this is updated annually to ensure that the spending plans for the current and next triennium remain affordable. The approach adopted includes a smoothing mechanism which aims to give three years' notice on a rolling basis of any reduction in distributions unless there has been a significant deterioration in the balance between the Commissioners' assets and its spending plans. This means that while events such as the current geopolitical context are factors for consideration, the Commissioners has a clear framework for assessing whether the events are sufficiently significant that they would change the amounts available for distribution to beneficiaries in the short term.

The annual actuarial update for the year ended 31 December 2024 was scrutinised by the Assets Committee and includes stress testing scenario analysis which models the impact on distributions in the event of different levels of reduction in asset values. This includes consideration of the impact of changes in the value of the asset portfolio, expected future returns or inflation on the affordability of distributions. In light of this analysis, there was no reason to consider that any changes are required to the planned remaining distributions within the 2023-2025 triennium or that the anticipated distributions for the 2026-2028 triennium cannot be considered affordable (as they are subject to Assets Committee approval); the trustees have therefore concluded that the Commissioners is able to sustainably meet both its legal obligations and planned discretionary funding for at least the period to 31 December 2028. In addition, the trustees have considered the availability of sufficient liquidity in light of market volatility arising from ongoing geopolitical instability, a challenging economic environment and other external factors. Under the Investment Risk Framework the Commissioners seeks to hold cash and near cash for the next 18 months' worth of planned expenditure (after including investments, forecast income, cash receipts and expenditure) and they are satisfied that sufficient cash is available to meet their obligations within this timeframe. Therefore, the Commissioners continues to adopt the going concern basis of accounting in the preparation of these financial statements.

**(e) Basis of consolidation and subsidiary undertakings**

The consolidated statement of financial activities ("SOFA") and balance sheet include the financial statements of the Commissioners and all its subsidiary undertakings made up to 31 December of each year. The subsidiaries have been consolidated on a line-by-line basis. Intra-group transactions are eliminated on consolidation. Further details about the Commissioners' significant subsidiaries are given in note 2(b).

The Commissioners, together with the Archbishops' Council and the Church of England Pensions Board, is an equal partner in Church of England Central Services ("ChECS"), a joint venture. Further details are given in note 2(c) and note 21. This jointly controlled entity is included in the Commissioners' consolidated financial statements using the equity method. The Commissioners' share of profits or losses from ChECS is included in the SOFA and its share of net assets is included in the balance sheet.

The Commissioners has a number of joint ventures that are held as part of its investment portfolio for investment purposes. These jointly controlled entities are held at fair value. Changes in fair value are recognised in the consolidated SOFA.

**(f) Income**

All income is recognised when the Commissioners is legally entitled to the income, when it is probable the income will be received, and as soon as the amount can be quantified with reasonable accuracy.

*Donations and legacies*

Items donated to the Commissioners for the Lambeth Palace Library are recognised at the market value of the gift at the time of donation. Legacies are recognised as receivable once the Commissioners is notified of the gift, probate has been granted, and when the executors have established that there are sufficient assets in the estate to pay the legacy after settlement of liabilities and there are no conditions outside the control of the Commissioners that are not yet met.

Gift Aid payments from subsidiaries are recognised in the Commissioners financial statements when the Gift Aid payment is payable under Deeds of Covenant. The income is accrued in the year in which the associated profits arise in the subsidiary company with the payment being made to the Commissioners in the following financial year.

*Investment income*

Dividends are recognised when the Commissioners' right to receive payment is established, which is on the ex-dividend date of the underlying holdings. All other investment income is recognised on an accruals basis.

**(g) Expenditure**

The SOFA has been presented on an activity basis. Costs have been distinguished between charitable activities and those incurred to raise funds. Expenditure and liabilities are recognised when a legal or constructive obligation exists to make payment to a third party, it is probable that settlement will be required, and the amount of the obligation can be measured reliably.

Direct costs and grants are allocated directly to activities and are described in more detail in notes 5 and 6. Grants are recognised when a firm commitment to provide funding is made and there is evidence of a constructive obligation to the beneficiary. Support costs are apportioned to the activity to which they relate as shown in note 7. The long-term debtor and creditor balances are discounted to present value, where material. The discount rate used is based on the expected future yield on the assets that are earmarked for making these grant payments. Expenditure on raising funds includes investment management fees, performance fees, property and timberland running costs and other fees. Further details on these costs are included in note 3. Cars for use by bishops are normally obtained under four-year operating leases, the full cost of which is paid at commencement. The cost of such leases is allocated on a straight-line basis over the period of the lease. The balance of the lease payments not yet charged to expenditure is included in prepayments.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 1. ACCOUNTING POLICIES continued

**(h) Provisions**

Provisions are recognised when: an entity has a present obligation as a result of a past event; it is probable that the entity will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably. In January 2023, the Church Commissioners published a report detailing its historic links to African Chattel Enslavement and has begun Project Spire to propose a response to these links. Additionally, the Church Commissioners intends to provide funding to support the future arrangements for Redress. However, the process of obtaining the relevant regulatory and legal approvals remains ongoing and therefore, Project Spire and Redress do not meet the accounting requirements for recognition as a provision, contingent liability or commitment. For further details on Project Spire, see the Trustee Report section A Vision for Healing, Repair and Justice.

Under the Pensions Measure 1997 the Commissioners has an obligation to meet the costs of clergy pensions for service up to 31 December 1997. Since the beneficiaries of the past service are not employees of the Church Commissioners this obligation does not fall within scope of section 28 of FRS 102 'Employee Benefits' and is therefore accounted for under section 21 – 'Provisions & Contingencies'. The liability for the pre-1998 pension obligation for Church of England clergy under the Church of England Pensions Scheme is recognised at the actuarial valuation provided by Hymans Robertson LLP. This is the best estimate of the total value of future discounted cash flows. The assumptions and methodology behind the cash flow projections are disclosed in note 16.

**(i) Pensions**

Pensions are described in note 17.

The Church Commissioners Superannuation Scheme is accounted for as a defined benefit scheme. The liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. Interest costs are charged to expenditure, with actuarial movements shown in other gains and losses.

The other defined benefit schemes of which the Commissioners is an employer or a 'responsible body' are considered to be multi-employer schemes, but the Commissioners is unable to identify its share of assets and liabilities of the schemes. Consequently, the contributions to these schemes are accounted for as if they were defined contribution schemes, where employer contributions payable in the year are charged to expenditure.

Where these other defined benefit schemes have deficit recovery contribution plans in place, the present value of these agreed payments are recognised as a liability at each balance sheet date. Amounts paid during the year are charged against this liability.

**(j) Fixed assets: tangible assets**

Costs incurred on acquiring, improving or adding to assets are capitalised if the cost is greater than £1,000. Repair and maintenance costs are charged to the SOFA in the period they are incurred.

Green energy generation assets are initially recognised at cost and are revalued at each balance sheet date.

Operational See House properties are recognised at their market value on 1 January 2014, being the date of transition to FRS 102. This was deemed to be their cost under the transitional provisions of FRS 102. An impairment review is carried out annually and where the recoverable amount is materially less than the historic cost, the assets are impaired to the lower value.

Depreciation is charged on a straight-line basis over the estimated useful life of the asset, calculated on the opening balance sheet value, on the following fixed assets:

| Fixed asset | Estimated useful life |
|---|---|
| Buildings and improvements | 50 years |
| Structural glazing | 25 years |
| Internal plant and equipment | 20 years |
| Leasehold office improvements | 10 years |
| Audio-visual equipment and IT systems | 5 years |

No depreciation is charged on See Houses and their historic content due to the anticipated high residual value, which would result in an immaterial depreciation for each asset and in aggregate.

**(k) Fixed assets: heritage assets**

The Commissioners owns a number of assets it considers to be heritage assets, which are held on an ongoing basis for their contribution to knowledge and culture, in particular relating to the history of the wider Church of England. The Commissioners' heritage assets have been grouped together in the following categories:

*Lambeth Palace*

Lambeth Palace is recognised at its deemed historic cost of £1, in line with the SORP. The Commissioners has chosen to recognise this class of heritage asset at cost. It has chosen to adopt this policy although it is believed that the market value, both at the time of acquisition and at the balance sheet date, was significantly in excess of the deemed cost, and it is not possible to obtain a reliable estimate of the market value at either date, as conventional valuation techniques are inappropriate for the unique and historical nature of the building.

Any developments or improvements to the building are capitalised at cost and depreciated over the improvements' useful economic life. Maintenance costs are charged to the SOFA in the period they are incurred.

*Historic contents of Lambeth Palace*

Historic items are recognised at cost. On transition to FRS 102, the Commissioners deemed the cost of these assets to be their carrying value on 1 January 2014, based on the value attributed to them in a valuation carried out in 2007. The collection is not depreciated as the amount of depreciation is regarded as immaterial due to the high residual value, however the collection is reviewed for impairment at each accounting year-end date.

Any additional items purchased or donated since 1 January 2014 are capitalised if the cost is greater than £1,000. Maintenance costs are charged to the SOFA in the period they are incurred.

*Contents of Lambeth Palace Library*

The trustees consider that the vast majority of items in the Lambeth Palace Library would be difficult, if not impossible, to value. The library contains a number of historical books and records with no obvious market value and no comparable sale records to use as the basis for valuation. As a result, no value is reported for these assets in the charity's balance sheet.

The exception is for books, manuscripts and other items purchased or donated since 1 January 2014, which are capitalised if the cost is greater than £1,000. Items in the collection that are capitalised are stated at cost but are not depreciated as the amount of depreciation is regarded as immaterial due to their anticipated high residual value. The collection is reviewed for impairment at each accounting year-end date.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 1. ACCOUNTING POLICIES continued

**(k) Fixed assets: heritage assets continued**

***Historic contents of former See Houses***

Historic items, including the Hurd Library which is on loan to the Hartlebury Castle Preservation Trust, are recognised at cost. On transition to FRS 102, the Commissioners deemed the cost of these assets to be their carrying value on 1 January 2014, based on the value attributed to them in a valuation carried out in 2007. The collection is not depreciated as the amount of depreciation is regarded as immaterial due to the high residual value, however the collection is reviewed for impairment at each accounting year-end date.

Any additional items purchased or donated since 1 January 2014 are capitalised if the cost is greater than £1,000. Maintenance costs are charged to the SOFA in the period they are incurred.

**(l) Fixed assets: Non-financial instrument investments**

***Investment properties***

All directly owned properties are in the United Kingdom. The portfolio consists of rural and strategic land, and residential and commercial properties. Rural land also includes mineral interests. Investment properties are recognised at cost upon acquisition and then recognised at fair value at each balance sheet year-end date. Changes in fair value are recognised in the SOFA. Fair value is determined through reference to each property's market value in accordance with the Appraisal & Valuation Manual issued by the Royal Institution of Chartered Surveyors ("RICS"). All properties are valued by an external valuer with recognised and relevant skills and experience. The valuation methods adopted take into account all appropriate comparable evidence and market indices. The most appropriate method of valuation is selected for each property type.

The valuers of the properties are shown below.
Rural: Savills (UK) Limited
Strategic land: Savills (UK) Limited
Commercial: Cushman & Wakefield (UK) LLP
Residential: Cushman & Wakefield (UK) LLP
Minerals: Wardell Armstrong LLP

***Timberland (including biological assets)***

Timberland includes land, its standing timber and other assets. Land is measured as investment property. Standing timber is measured as a biological asset. The Commissioners does not hold any timber as stock as it only sells standing timber.

Land and other assets are valued annually by an external valuer at fair value determined through reference to each property's market value in accordance with the Appraisal & Valuation Manual issued by the Royal Institution of Chartered Surveyors ("RICS").

The value of standing timber is calculated on the timber maturity profile, the species, the geographic location and other environmental considerations. Changes in fair value in the year resulting from both net growth and change in the market value of standing timber are reported in the gains and losses on investments in the SOFA.

At point of sale, the carrying value of forestry assets is valued at fair value less estimated point-of-sale costs. The revenue from the sale of standing timber is recognised as income.

UK timberland (including biological assets) was valued by Bidwells LLP. Overseas timberland was valued by local qualified valuers.

***Subsidiary undertakings***

The Commissioners' principal subsidiary companies are wholly owned and are held to undertake property purchase, development and management and hold certain property, unlisted securities, infrastructure and timberland investments.

The subsidiaries are recognised at their net asset values in the Commissioners' balance sheet. This is considered to represent the fair value of the subsidiary, with changes in fair value being recognised in profit or loss.

**(m) Financial instruments**

The Commissioners has chosen to adopt sections 11 and 12 of FRS 102 in respect of recognition and measurement of financial instruments which are not public benefit entity concessionary loans.

All changes in fair value and gains or losses on disposal of investment assets, including related foreign currency transactions, are shown in gains or losses in endowment capital in the SOFA.

***Basic financial instruments***

**Cash and cash equivalents** and trade and other receivables are recognised and held at transaction price. They are derecognised when the rights to the cash flows from the financial assets expire or are settled. Cash and cash equivalents includes cash at bank and cash equivalents. Cash equivalents include money market funds which are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

**Financial liabilities,** including trade and other payables and intra-group balances, are initially recognised at transaction price. Bank loans are subsequently measured at the amortised cost, using the effective interest rate. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Bond liabilities** are measured initially at the proceeds of issue less bond issue costs. The costs of issue are initially capitalised and then amortised over the length of the bond term using the effective interest method. After initial recognition the liabilities are measured at amortised cost using the effective interest method.

**Current asset investments** include treasury bills, gilts and supranational bonds. Movements in the value of these instruments are recognised in income under the effective interest method. Together with the cash at bank and in hand, these holdings make up the cash and near cash fund allocation, which is available for investment, short-term commitment and for distribution purposes.

**Listed and unlisted securities** are initially measured at fair value. Such assets are subsequently held at fair value at each balance sheet date, with changes in fair value recognised in the SOFA. Listed securities comprise of listed public equities and fixed income instruments. The fair value of these investments is determined using bid price.

Unlisted securities comprise of a) closed-end unlisted funds which are invested in private equity, private credit and venture capital assets, and b) open-end unlisted funds invested in listed securities of various types. These funds are valued by reference to the estimated net asset values or final net asset values received from the fund managers at year end.

***Non-basic financial instruments***

All non-basic financial instruments are measured at fair value. Any changes to fair value are recognised in the SOFA.

***Value linked loans***

Value linked loans are granted for the purchase of residential properties. On disposal of the property, the Commissioners is entitled to a share of the proceeds corresponding to the proportion of the original purchase price which was financed by the loan.

Value linked loans are valued annually at portfolio level taking into account indexed values of the properties, estimated future house prices growth and income flows and the anticipated dates of repayment. All value linked loans were valued by Cushman & Wakefield (UK) LLP.

***Indirect property, Timberland and Infrastructure funds***

Indirect property, timberland and infrastructure funds are closed-end unlisted funds where the Commissioners and its subsidiaries hold minority interests in partnerships managed by a third party investing in properties, timberland or infrastructure projects.

These funds are fair valued annually using the estimated net asset value or final asset value provided by the fund manager.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 1. ACCOUNTING POLICIES continued
**(m) Financial instruments continued**

***Stock lending programme***

The Commissioners' global custodian is authorised to enter into stock lending arrangements, whereby securities are loaned to external counterparties for a set period of time. The Commissioners receives cash collateral of greater value than the securities loaned from each counterparty for the duration of the loan period.

Interest is received on the reinvestment of the cash collateral held and is disclosed in note 2.

Where securities are loaned at the balance sheet date, the securities loaned are included in the balance sheet as the Commissioners retains the risks and rewards of ownership of the securities and also retains the contractual rights to any cash flows relating to the securities. The market value of listed investments includes stock on loan of £116.5m (2023: £180.9m).

***Derivatives***

The Commissioners uses foreign currency forwards and options contracts, equity derivatives, index swaps and interest rate derivatives to facilitate risk management and efficient portfolio management. The currency derivatives reduce the impact of changes in foreign currency rates in relation to investments priced in certain currencies other than sterling. The equity derivatives, index swaps and interest rate derivatives are used to manage equity market risks, hedge portfolio biases and to provide efficient implementation for certain allocation decisions. In accordance with the Commissioners' investment policy, derivatives are not entered into for trading purposes. Derivatives are also used by some external fund managers to implement their investment strategy.

Derivatives are initially recognised at their fair value, which is equivalent to any transaction price paid. Derivative contracts outstanding at the balance sheet date are stated at fair value at the balance sheet date, which is derived from exchange prices if the derivative is listed or from third-party valuations if unlisted. If the fair value of the derivative is in a gain position, the contract is shown within debtors. If the fair value of the contract is in a loss position, it is shown within creditors. Hedge accounting is not applied by the Commissioners. Realised and unrealised gains and losses arising from these contracts are charged to the endowment fund in the SOFA. Cash delivered as collateral for derivative contracts is reflected as receivables within Current Assets, Debtors. At 31 December 2024, £31.8m cash was delivered as collateral (2023: £39.6m).

**(n) Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling on the balance sheet date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling on the balance sheet date.

Profits and losses on sales of overseas investments are translated at the rate ruling on the date of the transaction. Unrealised gains and losses on overseas investments arising on translation are included in the net gains and losses on realisation and on revaluation in endowment capital in gains and losses on investment assets in the SOFA.

Income received in foreign currencies is converted into sterling and recorded at the rate ruling on the date of the conversion. If retained in foreign currencies, amounts are translated at the rate ruling on the date of the transaction. Subsequent gains or losses on conversion into sterling are included in gains and losses on foreign currency in the SOFA.

**(o) Taxation**

The Commissioners, as a registered charity, is exempt from taxation on its income and gains falling within Part 11 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable purposes.

The Commissioners' subsidiary undertakings are non-charitable subsidiaries and are subject to taxation, but do not generally pay UK Corporation Tax because their policy is to pay taxable profits as Gift Aid to the Commissioners. Foreign tax incurred by subsidiaries operating overseas is charged as it is incurred.

Deferred taxation is recognised in the Commissioners' subsidiary undertakings on timing differences that have arisen between the recognition of gains and losses in the Financial Statements and recognition in the tax computation. A deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which future reversals can be deducted. Deferred taxation assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to be reversed.

In common with many other charities, the Commissioners is unable to recover the majority of Value Added Tax ("VAT") incurred on expenditure. The amount of VAT that cannot be recovered is included within the underlying cost to which it relates.

**(p) Related parties**

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

The Commissioners is related to its subsidiaries. Details are given in note 2(b). Transactions between the Commissioners and its subsidiaries are disclosed in note 21.

The Commissioners is related to Church of England Central Services (ChECS), as it is a partner in this joint venture. Details are given in note 2(c) and note 21. The Commissioners is also related to the following pension funds, administered by the Church of England Pensions Board: Church of England Funded Pensions Scheme; Church Administrators Pension Fund; and Church Workers Pension Fund. Details about the pension funds, including contributions paid, are given in notes 4, 8 and 17.

# NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2024

## 2. INVESTMENTS
### (a) Summary of movement on investments

*Consolidated*

| | At 1 January 2024 £m | Additions £m | Sale proceeds £m | Change in market value £m | At 31 December 2024 £m | 2024 investment income £m |
|---|---|---|---|---|---|---|
| Securities portfolio: | | | | | | |
| Listed securities* | 3,172.9 | 3,905.0 | (3,396.2) | 108.4 | 3,790.1 | 124.8 |
| Unlisted securities | 4,318.4 | 574.5 | (629.6) | 209.8 | 4,473.1 | 16.2 |
| Total securities | 7,491.3 | 4,479.5 | (4,025.8) | 318.2 | 8,263.2 | 141.0 |
| Properties: | | | | | | |
| Direct property | 1,597.6 | 26.4 | (107.9) | 105.9 | 1,622.0 | 43.2 |
| Indirect property | 109.0 | 9.7 | (12.0) | (10.2) | 96.5 | 0.9 |
| Total properties | 1,706.6 | 36.1 | (119.9) | 95.7 | 1,718.5 | 44.1 |
| Value linked loans | 69.5 | – | (10.3) | 7.4 | 66.6 | 2.8 |
| Timberland: | | | | | | |
| Land | 146.5 | – | – | (20.8) | 125.7 | – |
| Standing timber** | 256.9 | 5.6 | (5.6) | (56.4) | 200.5 | 7.9 |
| Indirect timberland | 66.7 | 0.3 | – | 5.5 | 72.5 | 1.3 |
| Total timberland | 470.1 | 5.9 | (5.6) | (71.7) | 398.7 | 9.2 |
| Infrastructure | 230.2 | 30.9 | (36.1) | 14.3 | 239.3 | 6.4 |
| Joint venture | – | – | – | 1.0 | 1.0 | 1.0 |
| Total | 9,967.7 | 4,552.4 | (4,197.7) | 364.9 | 10,687.3 | 204.5 |

| | At 1 January 2023 £m | Additions £m | Sale proceeds £m | Change in market value £m | At 31 December 2023 £m | 2023 investment income £m |
|---|---|---|---|---|---|---|
| Securities portfolio: | | | | | | |
| Listed securities* | 2,792.5 | 2,687.5 | (2,619.8) | 312.7 | 3,172.9 | 101.4 |
| Unlisted securities | 4,343.9 | 805.5 | (906.4) | 75.4 | 4,318.4 | 20.8 |
| Total securities | 7,136.4 | 3,493.0 | (3,526.2) | 388.1 | 7,491.3 | 122.2 |
| Properties: | | | | | | |
| Direct property | 1,636.7 | 22.3 | (91.6) | 30.2 | 1,597.6 | 44.9 |
| Indirect property | 123.5 | 25.0 | (7.0) | (32.5) | 109.0 | 0.2 |
| Total properties | 1,760.2 | 47.3 | (98.6) | (2.3) | 1,706.6 | 45.1 |
| Value linked loans | 73.9 | – | (8.8) | 4.4 | 69.5 | 3.0 |
| Timberland: | | | | | | |
| Land | 150.9 | – | – | (4.4) | 146.5 | – |
| Standing timber** | 316.1 | 3.0 | (11.3) | (50.9) | 256.9 | 9.5 |
| Indirect timberland | 67.4 | – | – | (0.7) | 66.7 | 3.0 |
| Total timberland | 534.4 | 3.0 | (11.3) | (56.0) | 470.1 | 12.5 |
| Infrastructure | 167.0 | 68.6 | (5.6) | 0.2 | 230.2 | 5.5 |
| Total | 9,671.9 | 3,611.9 | (3,650.5) | 334.4 | 9,967.7 | 188.3 |

* Investment income includes £26.3m (2023: £37.8m) of income relating to interest on cash and cash equivalents and current asset investments, and £0.2m (2023: £0.4m) stock lending income.

** Change in market value of standing timber mainly comprises revaluation loss of £52.6m (2023: loss of £45.4m) and a reduction of £3.7m (2023: £5.5m) due to sale of standing timber. Standing timber represents the biological assets held by the Commissioners.

*Commissioners*

| | At 1 January 2024 £m | Additions £m | Sale proceeds £m | Change in market value £m | At 31 December 2024 £m |
|---|---|---|---|---|---|
| Securities portfolio: | | | | | |
| Listed securities | 3,173.0 | 3,902.5 | (3,703.3) | 418.0 | 3,790.2 |
| Unlisted securities | 3,714.8 | 442.9 | (814.5) | 413.3 | 3,756.5 |
| Total securities | 6,887.8 | 4,345.4 | (4,517.8) | 831.3 | 7,546.7 |
| Properties: | | | | | |
| Direct property | 1,418.5 | 19.5 | (157.2) | 101.8 | 1,382.6 |
| Indirect property | 92.0 | 9.4 | (12.0) | (7.7) | 81.7 |
| Total properties | 1,510.5 | 28.9 | (169.2) | 94.1 | 1,464.3 |
| Value linked loans | 69.5 | – | (10.3) | 7.4 | 66.6 |
| Timberland: | | | | | |
| Land | 80.7 | – | – | (18.2) | 62.5 |
| Standing timber* | 212.4 | 0.9 | (6.1) | (46.9) | 160.3 |
| Total timberland | 293.1 | 0.9 | (6.1) | (65.1) | 222.8 |
| Infrastructure | 96.3 | 15.3 | (16.9) | 10.4 | 105.1 |
| Subsidiaries | 344.4 | 5.9 | – | 44.1 | 394.4 |
| Joint venture | – | – | – | 1.0 | 1.0 |
| Total | 9,201.6 | 4,396.4 | (4,720.3) | 923.2 | 9,800.9 |

| | At 1 January 2023 £m | Additions £m | Sale proceeds £m | Change in market value £m | At 31 December 2023 £m |
|---|---|---|---|---|---|
| Securities portfolio: | | | | | |
| Listed securities | 2,792.5 | 2,684.1 | (2,615.6) | 312.0 | 3,173.0 |
| Unlisted securities | 3,761.2 | 712.4 | (840.3) | 81.5 | 3,714.8 |
| Total securities | 6,553.7 | 3,396.5 | (3,455.9) | 393.5 | 6,887.8 |
| Properties: | | | | | |
| Direct property | 1,462.8 | 11.5 | (85.8) | 30.0 | 1,418.5 |
| Indirect property | 96.3 | 25.0 | (7.0) | (22.3) | 92.0 |
| Total properties | 1,559.1 | 36.5 | (92.8) | 7.7 | 1,510.5 |
| Value linked loans | 73.9 | – | (8.8) | 4.4 | 69.5 |
| Timberland: | | | | | |
| Land | 90.7 | – | – | (10.0) | 80.7 |
| Standing timber* | 244.5 | 1.0 | – | (33.1) | 212.4 |
| Total timberland | 335.2 | 1.0 | – | (43.1) | 293.1 |
| Infrastructure | 49.0 | 39.3 | – | 8.0 | 96.3 |
| Subsidiaries | 379.1 | – | – | (34.7) | 344.4 |
| Total | 8,950.0 | 3,473.3 | (3,557.5) | 335.8 | 9,201.6 |

*Change in market value mainly comprises revaluation losses of £43.5m (2023: loss of £28.8m) and a reduction of £3.4m (2023: £4.2m) due to sale of standing timber. Standing timber represents the biological assets held by the Commissioners.

The original cost of investments is not disclosed given the historic nature of many of the property investments.

FRS 102 requires investments values to be shown for the charity as well as consolidated. There is no similar requirement for income and expenditure. Unlisted securities include £0.2m (2023: £0.2m) invested in shares in the Churches' Mutual Credit Union Limited, which is a programme-related investment.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 2. INVESTMENTS continued

### (a) Summary of movement on investments continued

The significance of financial instruments to the ongoing financial sustainability of the Commissioners is considered in the Investment Policy and Performance section of the Trustees' Annual Report.

Church Commissioners' Net Assets of the Investment Fund excludes Tangible assets, Heritage assets, Grants liability, Clergy pre-1998 pension obligation and defined benefit pension scheme liabilities from the Commissioners' Total Net Assets.

Commissioners' Asset Allocation within Investment Policy and Objectives of the Annual Report represents Commissioners' investment portfolio reported by investment strategy for management purposes and excludes debtor and creditor balances associated with charitable expenditures, cash used for payment of costs and distribution, and Commissioners' Bond and other tax-related liabilities.

The Commissioners has investments denominated in foreign currencies and is impacted by changes in foreign currency exchange rates. Non-sterling assets exposed to currency risk represented 65.6% (2023: 63.0%) of the investment portfolio. A currency overlay programme is used to hedge the foreign currency exposure. As at 31 December 2024, 8% (2023: 11%) of non-sterling assets were hedged to sterling. The net profit from operating the currency overlay programme was £5.3m before deducting fees of £0.8m (2023: £105.5m before deducting fees of £0.6m). Net additions and sale proceeds during the year exclude the purchase and sale of foreign currency for the purposes of conversion and currency hedging. In addition, some fund managers enter into foreign currency contracts to hedge the non-sterling assets they manage. The loss on these contracts was £1.9m (2023: loss £5.2m).

The Commissioners also holds equity derivatives, index swaps and interest rate derivatives to manage equity market risk and for efficient portfolio management. The net gain from operating this programme was £4.1m (2023: loss of £71.7m).

### (b) Subsidiaries

The Commissioners' principal subsidiary companies are wholly owned and are held to undertake property purchase, development and management and to hold certain property, securities, indirect property, infrastructure and timberland investments. The Ashford Great Park Partnership, held through intermediary companies, has its principal offices at 29 Great Smith Street, London SW1P 3PS.

| Registered in | Subsidiary (company number) |
|---|---|
| England and Wales | CC Trading Ltd (2080054), CC Lincoln Ltd (3687102), CC Projects (*) (1765782), Cedarvale (*) (2220037), CC Licensing (*) (2245961), Quivercourt (*) (1807330), and Weston Tree Ltd (7859221). |
| US (Delaware) | Cherry Tree Timber LLC (W-115255), Arbol Tree (5423402), Manty Tree LLC (7553982) |
| Australia | Jahr Tree Co Pty Ltd (600392667) |

* Unlimited companies.

Summary results for the material subsidiaries are shown below. Subsidiaries are material if there is a significant net funds total or if it is expected that revenue or expenditure may be significant.

The Commissioners also owns 80% interests in Lone Rock Timber Investments MBD-Landco Limited Partnership and Lone Rock Timber Investments MBD-Logco Limited Partnership, both of which are registered in the US. These entities are joint ventures, however the Commissioners holds them as part of its investment portfolio and so they are held at fair value through profit or loss in the financial statements.

| | CC Licensing | | CC Projects | | CC Trading Ltd | | Cedarvale | | Quivercourt | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2024 £m** | 2023 £m | **2024 £m** | 2023 £m | **2024 £m** | 2023 £m | **2024 £m** | 2023 £m | **2024 £m** | 2023 £m |
| Revenue | **39.7** | 44.3 | **21.4** | 5.6 | **1.1** | 1.0 | **–** | – | **–** | – |
| Expenditure* | **(20.2)** | (37.5) | **(17.2)** | (12.0) | **(0.2)** | (1.3) | **0.3** | (3.0) | **(3.2)** | (11.3) |
| Profit/(loss) | **19.5** | 6.8 | **4.2** | (6.4) | **0.9** | (0.3) | **0.3** | (3.0) | **(3.2)** | (11.3) |
| Assets | **922.9** | 803.7 | **171.8** | 105.6 | **7.4** | 6.4 | **36.5** | 36.2 | **14.8** | 17.0 |
| Liabilities | **(671.9)** | (572.3) | **(128.2)** | (66.1) | **(0.2)** | – | **–** | – | **(11.1)** | (11.8) |
| Net funds | **251.0** | 231.4 | **43.6** | 39.5 | **7.2** | 6.4 | **36.5** | 36.2 | **3.7** | 5.2 |

* Includes Gift Aid payments to the Commissioners.

### (c) Joint ventures

Church of England Central Services (ChECS) is a charitable company limited by guarantee and is a joint venture between the Commissioners, the Archbishops' Council and the Church of England Pensions Board, who are equal partners. The purpose of ChECS is to enhance the efficiency and effectiveness of the charitable national and diocesan institutions of the Church of England and of other charities with a church ethos, by facilitating the provision of cost-effective shared financial, legal and other services. The Commissioners' share of net assets of ChECS was £1.0m (2023: £nil). On 1 January 2024, ChECS became a sole member of Parish Giving Scheme (PGS). As a result, the net surplus has been apportioned equally amongst the joint partners of ChECS making the share of net assets greater than nil for the first time. As at 31 December 2024, other than the amounts disclosed in debtors in note 13, £nil was owed by the Commissioners to ChECS (2023: £nil).

The Commissioners has no associated undertakings.

### (d) Future commitments

The Commissioners has outstanding commitments to invest in private equity, private credit, venture capital, indirect property and infrastructure funds totalling £1,228m as at 31 December 2024 (see table below). The drawdown and cashflow impact of these commitments will be over several years and is dependent on the fund managers acquiring underlying assets during the investment periods of the funds. The commitments are offset against distributions received from funds and other cashflows and are managed within the total liquidity requirements of the Commissioners' fund.

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | **2024 £m** | 2023 £m | **2024 £m** | 2023 £m |
| Securities portfolio | **1,046.7** | 1,175.6 | **633.2** | 770.7 |
| Indirect property | **47.4** | 51.9 | **45.6** | 49.9 |
| Infrastructure | **133.8** | 81.8 | **77.4** | 47.5 |
| **Total capital commitments** | **1,227.9** | 1,309.3 | **756.2** | 868.1 |

## NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2024

## 3. EXPENDITURE ON RAISING FUNDS

| | Direct costs £m | Internal management costs £m | Support costs (note 7) £m | 2024 Total £m | Direct costs £m | Internal management costs £m | Support costs (note 7) £m | 2023 Total £m |
|---|---|---|---|---|---|---|---|---|
| Securities | 25.1 | 16.2 | 5.5 | 46.8 | 33.7 | 13.8 | 4.5 | 52.0 |
| Properties | 20.1 | 4.5 | 1.1 | 25.7 | 21.1 | 4.2 | 0.9 | 26.2 |
| Indirect property | 0.3 | 0.3 | 0.1 | 0.7 | – | 0.3 | 0.1 | 0.4 |
| Value linked loans | – | 0.2 | – | 0.2 | 0.1 | 0.2 | – | 0.3 |
| Timberland | 5.3 | 1.1 | 0.3 | 6.7 | 6.9 | 0.6 | 0.1 | 7.6 |
| Infrastructure | – | 0.3 | 0.2 | 0.5 | – | 0.5 | 0.3 | 0.8 |
| **Total investment management costs** | 50.8 | 22.6 | 7.2 | 80.6 | 61.8 | 19.6 | 5.9 | 87.3 |
| Bond interest costs | 19.5 | – | – | 19.5 | 19.6 | – | – | 19.6 |
| Costs of managing events at Lambeth Palace | 0.2 | – | – | 0.2 | 0.4 | – | – | 0.4 |
| **Total cost of raising funds** | 70.5 | 22.6 | 7.2 | 100.3 | 81.8 | 19.6 | 5.9 | 107.3 |

Direct costs include investment management fees, performance fees, property and timberland running costs and other fees.

Internal management costs include costs of employing in-house investment managers, operational support staff costs and associated department running costs.

Detail of support costs, including the methodology for allocating costs between activities, is shown in note 7 where the method of allocating these costs is described.

Bond interest costs reflect semi-annual interest accrued on the Sustainability Bonds due 2032 at 3.250% and on the Conventional Bonds due 2052 at 3.625%.

Costs of managing events at Lambeth Palace comprises expenditure incurred by Palace Public Occasions Limited, a subsidiary of the Commissioners, which provides conferences and other events at Lambeth Palace.

## 4. EXPENDITURE ON CHARITABLE ACTIVITIES

| | Grant funding (note 5) £m | Direct funding (note 6) £m | Support costs (note 7) £m | 2024 Total £m | Grant funding (note 5) £m | Direct funding (note 6) £m | Support costs (note 7) £m | 2023 Total £m |
|---|---|---|---|---|---|---|---|---|
| Supporting dioceses and the local church | 198.2 | 2.6 | 1.2 | 202.0 | 150.0 | 1.8 | 1.0 | 152.8 |
| Bishops' and Archbishops' ministry | 23.7 | 28.1 | 3.5 | 55.3 | 20.8 | 23.2 | 3.0 | 47.0 |
| Cathedrals' ministry | 13.9 | 0.4 | 0.4 | 14.7 | 13.5 | 0.4 | 0.2 | 14.1 |
| Other activities | 5.4 | 4.3 | 1.5 | 11.2 | 4.7 | 3.1 | 1.3 | 9.1 |
| **Total charitable expenditure excluding clergy pensions obligation** | 241.2 | 35.4 | 6.6 | 283.2 | 189.0 | 28.5 | 5.5 | 223.0 |
| Pre-1998 clergy pensions | – | (13.5) | 0.2 | (13.3) | – | 163.9 | 0.2 | 164.1 |
| **Total costs of charitable activities** | 241.2 | 21.9 | 6.8 | 269.9 | 189.0 | 192.4 | 5.7 | 387.1 |

**Supporting dioceses and the local church**
The Commissioners supports dioceses and the local church through providing grants to the Archbishops' Council. A breakdown of grant-making activity can be found in note 5. The individual grant streams in this category are explained below:

- **Strategic Development Funding** is for new growth opportunities which aim to support major change projects which fit with dioceses' strategic plans.
- **Lowest Income Communities Funding and Transition Funding** are to provide funding for mission in communities with the lowest incomes.
- **Strategic Transformation Funding** is for those dioceses wishing to undertake major restructuring programmes in order to better align with their strategic plans and make a significant difference to their mission and financial strength, in turn supporting the Church's sustainable growth.
- **Strategic Ministry Funding** provides financial support for growth in the number of clergy, including support for pensions and housing, in a tailored manner so that it is proportionately higher for those dioceses that need it most.
- **Additional Ordinands Funding** is intended to meet costs of training the incremental increase in ordinands, supporting dioceses to deliver the Church-wide goal of providing for future ordained ministry through increasing the number of ordinands by 50%.
- **National Giving Strategy** funding is provided to support a five-year strategy to encourage giving and generosity in churches. This includes grants to dioceses to help them implement this strategy.
- **Innovation Funding** is available for creative mission projects which seek to help the Church fully represent the communities we serve in age and diversity.
- **Funding for Posts of First Responsibility** is given to dioceses to support them in funding posts of first responsibility to enable finishing curates to move into roles of incumbent status.
- **People & Partnerships Funding** supplements the direct investment provided to dioceses by funding the pipelines of people (lay and ordained), the capacity and research which will be needed to deliver the Church of England Vision and Strategy across the whole country.
- **Funding for National services and support** provided by the Council enables the Council to undertake its work in a range of areas including Ministry, Faith & Public Life, Digital Communications, etc.
- **Safeguarding** funding provides financial support for the core work of the National Safeguarding team and the Safeguarding Programme, through which a range of improvement initiatives are being implemented in response to the Independent Inquiry into Child Sexual Abuse (IICSA).
- **The Church's Housing Assistance for the Retired Ministry (CHARM) Grant** provides grants to subsidise the scheme, which is administered by the Church of England Pensions Board to provide housing for those retiring from stipendiary ordained and lay ministry.
- **Diocesan Investment Programme** is to fund local plans via dioceses to build and grow the Church in accordance with the Vision and Strategy for the 2020s.
- **Racial Justice** funding is grant money offered to dioceses and other institutions to make targeted interventions in the area of racial justice.
- **Net Zero Carbon Programme** grant funding is available for dioceses to help them develop and initiate a net zero carbon action plan, along with other funding available for projects in schools, housing and cathedrals to support and enable the Church to reach its goal of net zero carbon by 2030.
- **Disability** funding is available for dioceses and other institutions to undertake work to widen access to the Church community, and positions of leadership, for those with disabilities.
- **Core Technology** grant is a capital investment primarily related to replacing the NCIs' Finance system which goes out of support at the end of 2025.
- **Buildings for Mission** funding is available to dioceses for urgent repair or improvement work to their churches, up to the value of £10,000 (or £12,000 for unlisted buildings).

**Bishops' and Archbishops' ministry**
The Commissioners is responsible for stipends, providing housing and office space for the diocesan bishops and archbishops and for the maintenance of those buildings including Lambeth Palace. It provides diocesan bishops and archbishops with an annual block grant to cover their stipend and working costs and that of their suffragan bishops. Pension contributions are paid from this grant to the Church of England Funded Pensions Scheme for bishops and their chaplains, and the Church Administrators Pension Fund for bishops' support staff (see note 17).

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 4. EXPENDITURE ON CHARITABLE ACTIVITIES continued

**Cathedrals' ministry**

The Cathedrals Measure 1999 enables the Commissioners to make grants to cathedrals: section 28/1 and 28/3 grants are made towards the stipend and other costs of a dean and two residentiary canons of each cathedral; section 28/4 grants are made towards the stipend of any other clerk or salary of any lay person employed in connection with the cathedral; and section 28/6 grants are made towards the repair of any chancel, other than that of the cathedral, which the cathedral is liable to repair.

Cathedrals Sustainability Funding enables the Commissioners to give discretionary section 28/4 grants to cathedrals to provide seed funding for projects aiming to help them become more financially sustainable.

**Pre-1998 clergy pensions**

The Commissioners meets the costs of clergy pensions for service up to 31 December 1997. This amount is the movement in the provision for clergy pensions until 31 December 1997 in the year to 31 December 2024 (including associated administration costs). The cash paid under the pre-1998 scheme was £124.1m (2023: £120.6m). Further details are provided in note 6 and note 16.

**Other activities**

The Commissioners has a legal and advisory role in the reorganisation of parishes, sales and other transactions relating to clergy housing and glebe land and settling the future of church buildings that have been closed for public worship. The Commissioners also contributes to its share of the liability for chancel repairs arising from its former and current ownership of rectorial property.

The Commissioners provides a grant to the Churches Conservation Trust to support its work in preserving church buildings closed for regular worship which are of historic and archaeological interest and architectural quality. During the year, the Commissioners paid the statutory grant to the Churches Conservation Trust of £1.6m (2023: £2.0m). The Commissioners also applied income of £0.4m (2023: £0.8m) from its share of proceeds on the sale of closed churches to these grants. Therefore, net expenditure on the annual grant to the Churches Conservation Trust was £1.2m (2023: £1.2m).

The Church Commissioners is responsible for running the national payroll for most serving and retired clergy on behalf of dioceses, cathedrals and other Church bodies. This is a statutory responsibility of the Commissioners and one of its charitable objectives, with the cost of providing this service paid for by the Commissioners and not passed on to the Church bodies.

The Social Investment Programme aims to advance the missional objectives of the Church by mobilising capital in an innovative and inclusive way (impact investment) to tackle deep-rooted social challenges.

## 5. GRANT MAKING

All grants are made to institutions.

| | 2024 £m | 2023 £m |
|---|---|---|
| **Supporting dioceses and the local church** | | |
| Grants to the Archbishops' Council for: | | |
| Strategic Development Funding | 0.7 | 3.5 |
| Lowest Income Communities Funding | 30.3 | 29.3 |
| Church's Housing Assistance for the Retired Ministry Grant | 19.7 | 8.0 |
| Diocesan Investment Programme | 97.3 | 60.8 |
| Racial Justice | 6.1 | 5.8 |
| Net Zero Grants | 7.8 | 6.4 |
| Parish Giving Scheme | 3.0 | 0.6 |
| Disability Grants | 0.4 | 0.1 |
| Core Technology | 2.5 | 1.5 |
| Building for Mission | 0.4 | 9.2 |
| Transition Funding | 2.7 | 4.2 |
| Strategic Transformation Funding | 3.8 | (0.1) |
| Strategic Ministry Funding | (1.0) | (0.1) |
| Additional Ordinands Funding | 0.6 | 0.8 |
| National Giving Strategy | 0.9 | 1.1 |
| Innovation Funding | 0.3 | 0.2 |
| Posts of First Responsibility | – | 1.4 |
| People and Partnerships Funding | 7.1 | 1.8 |
| National services and support provided by the Council | 13.5 | 10.3 |
| Safeguarding | 7.0 | 5.4 |
| Discounting adjustment (see note 15) | (4.9) | (0.2) |
| **Total grants to support dioceses and the local church** | 198.2 | 150.0 |
| **Bishops' and Archbishops' ministry** | | |
| 114 (2023: 114) grants to bishops in 42 (2023: 42) dioceses | 24.9 | 22.2 |
| Return of unspent grants from bishops | (1.2) | (1.4) |
| **Total grants for Bishops' and Archbishops' ministry** | 23.7 | 20.8 |
| **Cathedrals' ministry** | | |
| 45 (2023: 74) grants to 28 (2023: 36) cathedrals – Cathedral Sustainability Fund | 3.2 | 3.1 |
| 91 (2023: 83) grants to 42 (2023: 42) cathedrals – other grants | 10.7 | 10.4 |
| Discounting adjustment (see note 15) | – | – |
| **Total grants to pay for Cathedrals' ministry** | 13.9 | 13.5 |
| **Other activities** | | |
| Statutory grant to Churches Conservation Trust | 4.2 | 2.0 |
| Social Impact Investment Funding | 1.6 | 2.7 |
| Discounting adjustment (see note 15) | (0.4) | – |
| **Total grants for other activities** | 5.4 | 4.7 |
| **Total grant funding** | 241.2 | 189.0 |

Long-term grant funding, where material, is discounted to reflect the net present value of future payments. The discount rate used varies based on the time until the grant award is due to be paid.

# NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2024

## 6. DIRECT FUNDING

| | 2024 £m | 2023 £m |
|---|---|---|
| **Supporting dioceses and the local church** | | |
| Cathedrals and Church Buildings team | 2.6 | 1.8 |
| **Total supporting dioceses and the local church** | 2.6 | 1.8 |
| **Bishops' and Archbishops' ministry** | | |
| Bishops' and Archbishops' housing and office premises | 5.7 | 5.8 |
| Archbishops' office and working costs and stipends | 8.4 | 7.6 |
| Archbishops' advisers | 0.7 | 0.5 |
| Other national costs | 1.3 | 2.0 |
| Direct costs of administering Bishops' and Archbishops' ministry | 0.4 | 0.4 |
| Lambeth Palace major refurbishment | 8.0 | 3.7 |
| Lambeth Palace Library depreciation | 0.9 | 0.9 |
| Lambeth Palace Library running costs | 2.6 | 2.3 |
| Lambeth Palace Library project costs | 0.1 | – |
| **Total Bishops' and Archbishops' ministry costs** | 28.1 | 23.2 |
| **Cathedrals' ministry** | | |
| Direct costs of administering cathedrals' ministry | 0.4 | 0.4 |
| **Total Cathedrals' ministry** | 0.4 | 0.4 |
| **Pre-1998 clergy pensions** | | |
| Payments made to clergy | 124.1 | 120.6 |
| Actuarial adjustments | (139.6) | 41.9 |
| Other pre-1998 clergy pensions expenditure | 2.0 | 1.4 |
| **Total clergy pension obligation** | (13.5) | 163.9 |
| **Other activities** | | |
| National payroll for clergy | 0.7 | 1.1 |
| Chancel repair liability | 1.3 | 0.4 |
| Managing pastoral reorganisations and closed church buildings | 2.3 | 1.6 |
| **Total other activities** | 4.3 | 3.1 |
| **Total direct costs** | 21.9 | 192.4 |

## 7. SUPPORT COSTS

| | Raising funds (note 3) £m | Charitable activities (note 4) £m | 2024 Total £m | Raising funds (note 3) £m | Charitable activities (note 4) £m | 2023 Total £m |
|---|---|---|---|---|---|---|
| Shared services | 3.6 | 3.3 | 6.9 | 2.7 | 2.3 | 5.0 |
| Accommodation costs | 0.4 | 0.2 | 0.6 | 0.3 | 0.3 | 0.6 |
| Governance costs | 1.4 | 1.3 | 2.7 | 1.0 | 1.1 | 2.1 |
| **Total support costs before staff pension costs** | 5.4 | 4.8 | 10.2 | 4.0 | 3.7 | 7.7 |
| Staff pension costs (note 17): | | | | | | |
| Interest on staff pension scheme liabilities | 1.8 | 1.8 | 3.6 | 1.9 | 2.0 | 3.9 |
| **Total support costs** | 7.2 | 6.6 | 13.8 | 5.9 | 5.7 | 11.6 |

Overheads are apportioned according to an activity-based time allocation to different functions. Shared services include the Commissioners' share of the costs incurred by Church of England Central Services (ChECS). Accommodation costs include rent and service charges payable on the office space used by the Commissioners. Governance costs comprise staff and non-staff costs relating to the general running of the Commissioners including supporting the work of its Board and committees and audit costs paid to Grant Thornton UK LLP.

**Allocation of costs**
Most of the Commissioners' expenditure can be directly attributed to its various activities, however some costs are not directly attributable and need to be apportioned across the Commissioners' investment and charitable activities.

Support costs are allocated to either charitable activities or raising funds based on the most appropriate apportionment method. Costs are also allocated to specific charitable activities or investment types using the same methodology. Apportionment methods used are based on the estimated time that is spent on each activity, headcount, or direct expenditure incurred.

Fees paid to Grant Thornton UK LLP, excluding VAT, are shown in the table below:

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Audit of Church Commissioners: | | |
| Current year | 300 | 263 |
| Audit of subsidiary undertakings | 50 | 44 |
| **Total audit fees** | 350 | 307 |
| Non-audit fees | – | – |
| **Total fees paid to Grant Thornton UK LLP** | 350 | 307 |

Audit fees include fees of £nil related to a bill for total return swaps (TRS) valuation review (2023: £5,000).

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 8. STAFF NUMBERS AND REMUNERATION
The Secretary and staff employed to manage the Commissioners' investment assets and other functions are employed directly by the Commissioners.

In addition to staff employed directly, the work of the Commissioners is supported by staff in shared service departments provided by Church of England Central Services (ChECS) which provides finance, HR, technology, communications, legal, internal audit and other services to the NCIs. The costs of all ChECS staff are shown in aggregate in the tables below – the Commissioners' share of which was £4,657,000 (2023: £4,455,000).

The cost of staff for which the Commissioners is the managing employer and for ChECS (in aggregate) was:

| | Commissioners' own staff | | | | ChECS | |
|---|---|---|---|---|---|---|
| | Asset management | | Church functions and secretariat | | Shared services | |
| | **2024 Number** | 2023 Number | **2024 Number** | 2023 Number | **2024 Number** | 2023 Number |
| Average number employed | **87** | 76 | **97** | 90 | **211** | 178 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| Salaries | **13.4** | 11.7 | **5.2** | 4.1 | **11.0** | 9.1 |
| National Insurance costs | **1.1** | 1.0 | **0.6** | 0.4 | **1.3** | 1.0 |
| Pension contributions | **1.1** | 0.9 | **0.7** | 0.6 | **1.5** | 1.3 |
| **Total cost of staff** | **15.6** | 13.6 | **6.5** | 5.1 | **13.8** | 11.4 |

Salaries of the Commissioners' own staff include £150,000 (2023: £13,000) paid by way of termination costs to four fixed-term persons (2023: three persons) due to redundancy of their posts following a restructure.

Average staff numbers employed in Church functions and the secretariat increased by 7 (2023: 2) and asset management increased by 9 (2023: 14).

**Asset management and national Church functions**
The cost of the management of the Commissioners' assets is included in internal management costs (note 3) and the cost of the administration of national Church functions is included in the direct costs of those activities (note 5). Secretariat costs are included in support costs (note 7).

**Staff emoluments**
The numbers of staff whose employee benefits for the year fell in the following bands:

| | Commissioners' own staff | | | | ChECS | |
|---|---|---|---|---|---|---|
| | Asset management | | Church functions and secretariat | | Shared services | |
| | **2024 Number** | 2023 Number | **2024 Number** | 2023 Number | **2024 Number** | 2023 Number |
| £60,001 to £70,000 | **6** | 8 | **6** | 7 | **19** | 15 |
| £70,001 to £80,000 | **9** | 8 | **3** | – | **14** | 9 |
| £80,001 to £90,000 | **12** | 6 | **–** | 4 | **4** | 8 |
| £90,001 to £100,000 | **5** | 3 | **4** | 3 | **7** | 1 |
| £100,001 to £110,000 | **2** | 7 | **1** | – | **3** | 4 |
| £110,001 to £120,000 | **8** | 2 | **1** | – | **5** | 2 |
| £120,001 to £130,000 | **5** | 3 | **–** | – | **1** | – |
| £130,001 to £140,000 | **3** | 1 | **–** | – | **1** | 1 |
| £140,001 to £150,000 | **1** | 2 | **–** | – | **1** | 1 |
| £150,001 to £160,000 | **3** | 1 | **–** | – | **1** | – |
| £160,001 to £170,000 | **1** | 1 | **–** | – | **–** | – |
| £170,001 to £180,000 | **3** | 2 | **–** | – | **–** | – |
| £180,001 to £190,000 | **–** | 1* | **1** | 1** | **–** | – |
| £190,001 to £200,000 | **2** | 2*** | **–** | – | **–** | – |
| £200,001 to £210,000 | **2*** | – | **–** | – | **–** | – |
| £210,001 to £220,000 | **3*** | – | **1**** | – | **–** | – |
| £220,001 to £230,000 | **1*** | 2* | **–** | – | **–** | – |
| £250,001 to £260,000 | **1*** | – | **–** | – | **–** | – |
| £260,001 to £270,000 | **1*** | 1* | **–** | – | **–** | – |
| £280,001 to £290,000 | **–** | 1* | **–** | – | **–** | – |
| £290,001 to £300,000 | **2*** | – | **–** | – | **–** | – |
| £300,001 to £310,000 | **1*** | 1* | **–** | – | **–** | – |
| £360,001 to £370,000 | **–** | 2*** | **–** | – | **–** | – |
| £380,001 to £390,000 | **–** | 1* | **–** | – | **–** | – |
| £400,001 to £410,000 | **1*** | – | **–** | – | **–** | – |
| £450,001 to £460,000 | **1*** | – | **–** | – | **–** | – |
| £500,001 to £510,000 | **1*** | – | **–** | – | **–** | – |
| £510,001 to £520,000 | **1*** | – | **–** | – | **–** | – |
| £570,001 to £580,000 | **–** | 1* | **–** | – | **–** | – |
| £630,001 to £640,000 | **–** | 1* | **–** | – | **–** | – |
| £660,001 to £670,000 | **1*** | – | **–** | – | **–** | – |

* Including deferred incentive.
** Secretary to the Church Commissioners (Chief Executive).
*** One employee includes deferred incentive.

Employee benefits include gross salaries, incentive payments and termination payments but do not include employer pension contributions.

Of those staff managed directly by the Commissioners, 84 (2023: 66) accrue benefits under a defined contribution scheme for which contributions for the year were £1,115,000 (2023: £1,115,000). The remaining 7 (2023: 6) staff accrue benefits under a defined benefit scheme. Of those managed by ChECS, 49 (2023: 37) accrue benefits under a defined contribution scheme for which contributions for the year were £509,000 (2023: £428,000). The remaining 5 (2023: 4) staff accrue benefits under a defined benefit scheme.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 8. STAFF NUMBERS AND REMUNERATION continued
**Staff emoluments continued**

The highest paid member of staff was the Managing Director of Investment Strategy who earned £371,000 and a total incentive (including deferred incentive) of £291,000 based on the long-term performance of the fund. In 2023, the highest paid member of staff was the Chief Investment Officer who earned £333,000 and a total incentive (including deferred incentive) of £305,000 based on the long-term performance of the fund. Including the Chief Operating Officer, 16 (2023: 11) members of staff received deferred incentives in the year totalling £1,822,000 (2023: £1,413,000). Further details of the Commissioners' remuneration policy are included in the Governance Section of the Board's report on page 61.

The Commissioners' senior executive leadership team comprises eight posts, seven of whom are employed directly by the Commissioners and one by ChECS. Their aggregate remuneration, including incentives, National Insurance and pension contributions, is £1,764,000 (2023: £2,089,000).

**Pensions**

The Commissioners is obliged to pay pension benefits to staff, former First and Third Church Estates Commissioners, bishops' staff and staff of the Church of England Pensions Board who accrued years of pensionable service until 31 December 1999 as members of the Church Commissioners Superannuation Scheme ("CCSS").

Pension benefits earned on or after 1 January 2000 are provided by the Church Administrators Pension Fund ("CAPF") or through Church Workers Pension Fund – Pension Builder 2014 (CWPF-PB14), administered by the Church of England Pensions Board. The CAPF defined benefit and defined contribution schemes were established for employees commencing service after 30 June 2006. From 1 April 2019, defined contribution pension arrangements for some staff transferred from the CAPF to a separate pension arrangement on the same terms. The CWPF-PB14 scheme has been the default scheme for new employees who joined ChECS in 2024. It has been operating since February 2014 and is classified as a cash balance scheme both in respect of tax and pensions legislation. The Pensions Board publishes the Scheme's financial statements and is its custodian trustee. Pensions are described in more detail in note 17.

## 9. TRUSTEES' EMOLUMENTS AND EXPENSES

The First and Third Church Estates Commissioners are paid a salary in accordance with the Ecclesiastical Commissioners Act 1850, as amended by the Ecclesiastical Commissioners (Powers) Measure 1938. Other trustees have no entitlement to a salary or pension in their capacity as trustees.

| | 2024 £000 | 2023 £000 |
|---|---|---|
| First Church Estates Commissioner | | |
| Salary | 126 | 126 |
| National Insurance costs | 16 | 16 |
| Pension | 19 | 19 |
| Third Church Estates Commissioner | | |
| Salary | 73 | 84 |
| National Insurance costs | 9 | 10 |
| Pension | 4 | 4 |
| Total Church Estates Commissioners' costs | 247 | 259 |

Pensions paid to former First and Third Church Estates Commissioners of £30,000 (2023: £30,000) were charged to the staff pension provision.

The Commissioners meets the expenses incurred by the trustees in carrying out their duties. During the year, 19 (2023: 17) trustees claimed expenses or had their expenses met by the charity totalling £27,861 (2023: £20,147) in respect of travel and subsistence. The Commissioners meets the expenses of Committee members in carrying out their duties. During the year, 10 (2023: 7) Committee members claimed expenses or had their expenses met by the charity totalling £4,505 (2023: £3,728) in respect of their travel and subsistence.

## 10. TAXATION

| | Overseas (including Australian) Withholding Tax £m | 2024 £m | Overseas (including Australian) Withholding Tax £m | 2023 £m |
|---|---|---|---|---|
| Consolidated | | | | |
| Current tax | (3.1) | (3.1) | (1.9) | (1.9) |
| Deferred tax | 4.8 | 4.8 | 1.0 | 1.0 |
| Total taxation charge | 1.7 | 1.7 | (0.9) | (0.9) |
| Commissioners | | | | |
| Current tax | (1.9) | (1.9) | 0.2 | 0.2 |
| Deferred tax | 3.2 | 3.2 | 0.7 | 0.7 |
| Total taxation charge | 1.3 | 1.3 | 0.9 | 0.9 |

The Church Commissioners is a registered charity. As such, under UK tax law, it is exempt from Corporation Tax on all its Investment Income and Chargeable Gains. The UK resident subsidiaries of the Church Commissioners are, prima facie, subject to Corporation Tax on their income. However, all these subsidiaries have Deeds of Covenants to distribute all taxable profits to the Church Commissioners. As such distributions are tax deductible, no tax liability arises in the subsidiaries.

The Group (including its subsidiaries) is within the scope of Pillar Two legislation, which will be relevant to the Group for the period ended 31 December 2024. However, based on the ultimate parent being a non-profit organisation, and its subsidiaries meeting the conditions for excluded entity status under s.127 of the Finance (No.2) Act 2023 or having nil returns, the Group does not anticipate paying any Pillar Two top-up tax. This assessment is based on the current understanding of the legislation and is subject to any changes in interpretation or future amendments to the rules.

## 11. TANGIBLE ASSETS
***Consolidated***

| | Freehold buildings £m | Green energy generation £m | IT systems £m | Leasehold improvements £m | Operational properties and contents £m | Total £m |
|---|---|---|---|---|---|---|
| Cost or valuation | | | | | | |
| Balance at 1 January 2024 | 39.6 | 0.7 | 1.9 | 2.1 | 95.7 | 140.0 |
| Additions | 6.6 | – | – | – | – | 6.6 |
| Transfers/disposal | – | – | – | – | – | – |
| Balance at 31 December 2024 | 46.2 | 0.7 | 1.9 | 2.1 | 95.7 | 146.6 |
| Accumulated depreciation | | | | | | |
| Balance at 1 January 2024 | (2.7) | (0.1) | (1.9) | (2.1) | – | (6.8) |
| Charge for the year | (0.9) | – | – | – | – | (0.9) |
| Balance at 31 December 2024 | (3.6) | (0.1) | (1.9) | (2.1) | – | (7.7) |
| Net book value | | | | | | |
| Balance at 1 January 2024 | 36.9 | 0.6 | – | – | 95.7 | 133.2 |
| Balance at 31 December 2024 | 42.6 | 0.6 | – | – | 95.7 | 138.9 |

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 11. TANGIBLE ASSETS continued
***Commissioners***

| | Freehold buildings £m | IT systems £m | Leasehold improvements £m | Operational properties and contents £m | Total £m |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| Balance at 1 January 2024 | 39.6 | 1.9 | 2.1 | 95.7 | **139.3** |
| Additions | 6.6 | – | – | – | **6.6** |
| Transfers/disposal | – | – | – | – | **–** |
| **Balance at 31 December 2024** | 46.2 | 1.9 | 2.1 | 95.7 | **145.9** |
| **Accumulated depreciation** | | | | | |
| Balance at 1 January 2024 | (2.7) | (1.9) | (2.1) | – | **(6.7)** |
| Charge for the year | (0.9) | – | – | – | **(0.9)** |
| **Balance at 31 December 2024** | (3.6) | (1.9) | (2.1) | – | **(7.6)** |
| **Net book value** | | | | | |
| Balance at 1 January 2024 | 36.9 | – | – | 95.7 | **132.6** |
| **Balance at 31 December 2024** | 42.6 | – | – | 95.7 | **138.3** |

The original cost of tangible fixed assets is not disclosed given the historic nature of many of the assets owned.

The deemed cost of operational properties was the valuation of See Houses at the FRS 102 transition date. This valuation was carried out by Knight Frank LLP as at 31 December 2013. Operational properties also includes the contents of See Houses, which were valued by Gurr Johns as at 31 December 2007.

Freehold buildings do not include heritage assets. Lambeth Palace is a heritage asset and shown in note 12 to the accounts. The freehold buildings additions in the year of £6.6m (2023: £9.1m) represents the capitalised cost of the ongoing Lambeth Palace Refurbishment Project which is a 'once in a generation' major refurbishment programme at Lambeth Palace. No depreciation was charged in the year or the prior year. Depreciation will be charged when the project is completed.

All tangible fixed assets are in the United Kingdom.

## 12. HERITAGE ASSETS
**Analysis of heritage assets**

| | Lambeth Palace £m | Contents of Lambeth Palace Library £m | Historic contents of Lambeth Palace £m | Historic contents of former See Houses £m | Total £m |
|---|---|---|---|---|---|
| Balance at 1 January 2024 | – | 0.4 | 1.0 | 2.2 | **3.6** |
| Additions | – | – | – | – | **–** |
| **Balance at 31 December 2024** | – | 0.4 | 1.0 | 2.2 | **3.6** |

**Lambeth Palace**
Lambeth Palace has been the historic London residence of the Archbishops of Canterbury since the 13th Century. It was acquired by the Commissioners as a result of an Order in Council given in 1946 in accordance with the Episcopal Endowments and Stipends Measure 1943 and was transferred to the Commissioners at its original deemed cost. At the time of acquisition, the Commissioners' best estimate of the historic deemed cost was £1. Any developments or improvements to the building are capitalised at cost within tangible fixed assets (note 11) and depreciated over the improvements' useful economic life. Whilst the building continues to have operational use, being used as the Archbishop's London residence and including a team of staff employed to support him in his work, it continues to be maintained by the Commissioners as a result of its significant historical and cultural importance as an important exhibit to the public of the history of the work of the Archbishops of Canterbury and the Church of England. The grounds of Lambeth Palace are also home to the Lambeth Palace Library. The Commissioners is responsible for the ongoing upkeep and maintenance of the building. Maintenance costs are charged to the SOFA in the period they are incurred.

**Contents of Lambeth Palace Library**
Lambeth Palace Library was founded in 1610 when Archbishop Richard Bancroft bequeathed to his successors as Archbishops of Canterbury his extensive collection of books and manuscripts. Ownership of the building and contents became vested in the Ecclesiastical Commissioners in 1946 and passed subsequently to the Commissioners. Responsibility for the maintenance of Lambeth Palace Library lies with the Commissioners. The collections of Lambeth Palace Library were designated by the Museums, Libraries and Archives Council in 2005 as outstanding in their national and international importance. The Library exists to preserve this unique heritage of the Church and the nation and to make it freely available for all to study and enjoy.

**Historic contents of Lambeth Palace**
Included within heritage assets are the historical contents of Lambeth Palace. These items are held primarily for their historical and artistic value. The contents' fair value has been calculated based on the market value last calculated at 31 December 2007. The Commissioners has performed a review of the historic contents of Lambeth Palace, which includes works of art, and is satisfied that there is no material difference between the fair value as at 31 December 2024 and the full professional valuation obtained on 31 December 2007.

**Historic contents of former See Houses**
Included within heritage assets are the historical contents of former See Houses that are on loan to various bodies. This includes the Hurd Library and other heirlooms at Hartlebury Castle and various objects at Fulham Palace. These items are held primarily for their historical and artistic value.

The contents' fair value has been calculated based on the market value last calculated as at 31 December 2007. The Commissioners has performed a review of the historic contents, which includes works of art, and is satisfied that there is no material difference between the fair value at 31 December 2024 and the full professional valuation obtained on 31 December 2007. There have been no additions since 2017.

## 13. DEBTORS

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Trade debtors | **13.2** | 10.8 | **4.9** | 4.7 |
| Subsidiary undertakings | **–** | – | **914.9** | 756.7 |
| Joint venture (ChECS) | **1.6** | 2.7 | **1.6** | 2.7 |
| Dioceses (Clergy Stipends and Diocesan Debtors Accounts) | **–** | 0.1 | **–** | 0.1 |
| Loans | **1.4** | 1.3 | **1.4** | 1.3 |
| Other debtors | **3.6** | 3.7 | **3.5** | 3.6 |
| Prepayments | **3.9** | 2.7 | **3.1** | 2.4 |
| Taxation and National Insurance contributions | **–** | – | **–** | – |
| Accrued income | **9.5** | 11.0 | **9.2** | 43.1 |
| Outstanding investment trades | **149.5** | 154.2 | **149.5** | 154.2 |
| Derivative open contracts | **17.3** | 23.3 | **17.3** | 23.3 |
| **Total debtors** | **200.0** | 209.8 | **1,105.4** | 992.1 |

Balances with subsidiaries are included in note 21.

Loans are interest bearing and consist of mortgages and loans to Church bodies, cathedrals and staff, and car loans to clergy.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 13. DEBTORS continued
Derivative open contracts are used for risk management and efficient portfolio management purposes. The value above represents those derivative contracts that have a positive value as at 31 December. There are also derivatives which have a negative value disclosed in creditors within note 14. The total gains or losses on derivatives for the year is shown on the Statement of Financial Activities, which when used for hedging purposes are offset by movements in the fair value of the investment portfolio. For further details on foreign currency hedging, see note 2(a).

## 14. CREDITORS FALLING DUE WITHIN ONE YEAR

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Trade creditors | 10.3 | 7.8 | 10.1 | 7.6 |
| Subsidiary undertakings | – | – | 25.7 | 23.9 |
| Dioceses and other Church bodies | 9.5 | 7.9 | 9.5 | 7.9 |
| Other creditors | 5.8 | 5.6 | 5.5 | 5.0 |
| Taxation and National Insurance contributions | – | 9.4 | (6.8) | 4.2 |
| Accruals and deferred income | 30.1 | 31.7 | 22.9 | 24.4 |
| Grants payable | 127.9 | 85.7 | 127.9 | 85.7 |
| Outstanding investment trades | 37.2 | 24.1 | 37.2 | 24.1 |
| Derivative open contracts | 38.5 | 41.1 | 38.5 | 41.1 |
| **Total creditors: amounts falling due within one year** | 259.3 | 213.3 | 270.5 | 223.9 |

Derivative open contracts are used for risk management and efficient portfolio management purposes. The value above represents those derivative contracts that have a positive value as at 31 December. There are also derivatives which have a positive value disclosed in debtors within note 13. The total gains or losses on derivatives for the year is shown on the Statement of Financial Activities, which when used for hedging purposes are offset by movements in the fair value of the investment portfolio. For further details on foreign currency hedging, see note 2(a).

Unrealised gains on derivative financial instruments are described in note 2.

## 15. CREDITORS FALLING DUE AFTER ONE YEAR

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Grants payable | 143.9 | 117.4 | 143.9 | 117.4 |
| Discounting adjustment | (16.8) | (11.4) | (16.8) | (11.4) |
| **Total grants payable** | 127.1 | 106.0 | 127.1 | 106.0 |
| 3.250% Sustainability Bonds due 2032 | 250.0 | 250.0 | 250.0 | 250.0 |
| 3.250% Sustainability Bonds – Bond issue costs | (1.0) | (1.1) | (1.0) | (1.1) |
| 3.250% Sustainability Bonds – discount on issuance | (0.6) | (0.7) | (0.6) | (0.7) |
| 3.625% Bonds (2052) | 300.0 | 300.0 | 300.0 | 300.0 |
| 3.625% Bonds (2052) – Bond issue costs | (1.5) | (1.6) | (1.5) | (1.6) |
| 3.625% Bonds (2052) – discount on issuance | (4.8) | (4.9) | (4.8) | (4.9) |
| **Total Bond liabilities** | 542.1 | 541.7 | 542.1 | 541.7 |
| **Total creditors: amounts falling due after one year** | 669.2 | 647.7 | 669.2 | 647.7 |

**Grants payable**
Grant making creditors can be analysed as follows:

| | Consolidated and Commissioners | |
|---|---|---|
| | 2024 £m | 2023 £m |
| As at 1 January | 191.7 | 155.2 |
| Changes in liability due to: | | |
| New grant commitments in the year | 247.7 | 190.6 |
| Return of unspent grants | (1.2) | (1.4) |
| Grant payments in the year | (177.6) | (152.5) |
| Changes in discounting adjustment | (5.6) | (0.2) |
| **As at 31 December** | 255.0 | 191.7 |
| Grants payable falling due within one year | 127.9 | 85.7 |
| Grants payable falling due after one year | 127.1 | 106.0 |
| **As at 31 December** | 255.0 | 191.7 |

For grants payable due in more than one year, the grant funding is expected to be settled in the following periods, though the drawdown of grants is dependent on the timing of expenditure incurred and claims made by the grant recipient:

| Grant stream | 2026 £m | 2027 £m | 2028 £m | 2029 £m | 2030 and beyond £m | Total £m |
|---|---|---|---|---|---|---|
| Strategic Development Funding | 13.2 | 6.4 | 0.1 | – | – | 19.7 |
| Strategic Ministry Funding | 0.1 | – | – | – | – | 0.1 |
| Strategic Transformation Funding | 5.6 | 2.0 | 0.2 | – | – | 7.8 |
| Social Impact Investment Funding | 2.7 | 1.5 | 0.5 | – | – | 4.7 |
| Cathedral Sustainability Funding | 1.3 | 0.3 | – | – | – | 1.6 |
| Posts of First Responsibility | 1.0 | 0.6 | 0.1 | – | – | 1.7 |
| Building for Mission | 1.3 | – | – | – | – | 1.3 |
| Racial Justice | 3.3 | 1.5 | – | – | – | 4.8 |
| People and Partnerships Funding | 1.7 | 1.0 | – | – | – | 2.7 |
| Diocesan Investment Programme | 32.8 | 25.5 | 16.3 | 10.8 | 11.9 | 97.3 |
| Other grant streams | 1.8 | 0.4 | – | – | – | 2.2 |
| **Total before discounting adjustment** | 64.8 | 39.2 | 17.2 | 10.8 | 11.9 | 143.9 |
| Discounting adjustment | (5.1) | (4.5) | (2.5) | (1.9) | (2.8) | (16.8) |
| **Total** | 59.7 | 34.7 | 14.7 | 8.9 | 9.1 | 127.1 |

Long-term grant funding is, where material, discounted to reflect the net present value of future payments. The discount rate used varies based on the time until the grant award is due to be paid.

At the balance sheet date, the Archbishops' Council had made grant awards of £nil (2023: £4.4m to two organisations), which did not meet the expenditure recognition criteria due to conditions attached to these awards. The Church Commissioners has therefore not recognised a corresponding grant to the Archbishops' Council in respect of these awards.

**Bond liabilities**
In 2022, the Church Commissioners issued two bonds – a £250 million Sustainability Bond with a 10-year maturity (2032) and a £300 million conventional bond with a 30-year maturity (2052). The proceeds from the two bond issues will be invested on a long-term basis, enhancing the fund's capital efficiency, and offering the potential to generate additional value for the fund. The proceeds will be invested according to the Church Commissioners' responsible investment approach, with the proceeds of the Sustainability Bond used to support existing and future eligible sustainable projects, as set out in the Church Commissioners' Sustainable Financing Framework.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 15. CREDITORS FALLING DUE AFTER ONE YEAR continued
**Bond liabilities continued**

Bond issue costs of £1.3m were incurred (predominantly legal and financial advice) in respect of the 2032 Sustainability Bond. On 31 December 2024, the total of amortised bond issue costs and the amortised discount on issuance was £1.6m (2023: £1.8m). The applicable interest rate is 3.25%. Repayment of the bond is due on maturity in 2032.

Bond issue costs of £1.7m were incurred (predominantly legal and financial advice) in respect of the 2052 Bond. On 31 December 2024, the total of the amortised bond issue costs and the amortised discount on issuance was £6.2m (2023: £6.5m). The applicable interest rate is 3.625%. Repayment of the bond is due on maturity in 2052.

The following table details the bond-related contractual payments as at 31 December 2024.

| | Sustainability Bond (2032) | | Bond (2052) | |
|---|---|---|---|---|
| | Interest due £m | Capital repayment £m | Interest due £m | Capital repayment £m |
| **Period** | | | | |
| Due to end December 2024 | 3.8 | – | 5.0 | – |
| Due within one year | 8.1 | – | 10.9 | – |
| Due between one to five years | 32.5 | – | 43.5 | – |
| Due after five years | 25.0 | 250.0 | 251.0 | 300.0 |
| **Total** | 69.4 | 250.0 | 310.4 | 300.0 |

## 16. PROVISIONS
**Provision for clergy pre-1998 pension obligation under the Church of England Pensions Scheme**

| | Notes | Consolidated and Commissioners 2024 £m | 2023 £m |
|---|---|---|---|
| As at 1 January | | 1,209.0 | 1,166.9 |
| Amounts charged against provision: | | | |
| Pensions to clergy for service prior to 1998 | | (83.5) | (81.7) |
| Lump sum payments on retirement for service prior to 1998 | | (5.5) | (5.7) |
| Pensions to clergy widows and children for service prior to 1998 | | (35.0) | (32.9) |
| Benefits under the Deaconesses and Lay Workers (Pensions) | | (0.1) | (0.1) |
| Transfers out of scheme | | – | (0.2) |
| | 6 | (124.1) | (120.6) |
| Changes in provision for: | | | |
| Interest on provision | | 86.8 | 81.6 |
| Changes in assumptions and due to experience | | (102.3) | 81.1 |
| | | (15.5) | 162.7 |
| **As at 31 December** | | 1,069.4 | 1,209.0 |

### History
Prior to 1998, the Commissioners was responsible for paying the pensions benefits to clergy who accrued years of pensionable service as members of the Church of England Pensions Scheme. In 1997, legislation was enacted to provide for new pensions schemes to be established and administered by the Church of England Pensions Board, with contributions for future service to be paid by all responsible bodies and employers (dioceses, cathedrals, the NCIs, and other church organisations). This effectively capped the Commissioners' obligation for clergy pensions for clergy for which it is not the 'responsible body' to service up until 31 December 1997 only.

Details of the Commissioners financial responsibilities in respect of its role as 'responsible body' for bishops, cathedral clergy and certain other clergy for service since 1 January 1998 are described in note 17(a).

### Church of England Pensions Scheme
The Commissioners is obliged to pay pension benefits to clergy who accrued years of pensionable service until 31 December 1997 as members of the Church of England Pensions Scheme. The Scheme is administered by the Church of England Pensions Board on behalf of the Commissioners. The obligation is recognised in full using the actuarial valuation carried out by Hymans Robertson LLP, independent qualified actuaries. A full valuation is carried out every three years and it is rolled forward in other years. A full valuation was carried out as at 31 December 2024.

The valuation uses the projected unit method and assumes all benefits including post-retirement increases continue to be paid in accordance with current practice. It uses financial assumptions reflecting the term structure of interest rates and inflation. These assumptions include the prospective rate of investment returns, future increases in the RPI, the starting level of pensions and the rate of post-retirement pension increases.

The principal assumptions used in deriving the Commissioners' obligation were:

| | 2024 % | 2023 % | 2022 % | 2021 % | 2020 % |
|---|---|---|---|---|---|
| Prospective annual rate of return on investments | 6.6 | 6.3 | 6.8 | 4.6 | 3.8 |
| Rate of increase of future stipend and increases in the starting pension | 2.7 | 2.5 | 2.3 | 2.9 | 3.3 |
| Rate of post-retirement pension increases | 3.1 | 3.2 | 3.2 | 3.7 | 3.3 |
| Retail price inflation | 3.1 | 3.2 | 3.2 | 3.7 | 3.3 |

The assumptions were made on a best estimate basis over a period reflecting the long-term nature of the fund and its objectives over 30 years. In their assessments of the pensions obligation, Hymans Robertson LLP have used bespoke Club Vita mortality tables, which have been adjusted for Covid-19 impacts. The life expectancy for beneficiaries aged 65 is 20.4 years (2021 valuation: 21.5 years) for men and 24.0 years (2021 valuation: 23.8 years) for women. In respect of future improvements in mortality rates the projection model from the 2023 Continuous Mortality Investigation has been used.

## 17. PENSIONS

| | Clergy | Staff | | | Clergy | Staff | | |
|---|---|---|---|---|---|---|---|---|
| | Post-1997 service (note 17(a)) £m | Pre-2000 service (note 17(b)) £m | Post-1999 service (note 17(c)) £m | 2024 £m | Post-1997 service (note 17(a)) £m | Pre-2000 service (note 17(b)) £m | Post-1999 service (note 17(c)) £m | 2023 £m |
| **Pension reserves at 1 January** | – | 81.1 | – | 81.1 | – | 82.4 | 1.5 | 83.9 |
| Benefits/contributions paid | – | (5.5) | – | (5.5) | – | (5.7) | (1.4) | (7.1) |
| Interest on liability | – | 3.5 | – | 3.5 | – | 3.8 | – | 3.8 |
| Other movement | – | – | – | – | – | (0.5) | (0.1) | (0.6) |
| | – | (2.0) | – | (2.0) | – | (2.4) | (1.5) | (3.9) |
| Actuarial (gain)/losses | – | (5.7) | – | (5.7) | – | 1.1 | – | 1.1 |
| **Pension reserves at 31 December** | – | 73.4 | – | 73.4 | – | 81.1 | – | 81.1 |

The reduction in pensions reserves due to cash paid is £5.5m (2023: £7.1m) and the total amount shown in expenditure is £3.5m (2023: £3.8m). Actuarial gains of £5.7m (2023: loss of £1.1m) have been recognised in other gains or losses.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 17. PENSIONS continued

**(a) Clergy pensions post-1997: Church of England Funded Pensions Scheme**

Pensions in respect of the service of Church of England clergy from 1 January 1998 are provided by the Church of England Funded Pensions Scheme, administered by the Church of England Pensions Board. The Church of England Pensions Board publishes the Scheme's financial statements and is its custodian trustee.

The Commissioners is one of the 'responsible bodies' in the Scheme, as it pays the stipends, National Insurance and pensions costs of bishops, archbishops, bishops' chaplains and most cathedral clergy.

The Scheme is considered to be a multi-employer scheme, and it is not possible to attribute the Scheme's assets and liabilities to specific employers. Therefore, contributions are accounted for as if the Scheme were a defined contribution scheme. The pension costs charged to the SOFA in the year are contributions payable plus any impact of deficit contributions.

A valuation of the Scheme was carried out by an independent qualified actuary using the projected unit method as at 31 December 2021. This revealed a surplus of £560m, based on assets of £2,720m and a funding target of £2,160m.

The contribution rate of future pensionable stipends payable by the Commissioners is made up of the following components. Normal contributions relate to providing benefits in relation to ongoing pensionable service. Administration expenses cover the day-to-day expenses of running the scheme.

| | From 1 January 2023 % | From 1 April 2024 % | From 1 April 2025 % |
|---|---|---|---|
| Normal contributions | 26.5 | 23.5 | 20.5 |
| Contributions towards administration expenses | 1.2 | 1.2 | 1.2 |
| Total contribution | 27.7 | 24.7 | 21.7 |

**(b) Staff pensions pre-2000: Church Commissioners Superannuation Scheme**

The Commissioners is obliged to pay pension benefits to staff, former First and Third Church Estates Commissioners, bishops' staff and staff of the Church of England Pensions Board who accrued years of pensionable service until 31 December 1999 as members of the Church Commissioners Superannuation Scheme ("CCSS").

This is a multi-employer scheme where each employer can ascertain their share of the scheme assets and liabilities. The Commissioners' share is therefore provided for in the balance sheet in full. The liability is estimated each year by Hymans Robertson LLP, independent qualified actuaries.

Using the projected unit method, and assuming all benefits including post-retirement increases in pensions continue to be paid in accordance with current practice, the provision of £73.4m (2023: £81.1m) shown in the table above represents the Commissioners' share of the deficit on the CCSS.

Financial assumptions reflecting the term structure of interest rates and inflation have been used to estimate the value of the obligation. These assumptions include the prospective rate of investment returns, future increases in the RPI, the starting level of pensions and the rate of post-retirement pension increases. The principal assumptions over the estimated duration of the obligation used in estimating the provision were:

| | 2024 % | 2023 % | 2022 % | 2021 % | 2020 % |
|---|---|---|---|---|---|
| Discount rate (annual rate of return on AA-rated corporate bonds) | **5.40** | 4.50 | 4.75 | 1.85 | 1.20 |
| Rate of salary increases | **4.25** | 3.95 | 3.95 | 4.25 | 3.80 |
| Rate of increase of pensions in payment: | | | | | |
| for service before 1 April 1997 (CPI) | **2.90** | 2.70 | 2.70 | 3.00 | 2.50 |
| for service since 1 April 1997 (RPI) | **3.30** | 3.20 | 3.25 | 3.55 | 3.05 |

In their assessment of the pensions liability, Hymans Robertson LLP used bespoke Club Vita mortality tables. In respect of future improvements in mortality rates, the projection model from the 2023 Continuous Mortality Investigation has been used.

History of experience gains and losses:

| | 2024 £m | 2023 £m | 2022 £m | 2021 £m | 2020 £m |
|---|---|---|---|---|---|
| Actuarial loss/(gain) | **(5.7)** | 1.1 | (29.8) | (9.4) | 12.2 |

**(c) Staff pensions post-1999: Church Administrators Pension Fund**

Pensions for staff in respect of service from 1 January 2000 and commenced service before 1 January 2024 are provided by the Church Administrators Pension Fund (CAPF), administered by the Church of England Pensions Board. The Church of England Pensions Board publishes the Fund's financial statements and is its custodian trustee.

The Commissioners is one of the employers in the Fund. The Fund has two sections: the defined benefit and the defined contributions schemes. Staff who commenced service before 1 July 2006 are members of the defined benefit section of the scheme and staff who commenced service after 30 June 2006 and before 1 January 2024 are members of the defined contributions section.

The defined benefit section is considered to be a multi-employer, last man standing defined benefit pension scheme. This means that it is not possible to attribute the Fund's assets and liabilities to specific employers and that contributions are accounted for as if the Fund were a defined contribution scheme. The pension costs charged to the SOFA in the year are contributions payable for both defined contribution and defined benefit sections, plus any impact of defined benefit deficit contributions.

A valuation of this defined benefits section is carried out every three years, and as at 31 December 2024, the most recent finalised valuation was at 31 December 2022. This revealed a deficit of £1.9m. Following the valuation, the employers collectively entered into an agreement with CAPF to pay contributions of 27.6% of Pensionable Salaries to 31 December 2023 and 16.5% from 1 January 2024 thereafter towards future service benefits. The employers also agreed to make deficit payments of £2.4m per annum payable monthly, from 1 January 2023 to 31 December 2023 with no future increases, in respect of the shortfall in the defined benefit section. These deficit contributions were made by each employer in proportion to Pensionable Salaries of those in the defined benefit section. Deficit contributions ceased to be payable after 31 December 2023.

**(d) Staff pensions post-2024: The Church Workers Pension Fund – Pension Builder 2014**

Pensions for staff who commenced service after 1 January 2024 are provided by The Church Workers Pension Fund – Pension Builder 2014 (PB14), administered by the Church of England Pensions Board. The Church of England Pensions Board publishes the Fund's financial statements and is its custodian trustee. The Church Workers Pension Fund – PB14 is a cash balance scheme both in respect of tax and pensions legislation.

A valuation of this section is carried out every three years, the most recent having been at 31 December 2022. This revealed a surplus of £8.5m for the entire scheme. As at 31 December 2024, there is no deficit in relation to the scheme.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 18. FUNDS
An Order was made by the Charity Commission on 19 June 2012, at the request of the trustees, to enable them to account and report income and capital returns and charitable expenditure on a total returns basis.

The Order requires the unapplied total return to be calculated at the point at which the Order is made, and subsequent movements are shown in the table below. The unapplied total return is the amount of the fund over and above the base level of endowment. The trustees agreed this base level should be the book value of assets of the Ecclesiastical Commissioners and the Queen Anne's Bounty when they were transferred to the Commissioners in April 1948 (£155.8m), inflated in line with RPI and deducting clergy pensions paid from capital, since the Pensions Measure 1997 became effective. The base level of the endowment at 1 January 2012 was £3,000.4m and the unapplied total return was £2,202.0m. The base value and unapplied total return together with the general fund reserve made up the total fund value of £5,237.6m at 1 January 2012.

The total return each year remains part of the endowment fund, until it is transferred to the general fund and becomes an "applied total return". The transfer is shown in the table below and on the face of the SOFA. The trustees agreed the base value of the endowment should be recalculated each year to reflect the permanent diminution of the fund as clergy pensions are paid out under the Pensions Measure 1997 and inflated in line with RPI. In 2020, the trustees agreed to change the inflation rate to the Consumer Prices Index including Housing (CPIH).

The pre-1998 clergy pension obligation set out in note 16 has been allocated to the unapplied total return as the Commissioners does not have indefinite power to spend endowment on clergy pensions, but only for a seven-year period ending in 2025. This power has been extended for a further seven years to 2032. As such, the base value of endowment is reduced each year by the clergy pensions paid in that year with movement in the provision being taken against the unapplied total return.

| | Notes | Base value of endowment £m | Unapplied total return £m | Total endowment fund £m | Other funds £m | Total funds £m |
|---|---|---|---|---|---|---|
| At 1 January 2024 | | 2,596.0 | 6,502.6 | 9,098.6 | 0.7 | 9,099.3 |
| Add investment return for the year: | | | | | | |
| Income return – gross income | | – | 204.5 | 204.5 | 2.9 | 207.4 |
| Income return – cost of raising funds | 3 | – | (100.1) | (100.1) | (0.2) | (100.3) |
| Capital return and foreign exchange | | – | 949.7 | 949.7 | – | 949.7 |
| Taxation payable | 10 | – | 1.7 | 1.7 | – | 1.7 |
| **Total investment return during the year** | | – | 1,055.8 | 1,055.8 | 2.7 | 1,058.5 |
| Less | | | | | | |
| Clergy pensions paid | 16 | (124.1) | – | (124.1) | – | (124.1) |
| Release of clergy pensions paid | | – | 124.1 | 124.1 | – | 124.1 |
| Movement on clergy pensions provision | 16 | – | 15.5 | 15.5 | – | 15.5 |
| Gain/loss on defined benefit pension schemes | 17 | 5.7 | – | 5.7 | – | 5.7 |
| Charitable expenditure: non-pensions | | – | – | – | (285.4) | (285.4) |
| **Total other movements during the year** | | (118.4) | 139.6 | 21.2 | (285.4) | (264.2) |
| Add indexation on base value of endowment | | 90.9 | (90.9) | – | – | – |
| Application of non-applied total return | | – | (282.8) | (282.8) | 282.8 | – |
| **At 31 December 2024** | | 2,568.5 | 7,324.3 | 9,892.8 | 0.8 | 9,893.6 |

| | Notes | Base value of endowment £m | Unapplied total return £m | Total endowment fund £m | Other funds £m | Total funds £m |
|---|---|---|---|---|---|---|
| At 1 January 2023 | | 2,608.2 | 6,448.3 | 9,056.5 | 0.3 | 9,056.8 |
| Add investment return for the year: | | | | | | |
| Income return – gross income | | – | 188.3 | 188.3 | 3.7 | 192.0 |
| Income return – cost of raising funds | 3 | – | (106.9) | (106.9) | (0.4) | (107.3) |
| Capital return and foreign exchange | | – | 345.1 | 345.1 | – | 345.1 |
| Taxation payable | 10 | – | 0.9 | 0.9 | – | 0.9 |
| **Total investment return during the year** | | – | 427.4 | 427.4 | 3.3 | 430.7 |
| Less | | | | | | |
| Clergy pensions paid | 16 | (120.6) | – | (120.6) | – | (120.6) |
| Release of clergy pensions paid | | – | 120.6 | 120.6 | – | 120.6 |
| Movement on clergy pensions provision | 16 | – | (162.6) | (162.6) | – | (162.6) |
| Gain on defined benefit pension schemes | 17 | (1.1) | – | (1.1) | – | (1.1) |
| Charitable expenditure: non-pensions | | – | – | – | (224.5) | (224.5) |
| **Total other movements during the year** | | (121.7) | (42.0) | (163.7) | (224.5) | (388.2) |
| Add indexation on base value of endowment | | 109.5 | (109.5) | – | – | – |
| Application of non-applied total return | | – | (221.6) | (221.6) | 221.6 | – |
| **At 31 December 2023** | | 2,596.0 | 6,502.6 | 9,098.6 | 0.7 | 9,099.3 |

Other funds comprise the following balances:

| | At 1 January 2024 £m | Income £m | Expenditure £m | Transfers £m | At 31 December 2024 £m |
|---|---|---|---|---|---|
| *Restricted funds* | | | | | |
| Reconciliation | 0.7 | 0.7 | (0.6) | – | 0.8 |
| Other restricted funds individually below £0.1m | – | 0.1 | (0.1) | – | – |
| **Total restricted funds** | 0.7 | 0.8 | (0.7) | – | 0.8 |
| *Unrestricted funds (general)* | | | | | |
| General fund | – | 2.1 | (284.9) | 282.8 | – |
| **Total unrestricted funds** | – | 2.1 | (284.9) | 282.8 | – |
| **Total other funds** | 0.7 | 2.9 | (285.6) | 282.8 | 0.8 |

| | At 1 January 2023 £m | Income £m | Expenditure £m | Transfers £m | At 31 December 2023 £m |
|---|---|---|---|---|---|
| *Restricted funds* | | | | | |
| Reconciliation | 0.1 | 0.8 | (0.2) | – | 0.7 |
| Centre for Cultural Witness | 0.2 | 0.1 | (0.3) | – | – |
| Other restricted funds individually below £0.1m | – | 0.5 | (0.5) | – | – |
| **Total restricted funds** | 0.3 | 1.4 | (1.0) | – | 0.7 |
| *Unrestricted funds (general)* | | | | | |
| General fund | – | 2.4 | (224.0) | 221.6 | – |
| **Total unrestricted funds** | – | 2.4 | (224.0) | 221.6 | – |
| **Total other funds** | 0.3 | 3.8 | (225.0) | 221.6 | 0.7 |

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 18. FUNDS continued
Details of the significant restricted and designated funds are given below.

**Reconciliation**
The Archbishop of Canterbury receives external funding for his Reconciliation Ministry which is now based at Lambeth Palace. The scope of the funding covers staffing, office and IT costs, conferences and hospitality, UK and overseas travel, training and other resources in relation to the Archbishop's Reconciliation Ministry.

**Cultural Witness**
The Archbishop of Canterbury has received external funding for the Centre for Cultural Witness, which has recently been established at Lambeth Palace as part of his Evangelism ministry. The scope of the funding covers staffing, office and IT costs, research, and publishing costs.

The net assets of the Commissioners split between its funds, on a consolidated basis, are as follows:

| | General fund £m | Designated fund £m | Restricted £m | Pension reserve £m | Endowment fund £m | 2024 £m |
|---|---|---|---|---|---|---|
| Fixed assets | 42.6 | – | – | – | 10,787.2 | 10,829.8 |
| Current assets | 627.7 | – | 0.8 | – | 505.5 | 1,134.0 |
| Creditors: amounts falling due within one year | (1.1) | – | – | – | (258.2) | (259.3) |
| Creditors: amounts falling due after one year | (669.2) | – | – | – | – | (669.2) |
| Provisions | – | – | – | – | (1,068.3) | (1,068.3) |
| Defined benefit pension scheme liabilities | – | – | – | (73.4) | – | (73.4) |
| Total funds | – | – | 0.8 | (73.4) | 9,966.2 | 9,893.6 |

| | General fund £m | Designated fund £m | Restricted £m | Pension reserve £m | Endowment fund £m | 2023 £m |
|---|---|---|---|---|---|---|
| Fixed assets | 36.9 | – | – | – | 10,067.6 | 10,104.5 |
| Current assets | 610.8 | – | 0.7 | – | 538.2 | 1,149.7 |
| Creditors: amounts falling due within one year | – | – | – | – | (213.3) | (213.3) |
| Creditors: amounts falling due after one year | (647.7) | – | – | – | – | (647.7) |
| Provisions | – | – | – | – | (1,212.8) | (1,212.8) |
| Defined benefit pension scheme liabilities | – | – | – | (81.1) | – | (81.1) |
| Total funds | – | – | 0.7 | (81.1) | 9,179.7 | 9,099.3 |

## 19. CONTINGENT LIABILITIES
The Commissioners, dioceses and other Church bodies are the bodies responsible for the contributions to the Church of England Funded Pensions Scheme for clergy. In the event of defaults by any of the responsible bodies, the remaining responsible bodies, including the Commissioners, would continue to be responsible for the entire liabilities of the Scheme.

The Commissioners is a joint employer, together with the other National Church Institutions (NCIs), of most of the staff of the NCIs and, as such, has a contingent liability for salaries and other employment costs in the event of a default by any of the other joint employers.

It is not practicable to reliably estimate the quantum of the above contingent liabilities.

The Virgin Media Ltd v NTL Pension Trustees decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pension Schemes Act 1993. Section 37 of the Pension Schemes Act 1993 only allowed the rules of contracted-out schemes in respect to benefits to be altered where certain requirements were met. The court decision was upheld on appeal on 25 July 2024. There is potential for legislative intervention following industry lobbying that may retrospectively validate certain rule amendments. In addition, there is a possibility that the case could go to the Supreme Court. Given these uncertainties it is not currently possible to determine whether any amendments were not in accordance with section 37 of the Pension Schemes Act 1993 requirements. Further, it is not currently possible to reliably estimate the retrospective possible impact to the defined benefit obligations of the pension scheme if these amendments were not in accordance with section 37 of the Pension Schemes Act 1993 requirements.

The Commissioners has determined that there is no immediate need for action but will continue to monitor developments, considering its responsibility for the pension scheme liabilities above and considering that the pension schemes have determined that there is no immediate need for action.

## 20. LEASES
The Commissioners has different types of leases in place for its investment properties, including:

| Tenancy | Break terms |
|---|---|
| **Residential** | |
| Assured shorthold tenancies (ASTs) | Minimum six months then two months' notice |
| Assured tenancies | One month's notice |
| Regulated tenancies | One month's notice |
| Ground rents | No break terms |
| Licence agreement | One month's notice by either party |
| **Rural** | |
| Farm business tenancies | In general, there are no breaks until lease end date |
| Agricultural Holdings Act | Minimum 12 months' notice period by the tenant |
| Licence agreement | Will range from 1 to 3 months' notice by either party |
| **Commercial** | |
| Full repair and insurance | No break term unless specifically requested |
| Internal repair and insurance | No break term unless specifically requested |
| Geared rents | No break terms |
| **UK forestry** | |
| Not applicable | |

Due to the nature of the Commissioners' leases, most residential and rural property leases are cancellable within 12 months. Commercial property leases and residential ground rents are non-cancellable. The consolidated and Commissioners rents receivable under non-cancellable operating leases are:

| | 2024 £m | 2023 £m |
|---|---|---|
| Amounts due within one year | 15.7 | 13.9 |
| Amounts due after one year but not more than five years | 49.9 | 50.1 |
| Amounts due after five years | 284.5 | 307.1 |
| Total rents receivable under non-cancellable operating leases | 350.1 | 371.1 |

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 21. RELATED PARTY TRANSACTIONS
Church of England Central Services (ChECS) is a charitable company limited by guarantee and is a joint venture between the Commissioners, the Archbishops' Council and the Church of England Pensions Board, who are equal partners. The purpose of ChECS is to enhance the efficiency and effectiveness of the charitable national and diocesan institutions of the Church of England and of other charities with a church ethos, by facilitating the provision of cost-effective shared finance, HR, communications, legal, IT, internal audit and other services.

As at 31 December 2024, other than the amounts disclosed in debtors in note 13, £nil was owed by the Commissioners to ChECS (2023: £nil). The Commissioners' share of net assets of ChECS was £1m (2023: £nil). In addition, the Church Commissioners charged ChECS a total of £0.1m during 2024 (2023: £0.1m) for staffing costs in respect of information management and governance activities undertaken by staff at Lambeth Palace Library.

Like many charities, subsidiary companies carry out certain activities on behalf of the Commissioners. The transactions disclosed below are included in the Church Commissioners' stand-alone financial statements but are eliminated on consolidation. All transactions disclosed below are made between the Commissioners and one or more of its wholly owned subsidiaries, and so any cash or other assets transferred to a subsidiary are included within the consolidated financial statements.

If taxable profits are generated by the subsidiaries, these are paid to the Commissioners as donations made under Gift Aid. The Commissioners has recognised income relating to Gift Aid payments of £13.3m (2023: £25.8m) from its subsidiaries in the year.

During the year, two (2023: two) properties were sold from the Commissioners to CC Projects with total sale price of £65.3m (2023: £8.7m).

As disclosed in notes 13 and 14, the Commissioners maintains inter-company accounts between itself and its subsidiaries. The total debtors and creditors relating to subsidiary undertakings, excluding loan notes in Jahr Tree Co Pty Ltd, are debtors of £890.5m (2023: £724.9m) and creditors of £25.7m (2023: £23.9m). The Commissioners uses these accounts for efficient cash management across the Group and charges or pays interest at 1% above Bank of England Base Rate on these balances. The balances are unsecured with no fixed repayment date. During the year, the Commissioners received £44.2m (2023: £37.5m) and paid £1.4m (2023: £1.4m) interest in the year.

The Commissioners holds loan notes issued by its subsidiary Jahr Tree Co Pty in Australia totalling £24.4m (2023: £31.8m) at year end. On 12 August 2024, £6.8m (AUD $13.3m) of loan notes were converted into shares. Prior to the conversion of the loan notes, the interest rate was amended to 0% and deferred interest amounting to £32.3m was waived (2023: interest accrued £32.3m). This transaction was made at open market value.

During the year, Palace Public Occasions Limited was charged less than £0.1m (2023: less than £0.1m) by the Commissioners for costs incurred by the Commissioners on behalf of the company. An additional amount of less than £0.1m (2023: less than £0.1m) was charged to the company by the Commissioners for the use of premises owned by the Commissioners.

## 22. FUNDS HELD ON BEHALF OF OTHERS

| | 2024 £m | 2023 £m |
|---|---|---|
| Residential service charges, sinking funds and tenants' deposits | 13.7 | 14.6 |
| Trust funds | 11.6 | 11.3 |
| Total funds held on behalf of others | 25.3 | 25.9 |

The Commissioners holds monies on behalf of others. The sums are not included in the Commissioners' balance sheets.

**Residential service charges, sinking funds and tenants' deposits**
The service charges and sinking funds are paid in advance by tenants of properties owned by the Commissioners in order that property repairs and maintenance works can be carried out.

**Trust funds**
The Commissioners is a trustee of 30 funds, mainly restricted permanent endowment funds. Their income, £0.7m (2023: £0.4m), is applied in accordance with the terms of the trusts.

## 23. FINANCIAL RISK MANAGEMENT
In the ordinary course of its activities, the Commissioners manages a variety of investment risks including credit risk, liquidity risk and market risk. FRS 102 requires the disclosure of information in relation to certain investment risks. These risks, and how the Commissioners identifies, measures and monitors risk through various control mechanisms are set out below:

**a) Credit risk**
This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

*Credit risk exposure*
The Commissioners is subject to credit risk as it invests in fixed interest securities (either directly or through external managers), Over The Counter (OTC) derivatives, has cash balances and undertakes securities lending activities. Credit risk arising on derivatives depends on whether the derivative is listed on an exchange or is an OTC contract between two counterparties. The latter are not guaranteed by a regulated exchange and therefore the Commissioners is subject to risk of failure of the counterparty. The table below details the Commissioners' exposure to credit risk as at 31 December 2024.

| | Consolidated 2024 £m | 2023 £m |
|---|---|---|
| Trade debtors | 13.2 | 10.8 |
| Outstanding investment trades | 149.5 | 154.2 |
| Dioceses (Clergy Stipends and Diocesan Debtors Accounts) | – | 0.1 |
| Joint venture (ChECS) | 1.6 | 2.7 |
| Loans | 1.4 | 1.3 |
| Other debtors | 3.6 | 3.7 |
| Accrued income | 9.5 | 11.0 |
| Prepayments | 3.9 | 2.7 |
| OTC derivatives contract – debtors | 5.2 | 15.1 |
| Securities exposed to credit risk | 1,280.4 | 859.6 |
| Current asset investments | 246.8 | 272.6 |
| Cash at bank | 687.2 | 667.3 |
| Securities under Stock Lending programme | 93.1 | 180.9 |
| Total credit risk exposure | 2,495.4 | 2,182.0 |

Of the above financial assets, none of the Commissioners' financial assets subject to credit risk are past their due date or were impaired during the year.

*Risk management policies and procedures*
Credit risk arising on fixed interest securities included within current asset investment is mitigated by investing in high-quality government and supranational bonds where the credit risk is minimal. The Commissioners also invests in investment grade, high yield and emerging market debt, which are included in Securities exposed to credit risk. The proportion at year end for each is 29%, 55% and 16% respectively. The Commissioners manages the associated credit risk by mandating the investment managers to diversify their portfolios to minimise the impact of default by any one issuer.

OTC derivative counterparties are selected (and retained) for trading a specific derivative instrument type, after an assessment of their credit quality, their competence with respect to trading a product, and subject to agreeing to the Commissioners' minimum standards within legal arrangements. For certain transactions, collateral may also be exchanged to minimise counterparty credit risk.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 23. FINANCIAL RISK MANAGEMENT continued
**a) Credit risk continued**

***Risk management policies and procedures continued***

The Commissioners lends certain equity and fixed income securities under a securities' lending programme. The Commissioners manages the credit risk arising from securities' lending activities by restricting the amount of stock that may be lent, only lending to approved borrowers who are rated investment grade and through collateral arrangements.

Cash is held with financial institutions which are at least investment grade credit rated, with the maximum deposit limit for any one counterparty set by reference to its credit rating and G-SIB (Global Systematically Important Banks) status. Credit default swaps (CDS) spreads and rating notifications are monitored to ensure exposures remain within the approved limits. To reduce our credit risk exposure to any single financial institution we also invest in money market liquidity funds. These must have a AAAmmf or equivalent rating to be eligible for investment and limits are in place on the maximum allowable exposure to any single fund.

**b) Liquidity risk**

Liquidity risk is the risk that the Commissioners will encounter difficulties raising cash to meet its obligations when they fall due.

***Liquidity risk exposure***

This is a risk to the Commissioners, given the value of the Commissioners' commitments to charitable and investment activities.

The following table details the Commissioners' financial liabilities as at 31 December 2024:

| | Consolidated | |
|---|---|---|
| | **2024 £m** | 2023 £m |
| **Creditors falling due within one year** | | |
| Trade creditors | **10.3** | 7.8 |
| Dioceses and other Church bodies | **9.5** | 7.9 |
| Other creditors | **5.8** | 5.6 |
| Taxation and National Insurance contributions | **–** | 9.4 |
| Accruals and deferred income | **30.1** | 31.7 |
| Grants payable | **127.9** | 85.7 |
| Outstanding investment trades | **37.2** | 24.1 |
| Derivative open contracts | **38.5** | 41.1 |
| **Total Liquidity Risk Exposure within one year (note 14)** | **259.3** | 213.3 |

| | Consolidated | |
|---|---|---|
| | **2024 £m** | 2023 £m |
| **Creditors falling due after one year** | | |
| Grants payable | **127.1** | 106.0 |
| Bond liabilities | **542.1** | 541.7 |
| **Total Liquidity Risk Exposure after one year (note 15)** | **669.2** | 647.7 |

For private market commitments which are not part of the financial liabilities as of 31 December 2024, please refer to note 2(d).

***Risk management policies and procedures***

The Commissioners forecasts asset and liability cashflows across the portfolio, to ensure that there are no liquidity mismatches in terms of the size or timing of expected cashflows. In order to further mitigate liquidity risks, the Commissioners holds appropriate levels of liquid assets, including holding cash and cash equivalents (cash at bank and money market fund investments) and current asset investments (short-dated fixed income instruments) sufficient to fund the next 18 months' worth of planned distributions after including net new investments, forecast income, cash receipts and expenditure.

**c) Market risk**

This comprises currency risk, interest rate risk and other price risk.

**i) Currency risk:** This is the risk that the fair value or future cash flows arising in respect of a financial asset or liability will fluctuate because of changes in foreign currency exchange rates.

***Currency risk exposure***

The functional currency and currency for most of the Commissioners' expenditure is sterling. However, the Commissioners holds financial assets denominated in currencies other than sterling and is impacted by fluctuations in foreign currency exchange rates.

The following table details the asset value exposed to currency risk as at 31 December 2024:

| | **2024 £m** | 2023 £m |
|---|---|---|
| **Investment Assets excluding foreign currency contracts** | | |
| USD | **6,411.5** | 5,863.4 |
| EUR | **684.8** | 608.0 |
| CNY | **83.7** | 63.0 |
| Other currencies | **505.4** | 417.8 |
| **Foreign Currency Contracts** | | |
| USD | **(623.5)** | (767.8) |
| EUR | **–** | – |
| CNY | **–** | – |
| Other currencies | **–** | – |
| **Net Exposure** | | |
| USD | **5,788.1** | 5,095.6 |
| EUR | **684.8** | 608.0 |
| CNY | **83.7** | 63.0 |
| Other currencies | **505.4** | 417.8 |

| | **Impact on gain for the financial year 2024 £m** | Impact on gain for the financial year 2023 £m |
|---|---|---|
| 10% US dollar appreciation | **578.8** | 509.6 |
| 10% Euro appreciation | **68.5** | 60.8 |
| 10% Renminbi appreciation | **8.4** | 6.3 |

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2024**

## 23. FINANCIAL RISK MANAGEMENT continued

*Risk management policies and procedures*
Currency exposures are monitored and reported on at least a monthly basis. The Commissioners may use foreign currency forwards and options contracts to reduce the impact of changes in foreign currency exchange rates in relation to investments priced in certain currencies other than sterling.

In addition, the Commissioners has an investment policy to hold a minimum of 25% of total assets denominated in sterling.

**ii) Interest rate risk:** This is the risk that the value of an asset or liability will fluctuate because of changes in market interest rates (i.e. for fixed interest rate assets or liabilities) or that future cashflows will fluctuate due to changes in interest rates (i.e. for floating rate assets or liabilities).

*Interest rate risk exposure*
The Commissioners' holds cash and cash equivalents which includes money market fund instruments as detailed on the Balance Sheet. These are floating rate interest bearing assets, which are subject to interest rate risk. The Commissioners also invests in high-quality government and supranational bonds for liquidity management purposes.

The Commissioners is also exposed to interest rate risk due to investments in public and private credit markets. These investment strategies are implemented by external investments managers, who consider the impact of changes in interest rates as part of their credit assessment.

As at 31 December 2024, £2,178m (2023: £1,691m) of assets were exposed to interest rate risk.

As stated in the accounting policies, the Commissioners' fixed interest bond liabilities are measured at amortised cost using the effective interest rate method, rather than at fair value.

*Risk management policies and procedures*
The Commissioners takes into account the possible effects of a change in interest rates on the fair value and cash flows of the interest-bearing financial assets and liabilities when making investment decisions.

**iii) Other price risk:** This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

This is a risk for the Commissioners because its ability to support the Church over the long term is dependent on maintaining in real terms the purchasing power of the asset base.

*Other price risk exposure*
The following table details the asset value exposed to other price risk as at 31 December 2024:

| | Consolidated | |
|---|---|---|
| | 2024 £m | 2023 £m |
| Listed securities | 3,790.1 | 3,173.0 |
| Unlisted securities | 4,473.1 | 4,318.4 |
| Direct property | 1,622.0 | 1,597.6 |
| Indirect property | 96.5 | 109.0 |
| Value-linked loans | 66.6 | 69.5 |
| Timberland | 125.7 | 146.5 |
| Standing timber | 200.5 | 256.9 |
| Indirect timberland | 72.5 | 66.7 |
| Infrastructure | 239.3 | 230.2 |
| **Total investments (note 2(a))** | **10,686.3** | 9,967.8 |
| Derivatives open contracts debtors | 17.3 | 23.3 |
| Derivatives open contract creditors | 38.5 | 41.1 |
| **Total price risk exposure** | **10,742.1** | 10,032.2 |

*Risk management policies and procedures*
The Commissioners manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets. The asset allocation is regularly monitored to identify whether the current allocation, including intended changes, is in line with the targeted allocation as agreed with the Assets Committee. Price risk is also managed through active hedging strategies, which are expected to offset losses during market stress events. In 2024, exchange-traded derivatives (Held at Dec24: £399m notional value, Held at Dec23: £nil) were used alongside OTC index swaps (Held at Dec24: £798m, Held at Dec23: £800m notional value) in these hedging strategies with the OTC swap products positioned to hedge more severe or prolonged market events.

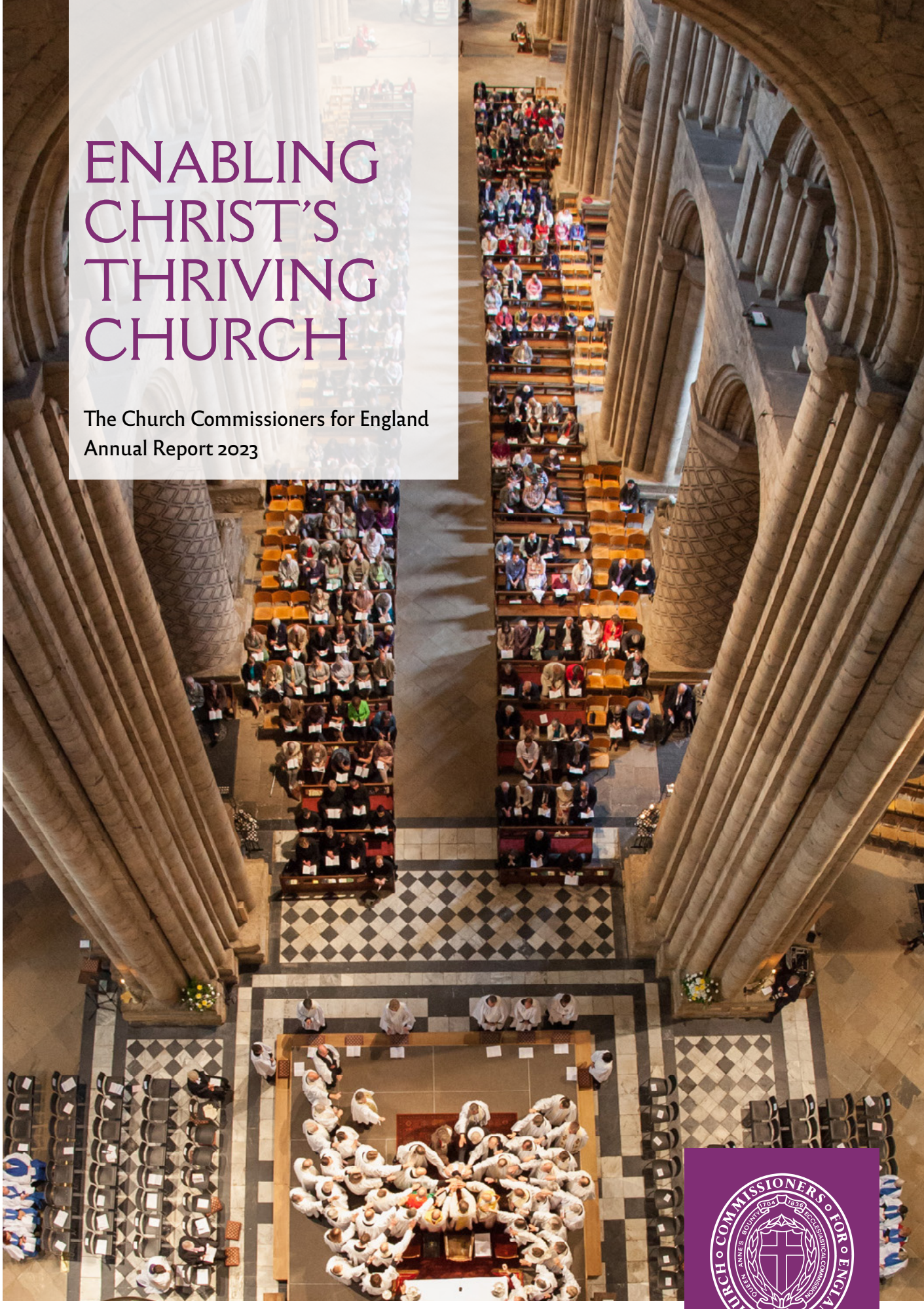



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**CHURCH COMMISSIONERS FOR ENGLAND**

England & Wales - Charity number 1140097

# Accounts



# ENABLING CHRIST'S THRIVING CHURCH

The Church Commissioners for England
Annual Report 2023

CHURCH COMMISSIONERS *for* ENGLAND

The Church Commissioners Annual Report 2023

Enabling Christ's thriving Church

Presented to Parliament pursuant to section 12(2)
of the Church Commissioners Measure 1947




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THE CHURCH COMMISSIONERS FOR ENGLAND

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Front cover: Prayers at ordination ceremony at Durham Cathedral

# OVERVIEW AND WELCOME FROM THE ARCHBISHOP OF CANTERBURY

*I am pleased to introduce this report on the work of the Church Commissioners for England, who support the Church tirelessly through their financial stewardship of its permanent endowment fund and the many other responsibilities they manage for the Church of England.*

In a remarkable speech to the UN General Assembly in September 2023, the UN Secretary General described the world as like "a door off its hinges." Lord Cameron has also since said that internationally, all the lights are flashing red. The outbreak of the latest catastrophic conflict in the Middle East, centred on Gaza but with great risk of spreading, the continuation of the war in Ukraine, and severe conflicts in roughly fifty other countries, all come together to cause endless and ever more terrible suffering. They also, collaterally, make the task of the Church Commissioners in stewarding the wealth of the Church of England's historic endowment fund ever more complicated.

On the spending side, the world outside the inner workings of the Church of England is also causing the Commissioners great challenges in its task of stewardship. In the UK, child poverty, and food insecurity for children and adults, are at levels not seen since before World War II. The housing crisis is one of quality and quantity. Ethical investment, never simple, is ever more difficult. The climate crisis casts a deep shadow over investments (not to mention human lives) over the next 25 years.

I am therefore delighted to introduce this report on the work of the Church Commissioners for England, which is tasked since 1703 with supporting the Church of England. By carefully stewarding its endowment fund and generating strong returns on an ethical basis, it enables sustainable funding for the work of the Church in England, particularly in areas of need.

I express my deep gratitude to the trustees and staff of the Church Commissioners for their tireless work over the previous year amidst all the crises and confusion.

Inflationary pressures, already strong, were added to greatly by the international situation. The ongoing cost-of-living crisis hurt people across the country, people who were already struggling. Our churches, dioceses and cathedrals were affected along with everyone else. But of course, the work of the Church of England continued, bringing light and hope to so many, and responding with love and grace to the needs of our communities.

Last year was the first year of a new funding triennium (2023-25) for the Church Commissioners, in which it has committed to raise its financial distributions to the Church of England by 30% – helping to support God's mission and ministry across the country, supporting local parishes, and growing new worshipping communities. The Church of England partners in more than 30,000 social projects in areas of need, as well as sharing the good news of Jesus Christ. In 2023, its average weekly attendance grew by 5%, after 3% in 2022, the first growth since the early 1950s. It also planted 1,300 new worshipping congregations. Funding from the Church Commissioners was – under the grace of God – a significant support for the daily work of parishes and chaplaincies.

This funding was enabled by the consistently strong investment returns achieved by the Commissioners. In fact, 2023 saw the 15th consecutive year of positive performance for the fund – a remarkable achievement, particularly given recent challenges. This is due in no small measure to Tom Joy, the Church Commissioners' outgoing Chief Investment Officer, and we thank him for all he has done.

What is more, the Church Commissioners delivered this result in an ethical and responsible way. Of particular note, the Church Commissioners disinvested from all oil and gas companies in 2023, having determined in an objective manner that none of them were sufficiently committed to – and prepared for – the switch to the net zero world we need to achieve.

The Church Commissioners' Responsible Investment team also made huge strides in other areas, not least by helping to establish the Investor Initiative on Human Rights Data, which aims to improve the quality of corporate human rights data available to investors. And of course, all the other engagement work continued, as the team quietly and patiently worked with other investors to persuade companies to help meet humanity's big challenges. To be good corporate citizens.

While the Church Commissioners is plainly not one of the world's biggest investors, it has enormous influence and does not shy away from using it to the common good. 2023 was also the year that we faced up to some



Photo: World Council of Churches

of the darkest parts of our own history. Methodical and independent research showed that the Commissioners, through its predecessor organisations, has historical links with African chattel enslavement – both through investments in the South Sea Company, and through donations from people whose fortunes were made in this abominable, inhumane trade.

When the findings were published in January 2023, the Church Commissioners responded by announcing it would commit funding of £100 million in a programme of impact investment, grant making, research, and engagement. A new in perpetuity impact investment fund will invest in a better and fairer future for all, particularly for communities still affected today by the mindset of chattel enslavement. It is hoped this fund will grow over time, reinvesting returns to enable it to have a positive legacy that will exist in perpetuity, and with the potential for other institutions to participate, further enabling growth in the size and impact of the fund.

What is truly shocking is the underlying mindset that produced chattel enslavement – the willingness to see other humans as lesser, to treat them like possessions, and to exploit them in the narrow, selfish pursuit of profit.

Our response is not about compensation for individuals. The people who suffered these horrors are long gone – their lives blighted, brutalised, and cut short – and nothing can erase the pain they endured. For the Church Commissioners, this is about seeking the truth, taking responsibility, and living up to its values. Neither is it about apologising for spreading the gospel, as some have claimed – nothing could be further from the truth. It is our calling to share the good news of Jesus Christ.

However, we must be clear that appalling abuses took place in the past, supposedly in God's name. These blasphemies had nothing in common with the gospel of God's love.

In aspiring to create an initiative for Healing, Repair and Justice, we have the potential to be a catalyst for change – to prompt others to think about their own history, to acknowledge past wrongs, to open hearts, and to encourage the flourishing of all God's children. Through the power of example, however messy, difficult, and imperfect, we seek to share learning that can help others embarking on similar work. The benefits will reach far and wide. And it starts with being honest.

Other challenges remain and must be addressed. The Church Commissioners holds areas of land fit for development as housing, with significant proportions of genuinely affordable homes. In 2021, the Archbishops' Commission on Housing, Church and Community produced a report – 'Coming Home' – that in prophetic and very well-informed terms set out the tasks for Church, government both local and national, and developers. That is a task examined and diagnosed. As core to its mission the Church of England in all its forms must rise to this great challenge and demonstrate in words and action God's love for the poorest and most deprived, and for all communities and people of this nation.

Looking ahead, I thank God for the work of the Church Commissioners as it works to support the Church of England we love – now and for the future. The task will never be complete, but in a remarkable year, through acts of repentance, vast imagination in facing ethical issues, hard work and great skill, the Church Commissioners has contributed greatly to making progress, by the grace of God, once again, thank you.

Justin Welby
Archbishop of Canterbury



# A LETTER FROM THE CHIEF EXECUTIVE

*Dealing with change is an ever-present challenge for all of us today and it was a recurring theme for the Church Commissioners in 2023. In some cases, we were actively seeking change, in others we were responding to circumstances and events, sometimes foreseen and sometimes unforeseen.*

Climate change is perhaps the most significant change impacting our planet and all who live on it, disproportionately affecting the poorest people and nations of the world. Five years ago, we committed to the Church of England's General Synod that, by the end of 2023, we would disinvest from fossil fuel companies not aligned with the short, medium, and long-term goals of the Paris Climate Agreement. Despite our best engagement efforts, our analysis indicated that none of the major oil and gas companies achieved the criteria we had set, and so we announced the decision to exclude them from our investment fund.

In July, we secured General Synod's support for changes to the Mission and Pastoral Measure which provides a regulatory framework around the provision of local worship, mission, and ministry. Our proposals, now being captured in draft legislation, are aimed at a more efficient and more pastoral approach, helping the Church adapt ministry provision in line with changing circumstances over time, while also protecting rights of appeal and fairness in the adjudication thereof. The General Synod also approved proposals for reform of governance structures that seek to establish simpler, more effective, more transparent and accountable governance arrangements in the Church at national level. These reforms will have important implications for the Church Commissioners and we continued to collaborate with and support the programme board and team leading this work, which is now progressing to legislative stage.

In November, the Church Commissioners' Board received recommendations from an independent Oversight Group which we appointed to guide our response to the discovery of our predecessor body's links to African chattel enslavement. This represented a significant shift as we move into the implementation phase – there remains an enormous amount of complex work to do to establish the Church Commissioners' new fund seeking Healing, Repair and Justice, but we embark on that work with hope, taking specific actions that will support the Church's mission through seeking to invest in a better future for all.

The end of 2023 saw significant change in the elected membership of our Board, with seven Commissioners, including the Deputy Chair, stepping down having reached the end of their permitted tenure or having decided not to stand for re-election. Elsewhere in this report we thank those colleagues who have departed and welcome their successors, but I would like to express my thanks to Canon Peter Bruinvels, Jay Greene, Canon Betty Renshaw, Reverend Anne Stevens, Father Stephen Trott, Jacob Vince and Bishop David Walker, as well as Mark Woolley who stepped down earlier in the year, not just for their service to the Church Commissioners, but for their support and care for my team and me. Our people, staff and trustees alike, are absolutely critical to our success, which is why we commit a good deal of energy to careful recruitment and succession planning, thorough induction and team development. We will continue to do all we can to combine the benefits of experience and continuity with the fresh perspectives that turnover brings, knowing that diverse teams will help us to make the best decisions as we work together to serve Christ's Church.

As we continue to respond to and manage change as best we can in 2024, we in the Church Commissioners, working in partnership with all our sisters and brothers in the Church of England, rejoice in the knowledge that God's love for us will never change.

Gareth Mostyn
Chief Executive

# AT A GLANCE

*We support the mission of the Church of England through ethical and responsible management of the Church's historic endowment fund.*

| | 2023 | 2022 |
|---|---|---|
| Total return | **4.1%** | 5.0% |
| Total return (30-year average) | **9.4%** | 10.0% |
| Supporting dioceses and the local church | **£152.8M** | £117.2M |
| Bishops' and Archbishops' ministry | **£47.0M** | £44.9M |
| Cathedrals' ministry | **£14.1M** | £14.3M |
| Other activities | **£9.1M** | £10.4M |
| Total charitable expenditure excluding clergy pensions obligation | **£223.0M** | £186.8M |
| Total cash paid on clergy pensions | **£120.6M** | £117.1M |
| Investment fund | **£10.4BN** | £10.3BN |



Meeting of GMH/UKME clergy and ordinands
Photo: Bishopthorpe Palace



# OUR VISION AND PURPOSE

*Our vision is: "Enabling Christ's thriving Church".*

The Church Commissioners' core purpose is to provide long-term support for the ministry of the Church of England by delivering sustainable funding, practical guidance, and effective processes.

The Board has agreed the following strategic priorities and objectives in support of our purpose, which are closely aligned with the work of the Archbishops' Council and the Church's Vision & Strategy for the 2020s.

Our vision and purpose are enabled by talented teams and good governance, underpinned by our National Church Institution values:

- Strive for excellence
- Act with integrity
- Respect others
- Show compassion
- Collaborate

**LONG-TERM SUPPORT FOR THE MINISTRY OF THE CHURCH OF ENGLAND: through practical guidance and effective processes which contribute to its resilience and durability**

| STRATEGIC PRIORITIES | 2023 ACHIEVEMENTS | 2024 MILESTONES / TARGETS |
|---|---|---|
| *Strengthening the governance of all English Cathedrals through registration with the Charity Commission* | • Most cathedrals are now registered with the Charity Commission | • All cathedrals to be registered with the Charity Commission and co-regulated by Church Commissioners / Charity Commission by mid-2024 |
| *Develop and implement a holistic plan for supporting churches to manage and make the most of their church buildings, including implementation of the Buildings for Mission programme* | • New Buildings for Mission programme established, with new Church Buildings Support officer roles and funding for grants to support small-scale repair projects | • Work with lead bishops, chairs of national committees (MPCPC, CBC, CFCE) and external partners to develop cohesive approach to supporting our church buildings and those who manage them |

| LONG-TERM SUPPORT FOR THE MINISTRY OF THE CHURCH OF ENGLAND: through **practical guidance and effective processes** which contribute to its resilience and durability | | |
|---|---|---|
| STRATEGIC PRIORITIES | 2023 ACHIEVEMENTS | 2024 MILESTONES / TARGETS |
| *Completion of the refurbishment of Lambeth Palace* | ❀ Work continued on the refurbishment project | ❀ Project complete and Palace fully in use |
| *Develop legislation for a new Mission and Pastoral Measure (MPM) in line with Synod approval, together with a plan for implementation* | ❀ Proposals for the review of the Mission and Pastoral Measure approved by Synod in July 2023 | ❀ Draft legislation to be prepared for consideration by General Synod |
| *Support with the development and implementation of a national redress scheme, through funding, legal advice and sharing in programme oversight* | ❀ Supported the design and development of new Safeguarding redress scheme, including allocation of funding<br><br>❀ Continued to provide funding support for the Archbishops' Council's National Safeguarding programme | ❀ Support the appointment of a scheme operator and the preparation of legislation for approval by General Synod |
| *Delivery of programme of response to historic links to transatlantic chattel slavery, supporting the national Church in its own response and learning on this subject* | ❀ Published report of research findings and carried out extensive engagement across England and with Anglican Communion in Western Africa and Caribbean<br><br>❀ Appointed an Oversight Group to advise on planned response | ❀ Complete work to design the new impact investment fund and grant programme, with new fund to be established by end of 2024 |
| *Support the national Church's 2030 net zero ambition, through programme management, oversight and funding for the Net Zero Carbon programme* | ❀ Net Zero Carbon programme board established to oversee the funding allocation<br><br>❀ Prioritisation of 2023-25 funding agreed and specific delivery projects underway | ❀ Produce Net Zero Programme 2023 Annual Report and commence planning for allocation of 2026-2028 triennium funding |

# OUR VISION AND PURPOSE
continued

**LONG-TERM SUPPORT FOR THE MINISTRY OF THE CHURCH OF ENGLAND: through funding that is sustainable in terms of the performance of our portfolio, our ethical and responsible investment principles, and the processes and systems that ensure the efficient distribution of funds**

| STRATEGIC PRIORITIES | 2023 ACHIEVEMENTS | 2024 MILESTONES / TARGETS |
|---|---|---|
| *Manage the endowment fund professionally and ethically in order to allow the Church Commissioners to maintain and grow its in perpetuity funding support to the Church of England (in accordance with the principles of inter-generational equity)* | ❄ Working with Archbishops' Council, new triennium funding streams introduced, embedding requisite governance processes. These new funding streams encompass new diocesan investment, net zero carbon, buildings for mission, and racial justice programmes<br><br>❄ Continued focus on implementing ESG priorities across housing development opportunities, including the publication of an ESG baselining report for the strategic land portfolio in April 2023 | ❄ Continue to target long-term annual average returns of CPIH+4%<br><br>❄ Commence the triennial actuarial review & spending plans prioritisation process |
| *Optimise the Church Commissioners' impact as a leading Responsible Investor (RI) through prioritising key themes and implementing a targeted RI programme accordingly* | ❄ Concluded and reported to Synod on 2023 fossil fuel investment hurdles, and published Climate Action Plan | ❄ Develop priority focus areas to ensure maximum impact with limited resources<br><br>❄ Publish annual Stewardship Report on progress made |
| *Deliver the Finance Transformation Programme (together with other NCIs), including implementing fit for purpose finance and grant management systems to enable increased efficiency in providing funding to the national Church* | ❄ Established programme for the introduction of a fit-for-purpose finance system for the NCIs | ❄ Progress design and scoping phase of programme<br><br>❄ Implement a new Grant Management system |

**LONG-TERM SUPPORT FOR THE MINISTRY OF THE CHURCH OF ENGLAND: enabled through:**
**– Diverse teams that feel engaged, appropriately resourced, and supported to deliver their work, and**
**– Governing bodies that are equipped to make data-driven and values-led decisions**

| STRATEGIC PRIORITIES | 2023 ACHIEVEMENTS | 2024 MILESTONES / TARGETS |
|---|---|---|
| *Develop and implement an integrated Technology and Data Strategy to support efficient, effective and cyber-secure processes, systems and projects* | ❀ Delivered successful go-live of new People System / Payroll | ❀ Complete new NCI Technology and Data strategy |
| *Ensure the Church Commissioners' teams feel engaged and appropriately resourced and supported to deliver their work* | ❀ Successful recruitment for senior management roles<br>❀ 2023 staff 'pulse' survey delivered and actions agreed<br>❀ New Church House office space completed | ❀ Implement NCI leadership / management development plan<br>❀ Continue delivery of Belonging & Inclusion strategy<br>❀ Carry out further staff survey with response plan |
| *Proactively diversify our workforce at all levels, including within our governing bodies and at all levels of our staff teams* | ❀ Diversity charter agreed by Board | ❀ Hold Board-level diversity pipeline event<br>❀ Continue collection and monitoring of diversity statistics |
| *Support Board and Committee members to be able to contribute meaningfully* | ❀ Successful introduction of new Board / Assets Committee members in 2023 | ❀ Lay-on thorough induction process to new trustees<br>❀ Carry out Board effectiveness review |
| *Supporting the creation of a new Governance model for the national Church, through collaborative working with, and practical support to, the Governance Review programme team* | ❀ Active support to Governance project board (including First and Third Commissioners) and staff team | ❀ Support the process of draft legislation coming to General Synod during 2024<br>❀ Commence planning for future implementation |



# FUNDING THE CHURCH

*The Church Commissioners makes funds available to support mission and ministry across England.*



Ordination of priests

# SUPPORTING DIOCESES AND THE LOCAL CHURCH

*One of the key ways in which the Church Commissioners achieves its purpose is through distributing funding to the Archbishops' Council to support dioceses and the local Church.*

## 2023-31 SPENDING PLANS

2023 saw the implementation of the Commissioners' and Archbishops' Council's 2023-25 triennium spending plans, which were announced in 2022 at which time the Church Commissioners indicated that it planned to maintain the same level of funding for the subsequent six years. These funding plans include the creation of Strategic Mission and Ministry Investment (SMMI) to support the Church in achieving the strategic priorities and the bold outcomes of the Church of England's Vision and Strategy for the 2020s, which set the framework for the Commissioners' grant-making activity for the period. This report includes an explanation of how the grant-making activities contribute to the Commissioners' aims and objectives.

## THE VISION AND STRATEGY FOR THE 2020S

The Vision for the Church of England in the 2020s is that we become a Church that is centred on Jesus Christ and shaped by Jesus Christ through the five marks of mission. The three strategic priorities for the 2020s are:

- A church of missionary disciples
- A church which is younger and more diverse
- A church where mixed ecology (i.e., church in a variety of different forms and settings) is the norm.

In delivering on these priorities, there are six bold outcomes:

**A church for everyone through:**

1) Doubling the number of children and young active disciples in the Church of England by 2030
2) Church of England which fully represents the communities we serve in age and diversity

**A pathway for every person into an accessible and contextual expression of church through:**

3) A parish system revitalised for mission so churches can reach and serve everyone in their community
4) Creating ten thousand new Christian communities across the four areas of home, work / education, social and digital

**Empowered by:**

5). All Christians in the Church of England envisioned, resourced and released to live as disciples of Jesus Christ in the whole of life, bringing transformation to the church and world
6). All local churches, supported by their diocese, becoming communities and hubs for initial and ongoing formation.

## STRATEGIC MISSION AND MINISTRY INVESTMENT

The Commissioners and the Council have allocated £0.4 billion to the Strategic Mission and Ministry Investment programme (SMMI) in the 2023-25 triennium, and potentially £1.2 billion over the period 2023-31, subject to the outcome of future triennial funding reviews.

A new Board – the Strategic Mission and Ministry Investment Board (the SMMIB) – was created in February 2023 to distribute this funding and monitor the progress and impact of the SMMI programme on behalf of the Archbishops' Council. The SMMIB has taken on responsibility for tracking the effective delivery and impact of existing mission projects across the country previously awarded funding by its predecessors, the Strategic Investment Board and Strategic Ministry Board. The SMMIB is also responsible for funding for additional stipendiary curates, funding previously discharged by the Strategic Ministry Board.

Many of the recommendations of the independent review of Strategic Development Funding (SDF) and Lowest Income Communities (LInC) funding, which reported in 2022, have been taken into account in the design of the Strategic Mission and Ministry Investment programme, including the building of trust and partnership between dioceses and the national Church, whilst increasing investment in sharing learning from awards to date.

The SMMI programme comprises two elements: the Diocesan Investment Programme and the People and Partnerships Funding.

## DIOCESAN INVESTMENT PROGRAMME

In 2023-25, a total of £338.5m of Diocesan Investment Programme Funding is planned to be available for distribution. This includes a total of £91m for distribution as LInC funding, plus £8m of transition funding to support dioceses that receive less LInC funding than they received under the previous formula.

The Diocesan Investment Programme (DIP) supports dioceses to advance their plans for the Vision and Strategy in parishes and communities across England, prioritising investment in the most deprived contexts. Dioceses can access funding for two different types of investment proposal.

- A plan to develop mission across the whole diocese which sets out the additional people, capacity and other resources needed to deliver it; and

- A major change programme to develop mission focused on a particular geographical area or demographic.

Both types of investment must be framed by the diocese's overall strategy in line with the priorities of the Church's Vision and Strategy for the 2020s, and articulating how the proposal has been designed through a mix of data analysis, local consultation, prayers, integrating learning and specialist knowledge.

In 2023, the SMMIB awarded £38m of Diocesan Investment Programme Funding for the programmes listed below:

- £6.8m to Bristol diocese for the first phase of its Transforming Church Together programme which will invest in missional leadership, create and support missional communities to revitalise parishes, plant new congregations, and pioneer new expressions of church. The programme will strengthen missional engagement by providing additional support to help parishes reconnect with wider society, including under-represented groups and especially younger people, investing in Growing Faith chaplaincies and children, youth and families workers. The programme will also develop missional action and advocacy, developing partnerships and networks around shared concerns. The diocese's strategy aims to invest in eleven Priority Communities in time (identified as areas of socio-economic disadvantage) but for this award the diocese will pilot its approach in two Priority Communities, investing in a Dean of Estates Ministry and in support tailored to the needs of each Community (e.g. lay workers, community development workers, children / youth workers).

- £0.6m to Canterbury diocese to support the first step in the diocese's plan to double the number of children and young disciples. The Board agreed in principle to award further funding on receipt of additional plans. This will support the work of seven youth ministers to be deployed at St Luke's, Maidstone; Holy Trinity, Sittingbourne; St John the Baptist, Folkestone; St Mary's, Goudhurst; St George's, Deal; All Saints, Loose; and St Alphege, Seasalter. These churches will be developed into hubs to provide support on children's and youth work to other churches in their deaneries. The funding will also support two cohorts of the diocese's Ministry Experience scheme, plus programme office capacity.

- £2.7m to Durham diocese for phase 1 of its transformation programme which, over the longer term, seeks to double the number of missionally active parishes. The award will support the diocese's strategy to engage intentionally with the missing generation of 16-25-year-olds through funding mission chaplaincy in three further education colleges and establishing three new worshipping communities. The funding will also support introducing interim ministry and support to churches in vacancy and additional capacity for the central diocesan team.

- £3.3m to Guildford diocese for the first phase of its nine-year Youth Catalyst plan, which seeks to more than double the number of active young disciples. The first phase will place youth ministers in three Church of England secondary schools and one other state secondary school, recruit and train ten church-based apprentice youth ministers and train four existing youth ministers. The programme will also recruit a team to lead high-quality youth worship gatherings across the diocese. It will provide training for volunteer youth leaders and offer one-year internships to allow young people to test their vocation to serve the Church.

- £3.9m to Leeds diocese for the first phase of its Barnabas: Encouraging Confidence programme which, over the longer term, aims for 70% of parishes to be missionally strong and sustainable and to double the number of children and young disciples. The programme includes church revitalisations, leadership development for clergy and laity, and practical support for churches in focus areas, alongside plans for new worshipping communities. The programme will deliver a project in Wakefield to make disciples and plant new congregations among children, young people, and families, focusing on the most deprived areas and on UKME communities.

- £1.5m to London diocese to continue and expand the youth worker apprentice strand of the diocese's Capital Youth project which was awarded Strategic Development Funding in 2017. The funding will support the diocese's Growing Younger strategy through investing in 24 diverse children's and youth apprentices who will be deployed in parishes in deprived contexts. The project seeks to engage with over 3,000 children and young people, of whom over

900 will choose to engage with faith-related activities and 230 will engage in active discipleship or leadership roles.

- £2.8m to Manchester diocese to build on the impact of its Children Changing Places project, which is based in Bolton deanery and is supported by Strategic Development Funding. The expanded plans aim to reach more schools, children, young people and their families across Bolton deanery and the diocese including through developing worship for children aged 5+; supporting churches to create discipleship pathways for new families; linking young people on school discipleship pathways to more parish youth groups and / or wider church communities; growing discipleship opportunities for young people in school years 9-13; creating parish youth activities for older teens; and increasing the number of volunteers needed to maintain the rapid growth in engagement with children, young people and families. The Shades racial justice project will be expanded to meet demand from schools and churches across the diocese.

- £1.2m to Portsmouth Diocese to revitalise the church in Ryde as a first stage in the wider revitalisation and growth of the church across the whole of the Isle of Wight. The church at All Saints, Ryde will grow from a faithful congregation of 30 to a younger more diverse congregation of over 300 people, including families, younger adults, and children, with an increase from no children to 80 children plus 30 young people. The major intervention will be a church plant, working hand-in-hand with the existing congregation and the pioneering work of existing small groups (the Dwell Network) which will provide a planting team of 30 people. The programme will create new Christian communities in seven schools and two new congregations. There will also be two further church plants / grafts growing to congregations of 125 and 50 respectively within the programme's lifetime and each expected to grow to 250-300 beyond the funding window. Seven interns will be on a path to ordination or working in a lay leadership role.

- £4.8m to Sheffield diocese to support its strategy for growth and revitalisation. The funding will support five church revitalisations focusing on highly deprived areas, leading to 300-500 new disciples and 50 new regular giving households. The diocese aims to diversify church traditions and styles amongst these church revitalisations and also to diversify gender among their leadership. The funding will also provide support for lay-led congregations through a small grants scheme and will invest in developing the leadership potential of 32-48 young people, with 15 of these entering the ordination discernment process.

- £6.5m to Southwark diocese to support:
  - Four resourcing churches to send clergy, resources and potentially a graft into another church to enable it to grow and thrive. The resourcing churches are: St Peter's Brockley working with St James, Kidbrooke, and another parish to be identified by 2025; St Matthew's @ the Elephant (a Hispanic bilingual church) working with Christ Church, Brixton Road; St John the Divine, Kennington, working with St Faith's, North Dulwich and St James, Malden; and St Mary's Church, Reigate, working with Merstham parish.
  - The development of three Hub Churches to come alongside other churches and help with advice, expertise and models of ministry that can be adapted for a parish's own context (St Barnabas, Dulwich coming alongside St Clement's, Dulwich and All Saints, Upper Norwood; St Michael's, Southfields coming alongside St John's, Earlsfield; and Christ Church, Gipsy Hill, integrating the Farsi community at Christ Church and in other churches in different Episcopal Areas).
  - The development of 25 new worshipping communities serving their estates, through establishing a cohort of indigenous Estates Lay Pioneers and creating a clear pathway for them to be identified, trained, and commissioned. It is anticipated that each worshipping community will be attended by at least ten people who would not otherwise be in church.

- £3m to Winchester diocese for two Partnership Parish revitalisation plans in Bournemouth and Southampton, a church planting ministry pipeline, and for investment in three benefices in the first tranche of the rural strand of the diocese's transformation programme which will invest in up to nine rural benefices in total. The SMMIB has agreed in principle to support further Partnership Parish revitalisations and in the rest of the programme to grow rural parishes. After five years, the plans anticipate an average increase of 100-120 in the worshipping community of six Partnership Parishes, of which 50% will be unchurched or de-churched; 30 new children to be part of a new Partnership Parish worshipping community; and one new children, families or youth ministry to be launched in each of the benefices in the rural programme, with ten new children per benefice joining the worshipping community.

- £1m to Worcester diocese to develop and implement its strategy to transform mission and ministry by 2030. The diocese is seeking to increase the number of healthy and sustainable churches and to have at least one church in each major centre of population with a worshipping community averaging 150. It will double the number of children and young people worshipping in its churches compared with 2019 and develop 100 new worshipping communities, offering accessible and



St Mary's Church Wedmore

contextual expressions of church. The strategy includes proposals to renew seven churches across the deprived areas of Greater Dudley Deanery and in Redditch. The SMMIB has approved the diocese's plans for two of these renewals at Kingswinford / Wall Heath and Halesowen and has invited the diocese to submit detailed missional plans for a further £5.8m for the five further renewals.

DIP funding is also available to help dioceses address constraints in their capacity to develop and implement strategies, and to take forward major programmes of transformation. In 2023, the SMMIB awarded a total of £11.3m of capacity funding to 20 dioceses.

The SMMIB also awarded £8.9m of DIP funding for more than 60 additional stipendiary curates in 2023. It approved indicative DIP funding totalling £8.8m for 63 additional stipendiary curates in 2024. It is expected that, from 2025, the majority of additional stipendiary curate costs will be included in dioceses' proposals for major DIP programmes or as part of a proposal for a people capacity award.

> *The Diocesan Investment Programme supports dioceses to advance their plans for the Vision and Strategy in parishes and communities across England, prioritising investment in the most deprived contexts*



Children take part in worship Photo: Graham Lacdao

## LOWEST INCOME COMMUNITIES FUNDING

The formula-based LInC funding was introduced in 2017 to support dioceses in developing mission and growth in lower-income communities and, from 2023, has been distributed from the money available for Diocesan Investment Programme Funding. Dioceses report annually on their use of the funding, with a minimum of one outcome agreed at the outset to facilitate mutual accountability and learning.

Many dioceses use LInC funding to support parishes which, due to their deprivation, cannot meet their parish share, in order to ensure ministry provision in these areas. The SMMIB encourages dioceses to ensure that their LInC funding is targeted towards supporting their most deprived communities. In 2023, a total of £29.3m of LInC funding was awarded to 28 dioceses. An additional £4.2m transition funding was paid to support dioceses that receive less funding than they did under the previous formula.

## PEOPLE AND PARTNERSHIPS FUNDING

People and Partnerships Funding (PPF) supports partners and networks and seeks to address gaps or barriers that inhibit delivery of the Vision and Strategy. In 2023-25, a total of £13m of PPF is available for award.

In 2023, the Board awarded £0.66m of People and Partnerships Funding to three programmes:

- £21,750 to the National Society for the research phase of a proposal to develop effective approaches to missional chaplaincy in Education.

- £0.45m to the Centre for Theology and Community (CTC) for a project working with inner city parishes to harness the potential of community organising for ministry to children, families and young people. The project seeks growth totalling 700 new worshippers, with 130 new lay leaders working with children, young people and families. The award follows a successful pilot project, supported by Strategic Development Funding, which helped six smaller, sacramentally-focused inner-city parishes to develop growth pathways for discipleship and leadership and to become more financially sustainable. The new project will revitalise a total of 54 parishes, working intensively with 18 parishes across six dioceses, replicating the approach taken in the pilot project, and piloting a less intensive process for a further 36 parishes.

- £0.19m to the Church Army for the Missional Youth Church Network (MYCN) to develop plans to scale up MYCN's work with young people in deprived areas. The SMMIB agreed further funding in principle, subject to approval of these plans.

These awards bring the total amount of PPF awarded by the SMMIB (and, prior to the SMMIB's inception, by the Archbishops' Council and Strategic Investment Board) to the end of 31 December 2023 to £2.2m, including awards made in 2022 of £1.3m to Youthscape and of £239,000 to the Estates Evangelism Task Group and National Estate Church Network (comprising £179,000 for the EETG and £60,000 for the NECN).

## STRATEGIC DEVELOPMENT FUNDING

The SMMIB is responsible for managing ongoing programmes and projects that were awarded under previous funding streams prior to 2023, namely Strategic Transformation Funding, Strategic Development Funding (SDF), Innovation Funding and Strategic Ministry Funding.

In 2023, the SMMIB confirmed an in-principle decision made by its predecessor, the Strategic Investment Board, and awarded £3.6m of SDF to Manchester diocese to support the planting of a major new resourcing church in Manchester city centre to reach a younger generation and bring new missional energy to the diocese. This church will plant a resourcing church into Ashton-under-Lyne in year 4 which will in turn revitalise and plant other churches.

The SMMIB also released the final £0.24m of a 2018 non-diocesan SDF award of £0.8m for the second phase of a project to create, support, and nurture new Christian communities.

## MONITORING, EVALUATION AND LEARNING

The SMMIB is responsible for tracking the effective delivery and impact of the programmes awarded funding by it and by its predecessor, the Strategic Investment Board.

A monitoring, evaluation and learning framework for the Strategic Mission and Ministry Investment programme is being developed. One element of this is a shared outcome framework, which will provide a set of common outcomes for funded programmes and enable better comparisons to be made between different programmes and approaches, and more accurate aggregated data. The shared outcome framework will be rolled out in 2024.

Work is also underway on developing a Church Support Hub as an easily accessible central learning platform. The Church Support Hub will be launched in 2024.

# ARCHBISHOPS', BISHOPS' AND CATHEDRALS' MINISTRY

*The Church Commissioners meets the stipends, office and working costs of the archbishops and bishops, as well as cathedral senior clergy, in support of their ministry.*

Diocesan bishops can spend their funding according to local needs, which are regularly reviewed to inform future funding allocations.

## LAMBETH PALACE

Lambeth Palace is owned and maintained by the Church Commissioners. The Palace has been in need of repair for many years, its infrastructure having not been updated since the Second World War. In 2022, under the regular oversight of the Bishoprics and Cathedrals Committee and an additional project oversight board, a contractor was engaged under contract to carry out refurbishment works, which focus on sustainability, accessibility, safety and security. This work is underway and due to complete in 2024.

## BISHOPS' HOUSING

The Church Commissioners has a statutory duty to support diocesan bishops with housing and to provide suitable accommodation which facilitates the bishops' work and mission.

Five new diocesan bishops were appointed during 2023 and we took the opportunity to undertake necessary asset management and refurbishment works at the Birmingham, Blackburn, Lincoln, and Peterborough See Houses to enable the bishops to take up their ministries and responsibilities during 2023 and early 2024. An interim See House was purchased for the new Bishop of Winchester to enable conversations to continue around the suitability of the existing See House.



Salisbury Cathedral
Photo: Ash Mills

The team continued to take the opportunity to review and undertake sustainability interventions to ensure the portfolio plays its part in the Church's commitment to be carbon net zero by 2030, knowing that this remains a huge commitment and that not every intervention can be carried out at the time of a vacancy-in-see. The installation of electric vehicle charging points at the See Houses continues.

Challenges continued to be faced in 2023 in respect of building and maintenance costs inflation – these pressures remain a concern, as we explore how to achieve best value across the portfolio.

## CHANCEL REPAIR LIABILITY

The Church Commissioners has inherited a whole or partial chancel repair liability in respect of approximately 800 parish churches, and from 1 January 2019 the Church Commissioners took on the full administrative and financial responsibility for keeping approximately 200 cathedral chapter chancels in good order.

The Bishoprics and Cathedrals Committee is responsible for the oversight of the Church Commissioners' expenditure on all chancel repairs and related matters. In 2023, we approved 30 new chancel repair projects which, with the existing projects from previous years, enabled us to provide financial and administrative support to approximately 58 parishes where the Commissioners has a liability. Similarly, we also supported five cathedrals by taking on the financial and administrative responsibility for the repair of six chancels.

## THE CATHEDRALS MEASURE 2021

The Church Commissioners continues to support cathedrals as they transition to become registered charities. Nearly all the cathedrals fell under the Measure during 2023 with the last few adopting their new constitution and statutes in early 2024. All Chapters are expected to be registered with the Charity Commission by April 2024, in line with legislation.

We continue to meet regularly with the Charity Commission for England and Wales to ensure that the registration process is working well and to strengthen working relationships as we move into the role of co-regulator.

## SUSTAINABILITY AND THE AMBITION TO REACH NET ZERO CARBON BY 2030

In 2022, the Commissioners completed a baseline survey of the carbon footprint of cathedrals and See Houses. These surveys form part of the Church Commissioners response to General Synod's call for all parts of the Church of England to work to achieve year-on-year reductions in carbon emissions and to achieve a target of zero net emissions by 2030.

Following the survey of cathedrals, a pilot project was undertaken to explore in more detail the challenges and opportunities of achieving net zero carbon emissions for these nationally important buildings. Further to this pilot, enhanced surveys will be offered to all cathedrals in 2024.

The carbon footprint of See Houses was much smaller, reflecting the different scale and challenges associated with this portfolio. However, while their carbon footprint was significantly lower, opportunities are being taken to work towards the target of net zero by 2030, including through works undertaken during vacancies as mentioned above. This will continue in the year ahead.

## LAMBETH PALACE LIBRARY

The focus at the Library has been on engaging people with the collections as the team continue to serve readers and colleagues in person and online and enable access to the collections through ongoing cataloguing of the backlog and new accessions.

Thanks to generous donors who supported the museum-standard exhibition space, which was fitted in 2022, the Library was able to show four exhibitions in 2023, including Enslavement: Voices from the Archives, which supported the Church Commissioners' report on historic links with transatlantic chattel enslavement.

The team opened the Library's doors to the public for tours and developed new partnerships, including a collaboration with the Anglican Centre in Rome where the Library loaned collection items and contributed expertise to an exhibition.

The Lambeth Palace Library and Commissioners' staff were honoured to welcome His Majesty the King to the Library for a meeting hosted by the Archbishop of Canterbury during Inter-Faith week.

# CATHEDRAL AND CHURCH BUILDINGS

*The Cathedral and Church Buildings Department (CCB) works with and supports the people who care for our 16,000 churches and 42 cathedrals.*

We do this through providing training and guidance for Diocesan Advisory Committees and Fabric Advisory Committees, through online published guidance and advice on the day-to-day maintenance and conservation of churches and on how to go about making changes to church and cathedral buildings. We engage directly with some casework, where we are involved with individual churches or cathedrals. We work with government, Historic England and the wider heritage and places of worship sectors to develop policy and leverage funding.

The department has taken further steps during the year to build its support for churches whose future is uncertain, but where a good intervention could help it be ready to flourish for time to come. The work refers to our support for "Struggling Churches" and it has given us good opportunity for engagement with churches at key times, and provided a platform for engagement with others who will be part of finding a positive future for a church.

We are lucky to be supported by a remarkable network of Committee members who are experts in cathedral and church matters – from building fabric through how they are used for mission. These Committee members serve on the Church Buildings Council (CBC), the Cathedrals Fabric Commission for England (CFCE) and a number of Conservation and Contested Heritage Committees (see below). We have made significant steps this year to increase the diversity of these member groups, in particular reaching out to invite Global Majority Heritage members to apply for vacancies, and we are heartened with progress in this regard. Furthermore, to encourage development of emerging professionals we have developed a new role of 'participant observer' to observe and participate in member meetings bringing a wider range of voices to our discussions. A good outcome is anticipated in the coming year.

## BUILDINGS FOR MISSION

During 2023, the CCB delivered the much-welcomed £11 million Church Commissioners' funding, via grants from the Archbishops' Council, for the Buildings for Mission programme. This funding is aimed at supporting dioceses and parishes with the management of their built assets and associated land, expanding existing tools and models which have been shown to work.

The overall aim is to remove burdens from hard-pressed congregations and governance bodies by managing many of the more onerous technical responsibilities on their behalf or facilitating them to do so. Grants have been offered for 35 new support officer posts, including six apprenticeships and three posts in partner organisations. These represent a substantial addition to resources in this area and give an important opportunity to work with others delivering heritage training for apprentices nationally. This funding was celebrated in the national press and a number of diocesan stories in December.

As part of Buildings for Mission, the department is strengthening its digital offer to dioceses by redeveloping the Online Faculty System and attached Church Heritage Record, through a new buildings management system. This work began in 2023 and will continue into 2024. Once created, this new system will provide an integrated platform with other national systems, and a single resource for building focused data and legislative requirements.

## ENVIRONMENT

The department has continued to support progress on the Church's net zero programme in 2023. We have built a strong team to drive our net zero ambition, while also building links with Caring for God's Acre and continuing to work with A Rocha to deliver our wider work on sustainability. There is widespread recognition across the Church of England of the climate emergency and the necessity of a strong, visible Christian response to what is happening to our world.

The Net Zero Programme Team sits within the CCB and is responsible for supporting and guiding the work of colleagues in multiple teams across the National Church Institutions and dioceses working to decarbonise our cathedrals, churches, dioceses, CofE schools, theological colleges, offices and other buildings. We lead the delivery of the Church's Net Zero Programme and coordinate the work of colleagues towards achieving the milestones set out in the Routemap To Net Zero Carbon: RoutemapToNetZeroCarbonFinal.pdf (churchofengland.org). The Programme formally commenced work at the beginning of 2023, supported by an allocation of £30 million in funding from the Church Commissioners

for the period 2023-2025 and £190 million in total over three triennia.

In 2023, strategic allocations were agreed for the first £30 million of funding, which will underpin the development phase of the programme in the first triennium. By the end of 2023, capacity building grants to 36 out of the 42 dioceses had been allocated, enabling recruitment of new net zero roles to help drive net zero action at the diocesan and parish levels.

Dioceses were also invited to nominate churches for the Demonstrator Churches project, which will establish a range of exemplar net zero churches across the country. Forty nominations were put forward from 13 dioceses and a further nomination round is scheduled for March 2024. The Demonstrator Churches project will provide technical and project support to help churches develop net zero heating and lighting solutions, with some churches also being offered capital funding to help bring those plans to fruition.

A package of other support is also being made available in this phase of the programme: A short guide to grants and projects to help your church get to net zero | The Church of England.

## CONTESTED HERITAGE

The Contested Heritage Committee of the Church Buildings Council (CBC) advises the CBC and the Cathedrals Fabric Commission for England (CFCE) on related casework. We held one of our meetings in 2023 at the Church of St James Piccadilly to visit the newly installed plaque marking the 250th anniversary of the baptism of the formerly enslaved writer and abolitionist, Ottobah Cugoano. The plaque had been considered by the Committee as casework and members felt it was a refreshing opportunity to see a high-quality and historically inclusive addition to a prominent church.

Work continues on a refresh of the Contested Heritage guidance, which was first published in May 2021. We undertook extensive consultation in the summer of 2023 to see how the current guidance was being used and identify areas for improvement. We have been focused on two main areas of feedback including developing the theological underpinning of the guidance and commissioning case studies on cathedral and church buildings with an aim of understanding different approaches. A future launch of the refreshed case studies and guidance will present an opportunity to support parishes, dioceses, and cathedral chapters in approaching contested heritage in their church buildings.

In July 2023, the Rule Committee of General Synod approved amendments to the Faculty Jurisdiction Rules 2015 to address contested heritage. The amendments will (a) require intending applicants for a faculty, in formulating proposals relating to contested heritage, to have due regard to statutory guidance on that subject issued by the Church Buildings Council and to demonstrate that they have done so; and (b) require Chancellors, when giving reasons for granting a faculty or for dismissing a faculty petition, to state how a decision has taken statutory guidance into account. These Rules came into force on 1 January 2024.

## FUNDING

The major repair projects funded by the Government's Culture Recovery Fund came to successful conclusions in June 2022. These grants were aimed at sustaining cultural institutions and the specialist craft and buildings trades during the pandemic. £4.3m was awarded to 21 cathedrals and Major Churches across the country under the second round of the scheme. Evaluation of this scheme has shown that it was strongly appreciated for the clarity of its purpose and focus on essential repairs. As a result of being awarded a grant, recipients have found that wider benefits resulted. These included increasing capacity for further grant applications, refreshing links with the community, improvement in visitor numbers and feeling more confident to undertake another project in the future.

In 2023, the conservation grants programme, which has been run since the 1950s by the Church of England in partnership with the Pilgrim Trust, the Radcliffe Trust, and others, awarded £255,566 to 123 projects conserving the precious and fascinating interior features of churches in 34 dioceses.

We continued to work with organisations and networks including the Heritage Craft Funders Network and the Heritage Skills Demand Group on the current and future challenges of sustaining crafts and heritage skills that are necessary to conserve our historic church buildings and interiors. Our grants are published on the 360Giving website.

April 2023 saw the launch of the new three-year strategy for the National Lottery Heritage Fund (NLHF). This has served to galvanise conversations between the church and the NLHF over what the new strategy could mean for church buildings. We have strengthened our relationships with partner organisations to better understand together what appropriate funding solutions for church buildings could look like.

## THE NATIONAL BURIAL GROUNDS SURVEY

The project to map each of the Church of England's 12,500 churchyards has seen surveying completed in the Dioceses of Carlisle and Truro. The digitisation of parish records in the Diocese of Carlisle has also been completed, with a working example of the online records to be released in early 2024. Work continues in gaining support for the digitisation of churchyards across dioceses. So far, nine dioceses have agreed to support the onsite recording, and overall changes to how the project is funded and the benefits provided to each parish will likely see an increase.

# MISSION, PASTORAL AND CHURCH PROPERTY

*The Church Commissioners works with parishes, diocesan teams, patrons and bishops to further the mission of the Church and the 'cure of souls' by helping the Church manage changes to the local provision of worship, mission and ministry at a parish and diocesan level.*

This work is fundamental to our shared mission and ministry, as it enables the Church to respond to changing needs and opportunities.

Within that context, the Commissioners has a quasi-judicial role which means it is responsible for the management and delivery of the decision-making processes relating to the Mission and Pastoral Measure (2011) ("MPM"), the Church Property Measure (2018), and other legislation. This work is overseen by the Mission, Pastoral and Church Property Committee ("MPCPC"). The Committee is chaired by the Third Church Estates Commissioner (the Reverend Canon Dr Flora Winfield). The Committee met seven times in 2023, which included the first online hearing for a case in the Diocese of Liverpool in December.

We work with parish representatives and diocesan teams as they bring forward draft proposals under the MPM and adjudicate on objections to those proposals when required. These include changes to pastoral provision, such as parish boundaries, ministry provision, and church buildings – which can include the disposal of closed church buildings for a new use. The Committee also considers wider policy and strategy matters and works with the National Church Institutions and other partners.

The casework in 2023 was as follows:

- The Mission, Pastoral and Church Property Committee adjudicated on 29 cases in total; 19 pastoral schemes, two parsonage cases, six cases related to church closures, and two cases where the future use of a church building was settled.
- Ninety-five new draft pastoral schemes were received during 2023 and ninety were subsequently made. Continuing the trend of the previous year, most of the schemes were for the union of benefices and the union of parishes.
- Seventeen sales or leases of closed church buildings and four deeds of variation were completed, and 19 draft schemes for settling the future of a closed church were published.
- As of the end of 2022 there were 52 long-standing cases which are church buildings that have been closed for more than five years. Three cases were successfully completed during 2023. Of the remaining 49 cases, 34 have identified solutions which are being progressed and a significant number of those should be completed in 2024.

In total, just over £0.8m in net proceeds from the disposal of closed churches and sites was allocated to dioceses to support mission and ministry and new initiatives in 2023. In the past ten years, we have transferred approximately £21m of net proceeds to dioceses to support ongoing mission.

## REVIEW OF THE MISSION AND PASTORAL MEASURE (MPM)

Work continued on the review of the Mission and Pastoral Measure (MPM) 2011 commissioned by the Legislative Reform Committee of the Archbishops' Council in 2020. This included further discussions with the General Synod Reference Group established in 2022 and local visits to various dioceses, including Lincoln, London, Winchester, Carlisle, Exeter, Hereford, St Edmundsbury and Ipswich, and Liverpool. We presented a report on the Review to General Synod in July and Synod approved taking forward the preparation of draft legislation to give effect to the recommendations in the Review. This work commenced in the latter part of 2023 and it is hoped that a draft Measure will be prepared during 2024 for consideration by Synod.

## TRAINING

The Church Commissioners' Pastoral & Closed Churches team repeated the new training programme for diocesan teams first developed in 2022, including seminars on additional topics requested by dioceses, such as parsonages, glebe and property funding. In addition, regular forums were held for Diocesan Mission & Pastoral Committee Secretaries to share experiences, explore problems, and suggest solutions.



St Oswald's, Ashbourne

## CHURCHES CONSERVATION TRUST (CCT)

The MPCPC is also responsible for overseeing the Commissioners' relationship with the Churches Conservation Trust (CCT), which is jointly funded by the Commissioners and the Department for Digital, Culture, Media & Sport. The CCT works in partnership with communities to conserve the most historically significant church buildings and is currently responsible for 357 churches.

In November 2023, Synod approved the CCT Funding Order for the 2024 to 2027 triennium amounting to £4.8m (£1.6m per annum) together with an additional sum of up to £0.9m should the Commissioners share of net proceeds arising from the disposal of closed church buildings exceed £0.65m in any calendar year during that same period. This is an increase of 6.6% compared with the previous triennium to allow for some element of cost inflation, albeit this is below the actual cumulative inflation over the past three years.

One church was vested with the CCT in 2023 (Brougham St Wilfrid in the Diocese of Carlisle) and in September 2023 the MPCPC approved a lease by the CCT for Sudbury St Peter, a Grade I listed building vested with the CCT in 1976. The CCT's care of St Peter's has been supported by a local Friends group who used it for community events and a series of music concerts. Notwithstanding this, the church needed repair and investment if it was to continue to meet the local community's needs. Initiated by the CCT Regeneration Team and with the support of the National Heritage Lottery Fund, the local district council and other funders, a £2.5m restoration project including improvements to the church's accessibility together with new welfare facilities, kitchen and hospitality area was completed in October 2023. The lease is with a charity which runs various programmes for adults with disabilities to improve their skills and give them access to employment.

# INVESTING FOR THE FUTURE

*The objectives, strategy and performance of the Church Commissioners' investment fund.*



View of the Hyde Park Estate



# REVIEW OF INVESTMENTS

*The Church Commissioners manages an investment fund of £10.4bn[1], in an ethical and responsible way. The fund has delivered an average return of 9.0% per annum over the last ten years.*

## OBJECTIVES

- To manage the fund to ensure consistent and sustainable distributions for our beneficiaries
- To achieve a total return of CPIH+4.0% per annum measured over the long term
- To meet performance benchmarks for individual asset classes
- To manage risks appropriately
- To act within our ethical guidelines and be at the forefront of responsible investment globally

## FUND STRATEGY AND PERFORMANCE

The Church Commissioners manages a diversified portfolio spread across a broad range of asset classes, consistent with our ambition to be at the global forefront of responsible investment.

Our investment objective is to generate a return of CPIH+4.0% per annum, on average, over the long term to support the work and mission of the Church of England today and for future generations. We have managed to match or exceed our target over 5, 10, 20 and 30 years. Over the past ten years, the fund has achieved an average return of 9.0% per annum. Based on these returns and given the Commissioners' funding distribution over the year, the value of the Church Commissioners' investment assets at 31 December 2023 stood at £10.4bn, net of the bond debt, compared with £10.3bn at the start of the year.

Meeting or exceeding our performance objective allows us to meet our pension obligations and to grow, in real terms, our support for the Church, balancing the needs of both current and future beneficiaries.

The Commissioners' investment policy is to hold a diversified portfolio of investments across a broad range of asset classes consistent with our ethical guidelines and our Responsible Investment Framework. The asset allocation chart (below) shows our asset weightings at the end of 2023.

The Church Commissioners' portfolio returned 4.1% in 2023. This is the fifteenth year in a row that the Commissioners has delivered a positive return. The strong environment for equity markets helped us deliver a modest positive return. Our fixed income allocation, which is now a bigger part of the fund, also performed well. Despite currency headwinds, our absolute return portfolio also produced a respectable return of 6.3%. While our public market allocations helped performance, our private markets and real asset portfolios were a drag on returns in 2023. In private markets, falling valuations and currency headwinds led to weak returns, particularly venture capital.

2023 commenced with pessimism across investment markets and the prediction of a coming 'economic hurricane'. With little prospect of resolution in Ukraine, inflation still well above targets and central banks aggressively raising interest rates, few were prepared to make a positive case for risk assets, like equities. 2023, however, turned out to be the recession that wasn't. In the end, economic growth was more resilient than expected and inflation fell faster than expected.

In turn, this increased confidence in the fabled 'soft landing'. As this environment unfolded, global equities returned 15.9% in sterling terms.

## PUBLIC MARKETS

While the headline global equity index delivered a strong return, this masked wide dispersion within markets. ChatGPT's launch at the end of 2022 unleashed an enormous amount of activity and interest in the area of generative AI. This boosted large cap technology companies (which had been the hardest hit in 2022). The Nasdaq had its best year since the 'dot com' bubble, returning 55%. The 'Magnificent Seven'[2] together more than doubled, accounting for a remarkable 40% of the global equity index return and 60% of the gain in the US index.

1 Net of bond debt
2 Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, Nvidia and Tesla.

Visit to South
Durham rural estate



At a regional level, the US and Japan outperformed, and all other regions, particularly Asia ex-Japan, underperformed. Given the concentration of returns, larger companies outperformed versus smaller companies. Overall the picture was a sharp reversal of the trends in 2022. In this environment, our portfolio did not keep pace with the index, returning 11.7%.

Our absolute return portfolio, which represents around 11.8% of the fund, is designed to generate returns which are largely independent of the external environment. In 2023, it returned 6.3%, which provided a useful contribution at a total portfolio level and was a good performance given the strength in sterling.

Fixed income, which for the majority of the last 15 years has been a very low allocation in the Commissioners' portfolio, is now a more sizeable allocation as interest rates are much higher and we think prospective returns more attractive. Fixed income markets had a rollercoaster ride in 2023. For the majority of the year, yields rose and it looked like 2023 was going to be another poor year for fixed income returns. US and UK government bond yields peaked in October, at which point the US 10-year Treasury reached 5.0%. There was a sharp reversal of fortunes in the last two months of the year, which meant yields ended the year roughly where they started and bonds, in local currency terms, could deliver a small positive return for the year as a whole. Our portfolio did better than this and returned 8.3%.

Sterling strengthened against most major currencies, particularly the Japanese yen. Sterling ended the year up 5.9% against the US dollar and up between 2.3% and 13.3% against other currencies.

## PRIVATE EQUITY AND VENTURE CAPITAL

The private equity and venture capital portfolios, which invest in unlisted companies, achieved total returns of 1.2% and (12.7)% respectively in 2023. Whereas for much of the last decade an allocation to private asset classes, like private equity and venture capital, has been a positive, this was not the case in 2023 as falling valuations and currency headwinds muted performance. During the year, we agreed further commitments to the private equity portfolio totalling £161m and £23m to the venture capital portfolio. Over the long term, our private equity and venture portfolios have significantly outperformed public equity markets, returning 17.9% per annum on average over the past ten years.

## REAL ASSETS

The Church Commissioners' real asset portfolio consists of a diverse range of property-related investments which enable us to take a long-term approach in line with good stewardship. As part of our commitment to long-term stewardship, in July, we published a report on Our Approach to Sustainability in Real Assets. This outlines our strategic framework for approaching sustainability, addresses key challenges, estimates current emissions, and shows how that translates into action on the ground across our real assets investments.

The overall real assets portfolio delivered a marginally negative return of (0.5)% during 2023. Our Commercial and Value-Linked Loans investments produced returns of 11.2% and 10.6% respectively, which were the best returns in the real assets portfolio. Farmland, Infrastructure and Strategic land portfolios performed well, each delivering returns of between 2% and 5% during the year. The Timberland portfolio saw negative returns of (9.6)%, albeit over the long term average returns remain very strong (14.6% average over ten years).

The Strategic Land team continued to implement and accelerate work aligned with the values outlined in the 'Coming Home' report (2021), including the progression of a formal ESG Framework for the portfolio. In March 2023, we published a baseline appraisal of the portfolio's existing ESG performance, which forms part of our wider commitment to integrate sustainability considerations into all projects and delivery frameworks. In addition, several planning applications were submitted, including at Bushfield Camp, Winchester, for a 43-hectare employment-led R&D knowledge hub, and at Norwood, in Peterborough, where a community of 1,130 new homes is proposed. Planning permission was also secured for a circa 1,100 home new community in Bracebridge Heath, Lincolnshire.

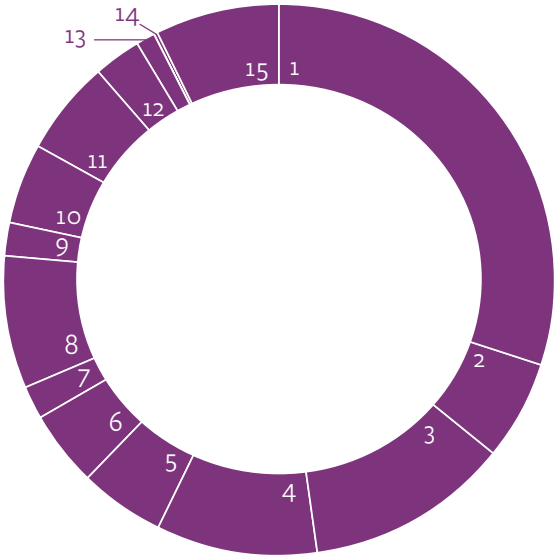
Our Forestry team maintained a focus on ensuring the sustainable production of timber from our forests. Work progressed with partners across several properties in the UK and the US to support renewable energy developments, which can deliver strong investment returns whilst supporting local communities and a renewable energy transition. South Kyle wind farm, located mostly on Church Commissioners' land in Scotland, became fully commissioned this year. The 168 MW of clean, renewable electricity generation capacity on our land is enough to power the equivalent of over 130,000 homes annually and prevent emissions equivalent to 200,000 tonnes of $CO_2$ per annum. Within Farmland, our team remains focused on engaging with tenants to encourage the adoption of sustainable farming practices and realising opportunities for nature creation. The team has worked on a range of initiatives, which are reflected in its 'Year in Review' document. Highlights include our 'In Conversation With' series, showcasing the work of farming tenants and new lease agreements with Herefordshire Wildlife Trust and

Natural England to address environmental risks and improve biodiversity, soil and water quality.

Our real asset investment team managing our commercial and residential assets had another productive year. Highlights include securing planning consent from Westminster City Council for our mixed-use office and residential scheme at Portsea Mews on the Hyde Park Estate, as well as the sale of the freehold of 19-26 Long Acre and 28-30 Floral Street for over £50 million.

The Infrastructure portfolio had another active year of capital deployment from our existing fund investments. The portfolio continues to be weighted towards energy efficiency and environmentally innovative infrastructure investments.

## COMMISSIONERS' ASSET ALLOCATION





Chichester estate

1. Public Equities ..... 30.1%
2. Defensive Equities ..... 6.0%
3. Absolute Return ..... 11.8%
4. Private Equity ..... 9.5%
5. Venture Capital ..... 5.0%
6. Timberland ..... 4.3%
7. Infrastructure ..... 2.1%
8. Credit Strategies ..... 7.6%
9. Commercial ..... 2.0%
10. Residential ..... 4.8%
11. Rural ..... 5.5%
12. Strategic Land ..... 2.9%
13. Indirect Property ..... 1.0%
14. Portfolio Hedges ..... 0.1%
15. Cash, and Cash-Like Assets ..... 7.3%

# APPROACH TO RESPONSIBLE INVESTMENT

*As a faith-based investor, the Church Commissioners considers its investments in line with Christian values and excludes companies that are active in spaces and sectors which it feels a moral responsibility to avoid.*

The Church Commissioners is a universal asset owner. This means that the value of the endowment fund is interlinked with the global economy and macroeconomic risks. Therefore, the Church Commissioners is dependent on social and environmental stability over the long term.

It is important to consider climate change, nature and biodiversity loss and social inequality as systemic risks that will likely cause significant disruption to the financial system, the economy and wider society – effects that are already being felt today and require active management and engagement. These risks may be thought of as distinct and separate, but in our view, they are interconnected and interdependent.

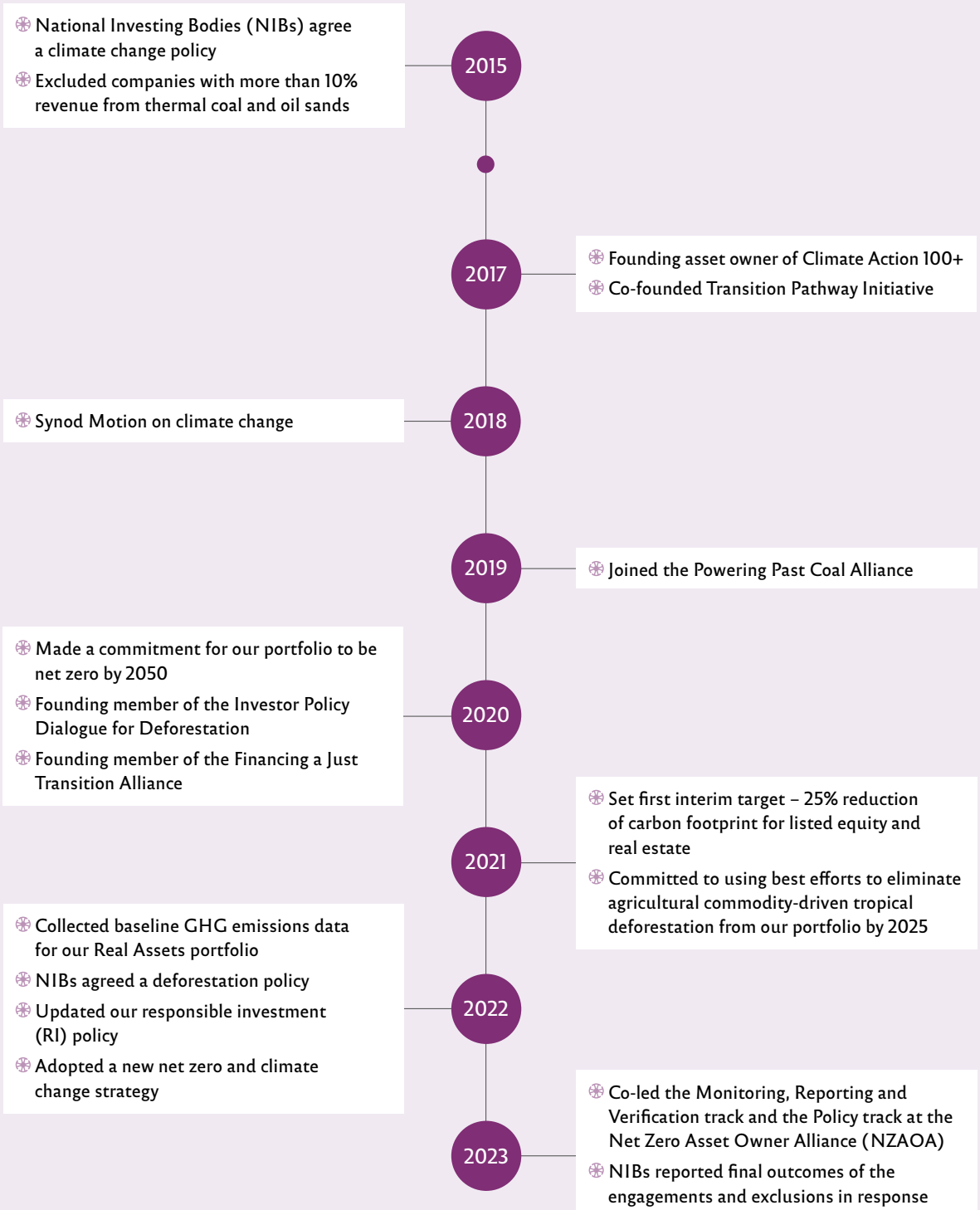
We see responsible investment as a way to navigate systemic risks. By Respecting People, Respecting the Planet, and being insistent on the need for good governance, we believe we can create positive outcomes – both financially and for society as a whole.

In 2023, the Church Commissioners published a range of reports setting out our approach to responsible investment. This included a Climate Action Plan, the National Investing Bodies' Approach to Climate Change and a report on Our Approach to Sustainability in Real Assets mentioned previously. These reports were published in addition to our annual Stewardship Report. All Responsible Investment publications can be found in the Responsible Investment section of our website. In addition, we published our inaugural Sustainability Bond Allocation and Impact Report.



The Rt Revd Graham Usher, Bishop of Norwich and Revd Canon Dr Flora Winfield, Third Church Estates Commissioner

## THE CHURCH COMMISSIONERS' HISTORY OF CLIMATE ACTION



# TOP 20 HOLDINGS (as at 31 December 2023)

| TOP 20 EQUITY HOLDINGS | TOP 20 PROPERTY HOLDINGS |
|---|---|
| Alcon | Arbol Tree (Timberland, USA) |
| Alphabet | Ashford Estate (Farmland) |
| Amazon.com | Brownhills Forest (Timberland, Scotland) |
| Analog Devices | Canterbury Estate (Farmland) |
| Apple | Carlisle Estate (Farmland) |
| Applied Materials | Cherry Tree (Timberland, USA) |
| Danaher Corporation | Chichester Estate (Farmland) |
| Equifax | Dykeraw Forest (Timberland, Scotland) |
| Gartner | Ely Estate (Farmland) |
| Legrand S.A. | Hyde Park Estate (Residential) |
| Mercadolibre | Huntingdon Estate (Farmland) |
| Merck & Co | MetroCentre (Commercial) |
| Microsoft | Millbank Estate (Farmland) |
| Novo Nordisk Foundation | Rochester Estate (Farmland) |
| Salesforce.com | Royal Lancaster Hotel (Residential) |
| Sanofi SA | South Durham Estate (Farmland) |
| Siemens | South Lincoln Estate (Farmland) |
| Thermo Fisher Scientific | Strathwiggan & Deughwater Forest (Timberland, Scotland) |
| Vestas Wind Systems | West Buccleuch Forest (Timberland, Scotland) |
| Visa | Wycombe Retail Park (Commercial) |



Board meeting

# A VISION FOR HEALING, REPAIR AND JUSTICE

*The Church Commissioners for England's predecessor fund's historic links to African chattel enslavement.*

In 2023, the Church Commissioners acknowledged and apologised for Queen Anne's Bounty's complicity in an abominable trade still scarring lives across the world.

In penitence and hope, the Church Commissioners agreed to allocate £100m in response to these links, and proposed the establishment of a new fund to invest in communities damaged by African chattel enslavement's legacy.

The Church Commissioners appointed an independent Oversight Group with significant membership from communities impacted by historic enslavement to propose recommendations on shaping and delivering the response, listening widely to ensure this work is done sensitively and with accountability. The group included experts in finance, impact investment, law, charity, social science, social enterprise, community initiatives, theology, history, and journalism. 'African chattel enslavement' is the Oversight Group's preferred term to encompass the abduction and transportation of Africans; the impact on people of African descent; the psychological impact; the impact on cultural identities; the plantation and other forced labour systems which exploited them; and the industrial, financial, military, and theological complex that supported those crimes.

## ENGAGEMENT

During 2023, since publishing the report of its research findings, the Church Commissioners has engaged widely, including through the Anglican Communion in western Africa and the Caribbean. The Oversight Group also conducted two engagement exercises. The first exercise consisted of five facilitated engagement events in October 2023: two were in London, two were online, and one was in Birmingham; one of the London sessions featured a dedicated youth panel.

The second exercise, led by Oversight Group member Priscellia 'Pyhia' Robinson, rolled out a global engagement questionnaire. The survey received 996 completed responses. Priscellia 'Pyhia' Robinson analysed these quantitatively and qualitatively. The questionnaire had global reach. Some 61.7% of respondents were based in Europe, of which the vast majority were in the UK. Another 17.8% of respondents lived in Africa. A further 14.9% were in the Caribbean. There were also responses from North America, South America, Asia, and Australia / Oceania.

The Oversight Group published its report on its findings and recommendations in March 2024.



*It is important for the Church Commissioners to understand and be transparent about our past so we can best support the mission and ministry of the Church of England, today and in the future. Discovering that the Church Commissioners' predecessor fund had links to transatlantic chattel slavery is shaming and we are deeply sorry. We will seek to address past wrongs by investing in a better future, which we plan to do with the response plan, including the £100 million funding commitment we are making. We hope this will create a lasting positive legacy, serving and enabling communities impacted by slavery.*

*We recognise this investment comes at a time when there are significant financial challenges for many people and churches, and when the Church has commitments to address other wrongs from our past. We remain fully committed to our work to support the mission and ministry of the Church of England and we believe that this research and our planned response will help us to do so today and into the future."*

**THE BISHOP OF MANCHESTER, THE RIGHT REVEREND DR DAVID WALKER, DEPUTY CHAIR OF THE CHURCH COMMISSIONERS, JANUARY 2023**

# FINANCIAL REVIEW





Ely
Cathedral

# REVIEW OF FINANCIAL ACTIVITY

*In what was another very difficult year – in the post-pandemic context with significant geopolitical uncertainty and the nation facing a cost-of-living crisis – the Church Commissioners was pleased to be able to distribute £223.0m in charitable expenditure (excluding pre-1998 clergy pensions), a year-on-year increase of £36.2m (19.4%). At the end of 2023, the Commissioners' funds were £9.1 billion, which included £136.8m of tangible and heritage assets.*

The total return on the fund is derived from income and gains on investments. Total income for the year was £192m (2022: £148.4m), £43.6m higher than the previous year. This reflects an increase in income from fixed income and equity investments. Total gains on investment assets, including movements on derivatives, foreign currencies and taxation, were £345.1m (2022: £413.1m).

Investment performance is described earlier in this report. Expenditure during 2023 totalled £494.4m (2022: £176.9m), an increase of £317.5m on the previous year. Excluding pre-1998 clergy pensions expenditure, which for accounting purposes (not cash payments) increased by £233.4m, there was an underlying increase in charitable expenditure of £36.2m (19.4%). The cost of raising funds increased by £47.9m year-on-year to £107.3m (2022: £59.4m). A summary of the expenditure in 2023 and 2022 and the difference between the two is shown below. The amount spent on supporting dioceses and the local church was £152.8m (2022: £117.2m), an increase of £35.6m (30.4%). Further details of expenditure in this category can be found in note 5 to the financial statements and are also discussed in an earlier section of this report.

Expenditure on Bishops' and Archbishops' ministry also increased slightly during the year to £47.0m (2022: £44.9m), with the increase largely reflecting the programme of major refurbishment and repair to Lambeth Palace for the first time in nearly a century. Expenditure on Cathedrals' ministry reduced very marginally in the year to £14.1m (2022: £14.3m). The Church Commissioners meets the cost of clergy pensions earned in service until the end of 1997 and has provided in full for forecast future payments. The most recent annual actuarial update has generated a charge to expenditure of £162.6m, with scheme administration costs of £1.4m and support costs of £0.2m, resulting in an overall charge of £164.1m. In 2023, the Commissioners' cash payments for clergy pensions were £120.6m (2022: £117.1m). Total charitable expenditure in the year (inclusive of the pension charge) was £387.1m (2022: £117.5m).




Alan Smith,
First Church
Estates
Commissioner

# LONG-TERM FINANCIAL STRATEGY

*Reserves policy: the Church Commissioners' policy is to invest the endowment it manages on behalf of the Church to provide long-term financing to pay the pre-1998 clergy pension obligations and to make charitable distributions to support the mission of the Church of England in perpetuity.*

There is an aspiration to increase the in perpetuity distributions in line with an inflationary factor, so that future beneficiaries receive distributions at a level broadly equivalent (in real terms) to current beneficiaries. The level of distribution each year is determined drawing on independent actuarial advice from Hymans Robertson LLP. Further details are provided in the Independent Actuaries' Report, later in this report, including their qualifications for providing such advice.

The Commissioners account for and report returns (whether capital or income) on a total return basis under the terms of the Total Return Order obtained from the Charity Commission on 19 June 2012. This splits the fund into two components: the base level of the endowment and the unapplied total return.

As of 19 June 2012, the initial value of the base level of the endowment was £3.0bn and the initial value of the unapplied total return was £2.2bn. Further information on the Total Return Order is provided in note 18 to the financial statements. In addition to being able to spend unapplied total return, the Commissioners has a time-limited power, which expires in December 2032, to spend endowment capital on its clergy pension obligations. In 2023, this resulted in £120.6m (2022: £117.1m) being charged to the base level of the endowment.

The total endowment fund of the Commissioners as at 31 December 2023 stood at £9.1bn (2022: £9.1bn), net of the provision for the pre-1998 clergy pension liability of £1.2bn (2022: £1.2bn) which is due for payment in future years. The base level of the endowment was valued at £2.6bn at 31 December 2023 (2022: £2.6bn), with the unapplied total return at the end of 2023 being £6.5bn (2022: £6.4bn).

The trustees consider the level of unapplied total return to be sufficient, considering their distribution policy, to meet their expenditure plans. The total funds of the charity stood at £9.1bn (2022: £9.1bn) and reflect the value of the endowment fund described above, along with £0.7m (2022: £0.3m) restricted income funds.

## SPENDING PLANS

The Church Commissioners and Archbishops' Council prepare joint three-year spending plans. A Triennium Funding Working Group (TFWG), comprising members from the House of Bishops, Archbishops' Council and Church Commissioners, advised on how our funds should be most effectively distributed in 2023-25, informed by the following priority areas:

- Supporting the Church to deliver the bold outcomes and strategic priorities of the Vision and Strategy including reaching the young and the poor, and better representing the communities we serve.
- Helping the Church to transition to a lower carbon approach in line with the Net Zero 2030 goal.
- Making a step change in the area of Racial Justice, and other areas of diversity and social justice.
- Ensuring the Church is a safe place for all.

The Church Commissioners have established total funding plans of £1.2 billion for the 2023-25 triennium, an increase of about 30% on the previous triennium.


A baptism

# GOING CONCERN

*The Church Commissioners' role in funding the Church's ministry comprises certain legal obligations and discretionary funding.*

In assessing the going concern status of the Church Commissioners, the trustees have considered the Church Commissioners' role in funding the Church's ministry, the spending strategy, the application of total return and the legislation to allow endowment to be spent for specific pension purposes.

In addition, the trustees take account of independent actuarial advice provided by Hymans Robertson LLP on the affordability in perpetuity of their planned distributions. This advice is provided every three years when setting the spending plans for the next three-year period (the "triennium") and is updated annually to ensure that the spending plans for the current and next triennium remain affordable.

The approach adopted includes a smoothing mechanism which aims to give a full triennium's notice of the need for any reduction in distributions unless there has been a significant deterioration in the balance between the Commissioners' assets and their spending plans. This means that while events such as the current geopolitical context and cost-of-living crisis are factors for consideration, the Commissioners has a clear framework for assessing whether the events are sufficiently significant that they would change the amounts available for distribution to beneficiaries in the short term.

The annual actuarial update for the year ended 31 December 2023 was scrutinised by the Assets Committee and includes stress testing scenario analysis which models the impact on distributions in the event of different levels of reduction in asset values. This includes consideration of the impact of changes in the value of the asset portfolio, expected future returns or inflation, on the affordability of distributions.

In light of this analysis, there is no reason to consider that any changes are required to the planned distributions within the 2023 to 2025 triennium so the trustees have concluded that the Commissioners are able to sustainably meet both their legal obligations and planned discretionary funding for at least the period to 31 December 2025. In addition, the trustees have given due consideration to the availability of liquidity in light of market turbulence caused by ongoing geopolitical instability, a challenging economic environment, the cost-of-living crisis, the post-pandemic context and other external factors.

Under their Investment Risk Framework, the Commissioners seek to hold at least 18 months' planned expenditure in cash and near cash, and they are satisfied that sufficient cash is available to meet their obligations in the short term. Therefore, the Commissioners continue to adopt the going concern basis of accounting in the preparation of these financial statements.

# CARBON REPORTING

*In 2018, the Government published Regulations concerning Streamlined Energy and Carbon Reporting (SECR).*

These are designed to increase awareness of energy costs within organisations, to provide data to inform adoption of energy efficiency measures, and to help them to reduce their impact on climate change. The Commissioners are not required to follow these Regulations; however, they are mindful of the General Synod's resolution of February 2020 for the whole Church, including the National Church Institutions (NCIs), to work to achieve year-on-year reductions in emissions in support of the Church's ambition to reach net zero emissions by 2030. The SECR Regulations concern direct energy usage and the Commissioners disclose further information on this area below, albeit these disclosures are voluntary and do not incorporate the full scope of the SECR Regulations.

The Church Commissioners intends to monitor its emissions using an intensity ratio of tonnes of $CO_2$ equivalent per square metre of floor space or per headcount. However, the Church Commissioners has not yet made a decision on an appropriate base year for monitoring their emissions. As most energy usage relates to the use of offices, 2020 and 2021 were not suitable since most staff were working from home during these periods and during 2022 and 2023 their use of Church House was significantly restricted by extensive refurbishment undertaken by The Corporation of the Church House (the owner of Church House) ("the Corporation"). The direct energy usage by the Church Commissioners is incurred as a result of staff travel and in the operation of offices at Church House, Lambeth Palace and Bishopthorpe Palace. The data available for energy costs incurred relating to staff travel in previous years is limited. However, in 2021 the NCIs entered into an arrangement with a travel management provider which now enables travel costs and energy usage to be monitored effectively.

The NCIs have now formally introduced hybrid working for staff and, consequently, direct energy usage in the operation of their offices is anticipated to be lower than when staff were based in the office full time. However, we are unable to quantify whether the additional energy usage incurred as a result of staff working from home outweighs the savings on our buildings. Energy usage in the office buildings our staff occupy principally consists of electricity and gas used in respect of heating and lighting. The refurbishment of Church House undertaken by the Corporation is intended to improve energy efficiency with a commitment to move towards net zero carbon. The new Lambeth Palace Library is designed to use no gas and has solar panels that are anticipated to provide approximately half of the annual electricity use of the building. The current refurbishment programme at Lambeth Palace is intended to reduce its carbon footprint by half.

The total energy use by the Church Commissioners during 2023 at Church House, Lambeth Palace, and Bishopthorpe Palace was 1.0m kWh (2022: 1.8m kWh) and the associated greenhouse gas emissions were 205.8 tonnes (2022: 365.3 tonnes) of carbon dioxide equivalent ($CO_2e$). This was calculated on the basis of energy usage as disclosed on utility bills and Government $CO_2e$ conversion ratios. The total energy use in respect of travel booked through our travel management provider for Church Commissioners' staff and others who use the provider was 353.9 tonnes (2022: 181.7 tonnes) of $CO_2e$, of which 342.9 tonnes related to air travel and 11.09 tonnes to train travel. These figures do not include energy use for travel booked independently or in respect of car usage.

# RISK MANAGEMENT STATEMENT

*The Church Commissioners recognises the importance of robust risk management practices in safeguarding our assets and interests. Our commitment to effective risk management is integral to fulfilling our strategic objectives and is an essential component of our overall governance and stewardship responsibilities.*

The successful introduction of risk management software in 2023 provides an additional layer of accountability and transparency to our risk management framework. Individual risk owners frequently monitor, review, and assess their risks – and scan the horizon for potential threats and opportunities. Any identified risks are scored utilising the risk scoring methodology from the Charity Commission.

The risk management practices are independently reviewed and audited by our Risk and Assurance Team, who report regularly to the Audit and Risk Committee. The Church Commissioners recognises that a robust governance structure and positive risk culture provide a strong mitigating influence and ensures the adequacy of risk management arrangements.

Cyber security risks are of primary concern, with the notable advancements in generative AI and the increased sophistication of cyberattacks. These risks are managed on a pan-NCI basis by the Church of England Central Services Technology Services team. Geopolitical challenges globally, particularly as a result of conflict in many parts of the world, and the resultant impact on the socioeconomic conditions of UK households, as well as global economic conditions and investment markets, are also of significant concern when it comes to investment returns and sustainability of funding.

During 2023, the Church Commissioners reviewed and accepted that the strategic inherent risks outlined serve as the principal barriers to realising its key objectives. A summary of key management actions has also been provided to address these challenges.

| PRINCIPAL RISK AREA | KEY MANAGEMENT ACTIONS AND PLANS |
|---|---|
| **Investment returns**<br>Failure to achieve investment returns (as per actuarial calculation) required to meet pensions obligations and distribution levels to grow and support the wider church. | ❋ Effective and experienced Assets Committee oversight<br>❋ Disciplined valuation-led Investment Strategy and Process<br>❋ Clearly articulated Investment Policy, including supporting frameworks and guidelines<br>❋ Genuinely diversified portfolio<br>❋ Proactive monitoring of market and currency exposures, and use of Tactical Asset Allocation to manage exposures as required<br>❋ Strong teams, including new appointments in the Investments 'front-office' and Operations teams |
| **Sustainable funding**<br>Challenges of wider church (incl. dioceses and cathedrals) finances post-Covid and inflation / cost-of-living pressures might lead to heightened stakeholder expectations around increased distributions in the short term, which impacts on the ability to provide sustainable support and assistance to the Church in the longer term. | ❋ Close working relationships across national Church ensure a comprehensive understanding of priorities and provides oversight and transparency<br>❋ Assets Committee governance of money available for distribution, including independent actuarial review and advice. Regular engagement between actuaries, staff and Assets Committee<br>❋ Internal and external financial analysis and stress testing, including diocesan, parish and cathedral finances |
| **Effective use of Church Commissioners funding**<br>National Church funding does not achieve the intended outcomes and there are ineffective review / monitoring controls in place.<br>The Governance Review (if not implemented well) could impact upon ability to ensure appropriate accountability for the effectiveness of CC distributions across the church unless appropriate mechanisms are in place. | ❋ TFWG recommended funding priorities for the current triennium (2023-25) and beyond, based on the Church's Vision and Strategy<br>❋ Strategic Mission and Ministry Investment Board (SMMIB) gives oversight of grant allocation and ongoing monitoring<br>❋ Annual review of SMMIB reported to Commissioners' Board<br>❋ Operation of a virement policy which allows the Commissioners to respond effectively to emerging needs as they arise |

| PRINCIPAL RISK AREA | KEY MANAGEMENT ACTIONS AND PLANS |
|---|---|
| **Reputational risks**<br>Reputational risks relating to the Church Commissioners, other NCIs or the wider Church, impact upon the Commissioners' ability to achieve their strategic objectives.<br><br>Wider societal issues / concerns with reputational implications for Church of England / Church Commissioners.<br><br>Long-established endowment funds may give rise to a reputational risk linked to the possibility of their original source, or early investment of funds, having connections to chattel enslavement. This is the case for the original Queen Anne's Bounty fund per research published in 2023. | ❋ Experienced and effective governance and scrutiny applied by the Assets Committee, Audit and Risk Committee and Board of Governors<br>❋ Proactive and frequent engagement with key Church stakeholders on Commissioners' strategy and priorities<br>❋ Financial Communications team proactively manages responses to media in relation to Investment Strategy<br>❋ Proactive engagement with local communities and churches regarding local housing schemes<br>❋ Monitoring societal attitudes and proactive consideration of social justice issues with potential relevance to the Church Commissioners<br>❋ The Church Commissioners established a sub-group of the Board that analysed historical linkages to Transatlantic Chattel Slavery. An independent Oversight Group was appointed to make recommendations for the design and shaping of the £100m response programme of impact investment, grant-making, research and engagement |
| **Climate change (transition risk)**<br>Failure to understand and respond to the paradigm shifts caused by climate change.<br><br>Assets Committee and Investment Team fail to appreciate / consider climate change in their investment strategy. | ❋ Market-leading approach to climate change incorporating assertive engagement, assessment of companies through the Transition Pathway Initiative (TPI) and divestment from companies not taking climate responsibilities seriously. Divestment from companies involved in the production and refining of gas or oil during 2023<br>❋ Ensuring organisational goal of being at the forefront of responsible investment, use our voice to encourage companies to make changes in accordance with ESG guidelines<br>❋ Implementing a comprehensive Responsible Investment Framework. Member of Asset Owner Alliance committed to net zero portfolio emissions by 2050<br>❋ Programme support and funding for Church of England Net Zero Carbon 2030 ambition |
| **Health and safety**<br>Risk to staff, tenants, or general public on Church Commissioners' owned land / property. | **See Houses**<br>❋ Smartlog system at all properties with quarterly reporting to the NCIs' Health and Safety Committee<br>❋ Statutory checks are completed by a third-party provider<br><br>**Investment Assets**<br>❋ Robust contractual arrangements in place with third-party providers, including compliance with health and safety (H&S) legal requirements and insurance cover<br>❋ Quarterly reporting and monitoring of H&S actions, reviews and issues with agents<br>❋ Regular site visits to help identify H&S issues<br>❋ Biannual review of the Commissioners' Health & Safety risks |



Children at baptism

## EXTERNAL AUDITOR INDEPENDENCE AND PROVISION OF NON-AUDIT SERVICES

The Audit and Risk Committee reviews and monitors the external auditor's independence and objectivity in line with relevant regulations and directives. This includes oversight of the engagement of the external auditor to supply non-audit services in the limited number of cases where this might be appropriate. Any non-audit services are approved by the Audit and Risk Committee in advance, with due consideration given to the related fee levels, and the fee levels individually and in aggregate relative to the audit fee. The Committee also considers the nature of the work undertaken, to ensure that it is of a permitted nature, and that they are satisfied about the safeguards in place to ensure auditor independence. In line with best practice rotational requirements, in 2023 the Commissioners had a new External Audit Partner, Marcus Swales, who has introduced some changes to the external audit process that the Audit and Risk Committee is comfortable with.

# GOVERNANCE



Board meeting

# HOW THE CHARITY IS CONSTITUTED

## STRUCTURE AND SUBSIDIARIES

The Church Commissioners for England ("the Church Commissioners") is a statutory body created by the Church Commissioners Measure 1947 and a registered charity (number 1140097) under the Charities Act 2011. The Church Commissioners has a number of subsidiaries for investment purposes and the principal subsidiaries are set out in note 2 to the financial statements. A number of joint ventures are also held as part of the investment portfolio. The Church Commissioners, together with the Archbishops' Council and the Church of England Pensions Board, are equal partners in Church of England Central Services (ChECS), a joint venture providing cost-effective shared financial, legal and other services.

## PUBLIC BENEFIT

As trustees, the Church Commissioners are mindful of the Charity Commission's guidance, Charities and Public Benefit, and, in particular, the supplementary guidance for charities whose aims include advancing religion, The Advancement of Religion for the Public Benefit, and have regard to both guidance documents when reviewing the Commissioners' aims and objectives and in planning future activities.

We are confident that the financial resources provided to parishes, dioceses, bishops and cathedrals help to promote the Church's whole mission (pastoral, evangelistic, social and ecumenical) more effectively, in individual parishes, in cathedrals, in dioceses and at a national level. In doing so, the Church provides a benefit to the public by:

- Providing facilities for public worship, pastoral care and spiritual, moral and intellectual development both for its members and for anyone who wishes to benefit from the Church's offering, and
- Promoting Christian values and service by members of the Church in and to their communities, to individuals and society as a whole.

The report outlines examples of this public benefit in action.

# ORGANISATIONAL STRUCTURE AND STAFFING

*We are proud of our wonderful staff, and their expertise and commitment in enabling the support given to the Church. Working with the other NCIs, the Church Commissioners serve and support the wider Church, ensuring effective use of the Church's money.*

## OUR PEOPLE

The day-to-day management of the Commissioners is delegated to Gareth Mostyn. He is supported in his role by the senior management group and the wider staff team:

Chief Executive and Secretary:
**Gareth Mostyn**

Chief Investment Officer:
**Tom Joy** (until April 2024)

Chief Operating Officer (Investments):
**Nicola Dymond**

Head of Bishoprics and Cathedrals:
**Michael Minta**

Head of Mission, Pastoral and Church Property:
**Wendy Matthews**

Director for Churches and Cathedrals:
**Emily Gee**

Director for Planning and Engagement:
**Georgia Boon**

Chief Operating Officer:
**Rosie Slater-Carr**

Finance Director:
**Mark Barker** (from January 2024), previously Joanna Woolcock

Director for Finance Transformation:
**Joanna Woolcock** (from January 2024)

People Director:
**Christine Hewitt-Dyer**

Head of Financial Communications:
**Alistair Hammond**

Official Solicitor:
**Alexander McGregor**

Deputy Official Solicitor to the Church Commissioners:
**Paul Stevenson**

At the National Church Institutions, our focus is on building an affirming, high-performing, inclusive culture to support the mission and ministries of the Church of England and its Vision and Strategy for the 2020s.

## EMPLOYEE ENGAGEMENT

At the tail end of the year, we held a short 'pulse' survey to measure how employees were feeling and their views about working at the National Church Institutions (NCIs). Over 600 people completed the survey, making it the largest survey of staff opinion ever carried out by the NCIs. Meaningful and sustainable change takes time and is the sum total of the effort we make and the behaviours we exhibit, which is why we are particularly pleased that there has been a steady increase in positive responses to the statement 'I would recommend the NCIs as a good place to work' – rising from 65% in 2017 to 83% in 2023.

By the end of 2023, we had delivered on each of the ten commitments made in our Employee Engagement Action Plan. These targeted initiatives support our aim to be a workplace where everyone feels they belong and are valued for who they are and what they contribute, as well as helping to equip managers to develop their people and to deliver high-quality services to support the Church. Some 94% of respondents to our latest survey understand how their work contributes to this goal.

## OUR VALUES, BEHAVIOURS, BELONGING AND INCLUSION

During 2023, we refreshed and relaunched our NCI values, focusing on generous behaviours and accountability. We engaged with over 250 of our people, our leaders, and our trustees to find out where our shared values truly lie – what motivates us and what we have in common. Our refreshed set of Values –

Management team



confidently rooted in Christian tradition and context – are as follows: strive for excellence; act with integrity; respect others; show compassion; and collaborate.

We are in the middle of delivering our second Belonging and Inclusion action plan. Our Diversity and Inclusion Advisor provides additional capacity to manage triennium-funded projects to help us meet recommendations from the 'From Lament to Action' report, including the establishment of career development opportunities to UK Minoritised Ethnic and disabled colleagues, and an external, end- to-end review of our recruitment processes.

Our first Confident Career programme hosted both 'open to all' and 'UKME / GMH only' cohorts and included 32 colleagues in more junior roles. Within two months of completion, four participants successfully obtained promotion with many more reports of significant action taken regarding career development. Outputs from the recruitment review will include improvements to job descriptions, careers pages on our website and to our shortlisting, interviewing, and onboarding processes.

As part of our Mentoring and Learning action theme, mandatory inclusion training for all staff is now in place, and a fourth round of reciprocal mentoring started in November. We will continue to deliver mentoring, learning, and staff network initiatives to support the career development and confidence building of under-represented groups and those in more junior roles.

Our staff-led support networks continue to grow and evolve. As part of our Celebration and Stories theme, a regular programme of webinars and events, personal stories and reflections, blogs, and interviews provide colleagues with a platform to share their perspectives and experiences.

In November, we won an award for 'Support during the Pandemic' at the 2023 Mental Health Awards for 'going above and beyond to provide support for their people'. Our team of mental health first aiders continue to provide professional and compassionate support to colleagues. Financial wellbeing is a new area of focus, with briefing sessions covering personal finances and workplace pensions held.

## LEARNING AND DEVELOPMENT

In 2023, we overhauled the induction we give to people joining the NCIs to ensure that new starters feel welcome from day one. The new process continues through the first three months of employment, covering our organisational purpose and structure, our values and generous behaviours, belonging and inclusion, network groups, wellbeing, hybrid working, learning, systems, and internal communications.

In May, we celebrated Learning at Work Week with professional development workshops including sessions specifically for women and under-represented groups working in non-managerial roles at the NCIs. We are also investing in our line managers and senior leaders. Our Confident Manager and Confident Leadership training was attended by 78 line managers and senior leaders in 2023.

## ADDRESSING OUR GENDER PAY GAP

Our report for 2023 contains a mixture of encouragement and a reminder that we have further to go before we achieve parity in gender pay. A near five percentage point drop brings our median gender pay gap down to 18%. This is the lowest our median pay gap has been since we began reporting in 2017. Our mean gender pay gap remained static, also at 18%.

NCI trustees, chief officers, senior managers, and trades unions remain committed to our ongoing work on Belonging and Inclusion, including gender equality. We are focused on establishing a strong foundation to pave the way for sustainable long-term tangible results. An example of this is our move to a single national pay scale which had a positive effect on reducing the median gender pay gap.

## TRANSFORMING OUR EFFECTIVENESS

At the end of March, the new People System for the Church of England went live for clergy and NCI staff. This second phase of the project replaced the legacy HR and payroll system that had reached the end of its supported lifecycle. The People System has been operating since May 2021 and is the secure system that holds the information presented in the National Register of Clergy.

Connected to this, work is underway on a range of projects to improve the financial processes and systems across the NCIs. All part of our Finance Transformation programme, this will include implementing new systems for finance and grant management and streamlining ways of working to improve efficiency and effectiveness, and to enable greater collaboration.

## WORKING ENVIRONMENT

At **Church House**, Westminster, where the majority of staff employed by the Church Commissioners are based, we ended the year by moving into refurbished office space following a two-year refurbishment project.

The new office has been well received by staff and visitors. A lot of thought went into the design and layout to reflect how we work and our culture – one of collaboration and inclusion – to create a place where staff can do their best work and feel part of something bigger.

As well as refurbishing the office, we are reducing our carbon footprint and reducing our overheads by occupying a smaller footprint in the building. This is enabling the Corporation of the Church House, our landlord, to generate additional revenue for the Church from commercial rents.

The project to upgrade and refurbish **Lambeth Palace**, which provides an office for many NCI staff, continued through 2023 and is mentioned earlier in this report. The refurbishment should be completed in 2024.

The **Lambeth Palace Library** celebrated the Coronation of King Charles III through an exhibition showcasing religious items that have been used in Royal Coronation ceremonies going back to the Middle Ages and included the Bible used in the King's Coronation service.

The Archbishop of Canterbury welcomed His Majesty The King to Lambeth Palace Library on 16 November to join a reception of UK faith leaders. King Charles III met senior staff from Lambeth Palace and the Library and viewed displays with items from different faith traditions from the Library's collection. His Majesty also met staff working on the Church Commissioners research into links between the Church Commissioners' endowment fund (historically known as Queen Anne's Bounty) and African chattel enslavement.

At **Bishopthorpe Palace**, additional office space has been created in the previously derelict 'Brewhouse' building. The self-contained standalone office includes 14 workstations, a meeting room, and a kitchen area. Situated in the grounds of the Palace, this provides a new office space for colleagues from other NCIs and the wider Church to meet and collaborate with colleagues in this Office of the Archbishops.

## SUMMARY OF OUR PEOPLE

At the end of 2023, a total of 178 staff were employed or funded directly by the Commissioners. The Commissioners make up about 23% of the overall staff at the NCIs.

The Church Commissioners is a joint employer of NCI staff together with the other NCIs. It receives services from ChECS, which is also a joint employer. The NCIs ended 2023 with 763 employed staff, compared to 679 at the end of 2022. This has been a result of a net increase in the overall workforce of over 12%, along with a decrease in the number of leavers in 2023.

Overall turnover in 2023 fell to 13% compared to 19% in 2022, and the lowest since 2020 (9%).

Across the NCIs, the ratio of female to male employees increased from 58% and 42% respectively in 2022, to 59% and 41% respectively in 2023. The percentage of women in senior positions rose by three percentage points to 44% in 2023.

The percentage of people who classed themselves as black or minority ethnic within the Commissioners was 12.4% (2022: 13.2%) compared with overall representation of 17.4% (2022: 18.3%) across the NCIs.

The percentage of people who classed themselves as having a disability within the Commissioners was 8.5% compared to 9.4% for the NCIs overall.

## STAFF REMUNERATION AND EXECUTIVE PAY

The staff of the Church Commissioners, excluding asset management staff, are covered by a unified pay policy that operates across all the NCIs. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value based on pay bands.

For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market-related salaries and is subject to annual review.

The NCIs are an accredited Living Wage employer and ensure all staff – including apprentices, interns, and those on training schemes – receive the appropriate living wage for their location.

A number of senior roles, including those of the NCI Chief Executives, sit outside the banding system, as the skill sets required to fulfil the roles are not readily measured within the NCIs' standard job evaluation system. Salaries for these roles are set individually with reference to the wider marketplace. This process is overseen by the Remuneration Committee, comprising senior trustees from each of the main NCIs as part of the Joint Employment and Common Services Board (JECSB). In general, these staff can expect the same percentage annual uplift for cost of living as those on the NCI bands.

## ASSET MANAGEMENT STAFF

Staff engaged directly in the management of the Church Commissioners' investment portfolio are on separate contracts of employment and sit outside the general NCI pay arrangements described above. The Church Commissioners is a large and sophisticated institutional investor investing in a broad range of asset classes, including significant property holdings, and as such seeks to attract and retain high-calibre investment professionals.

Accordingly, salaries are designed to reflect the market for investment specialists and incorporate an element of long-term incentive which encourages consistent outperformance of the Commissioners' target investment return over a sustained period of five years.

The level of pay and the value of incentive awards are overseen by a Church Commissioners' Remuneration Committee, comprising trustees on the Assets Committee supported by independent benchmarking data. The scheme is reviewed for consistency with the executive remuneration policy adopted by the Church's National Investing Bodies (NIBs) on the recommendation of the Ethical Investment Advisory Group (EIAG).

Amounts payable under the incentive scheme are spread over up to five years, and the full amounts are only payable if the recipient remains in post during that time. By this method the Commissioners ensure incentives are directly aligned with their objectives and are also long term in nature. In the year to 31 December 2023, payments under the scheme, including deferred payments that became due, totalled £2,011,382 (2022: £2,297,338). The highest paid member of staff received a payment of £305,310 (2022: £318,916). The Secretary to the Church Commissioners does not participate in the scheme. During 2023, the total remuneration (salary and incentive payment) for the highest paid member of Commissioners' staff was 23.4 times (2022: 20.5) the total remuneration received by the lowest paid member of Commissioners' staff and 11.8 times (2022: 10.0) the median total remuneration.

This is consistent with the recommendations on company remuneration adopted by the NIBs on the advice of the EIAG in 2013.

## STAFF PENSIONS

The staff of the Church Commissioners are either members of the Church Administrators Pension Fund defined benefit section (if employed before July 2006), or a separate defined contribution arrangement if employed subsequently. Employer contribution rates range from 8% to 18% depending on age and additional voluntary contributions made. As part of the recent Reward review pay project, we have encouraged new staff to take advantage of our matched additional voluntary contributions scheme and also offered further ethical pension scheme choices in 2023.

# TRUSTEES AND THE BOARD OF GOVERNORS

*There are 27 Church Commissioners who constitute the Board of Governors and have trustee responsibility for meeting our charitable obligations. In addition, there are six further Commissioners who hold offices of State and are not members of the trustee Board.*

Thirteen Board members are elected, either by the General Synod or the cathedral deans, and others are appointed, by the Crown or the archbishops, for various kinds of professional expertise. Board members also generally serve on one or more of our committees – the Assets Committee, the Audit and Risk Committee, the Bishoprics and Cathedrals Committee and the Mission, Pastoral and Church Property Committee. Except for the Assets Committee, they all contain non-Commissioner as well as Commissioner members. All are supported by an executive team led by Chief Executive and Secretary, Gareth Mostyn. All new Commissioners receive a welcome pack containing information about governance in the charity sector and in the Church, and all are offered an induction programme and other relevant training from time to time.

Since the publication of the 2022 Annual Report, the Church Commissioners has said farewell to a number of elected Commissioners who either reached the end of their permitted tenure or decided against standing for re-election. They are the Rt Revd David Walker, Canon Peter Bruinvels, Jay Greene, Canon Betty Renshaw, the Revd Anne Stevens, the Revd Stephen Trott and Jacob Vince, all of whom stepped down on 31 December 2023. Earlier in the year we also said farewell to Mark Woolley who reached the end of his maximum permitted term of appointment. They served the Board and their various committees faithfully and with great skill and energy, for which we are extremely grateful. The Church Commissioners and the staff team wish them all well for their future ministries. In the place of those elected members who stood down, Synod elected the Reverend Prebendary Amatu Christian-Iwuagwu, Richard Denno, the Reverend Sarah Geileskey, Dr Nick Land, Dr Cathy Rhodes, the Right Reverend Pete Wilcox and Robert Zampetti, all with effect from 1 January 2024. Between them they bring a wealth of Church and other experience, and the Church Commissioners is looking forward to working with them all in the years ahead.

The last year has also seen some change in non-Commissioner committee members. Amatu Christian-Iwuagwu was a non-Commissioner member of the Mission, Pastoral & Church Property Committee and his election as a Commissioner has created a non-Commissioner vacancy which we will seek to fill in 2024. Mark Beard also stepped down in August as the Department for Digital, Culture, Media & Sport's nominated member of this Committee. The Church Commissioners is grateful to Mark for his contribution to the Committee's work and welcomes the DCMS's nomination of Simon Cawte to replace Mark from 27 September 2023.

The Church Commissioners takes trustee recruitment very seriously and invests time and resources in finding, inducting, and developing the highest calibre people. Vacancies are advertised in a range of publications depending on the specialisms of the roles and search consultants are often employed to assist us. We place particular emphasis on diversity and inclusion, at both trustee and staff level.

## SECOND CHURCH ESTATES COMMISSIONER

The Second Church Estates Commissioner, Andrew Selous MP, maintains the statutory accountability of the Church Commissioners to Parliament, including through the answering of questions in the House of Commons.



Board meeting

# THE CHURCH COMMISSIONERS AND BOARD OF GOVERNORS AT APRIL 2024

The Board of Governors transacts the functions and business of the Commissioners except where, by statute or through delegation by the Board, these are exercised by committees. Except State office-holders, all Church Commissioners are members of the Board of Governors. The membership is as follows:

## ARCHBISHOPS (EX OFFICIO)

Archbishop of Canterbury, Justin Welby, Chair
Archbishop of York, Stephen Cottrell

## CHURCH ESTATES COMMISSIONERS APPOINTED BY HIS MAJESTY

Alan Smith, First Church Estates Commissioner
Andrew Selous MP, Second Church Estates Commissioner

## CHURCH ESTATES COMMISSIONER APPOINTED BY THE ARCHBISHOP OF CANTERBURY

The Revd Canon Dr Flora Winfield, Third Church Estates Commissioner

## ELECTED BY THE GENERAL SYNOD

### HOUSE OF BISHOPS

Bishop of Salisbury, Rt Revd Stephen Lake, Deputy Chair
Bishop of Bristol, Rt Revd Vivienne Faull
Bishop of Norwich, Rt Revd Graham Usher
Bishop of Sheffield, Rt Revd Pete Wilcox

### HOUSE OF CLERGY

The Revd Preb Amatu Christian-Iwuagwu
The Revd Sarah Geileskey
The Revd Christopher Smith

### HOUSE OF LAITY

Richard Denno
Dr Nick Land
Dr Cathy Rhodes
Robert Zampetti

### ELECTED BY THE DEANS

Dean of Ely, Very Revd Mark Bonney
Dean of Manchester, Very Revd Rogers Govender

### NOMINATED BY HIS MAJESTY

Kif Hancock
Suzanne Avery
Nigel Timmins

### NOMINATED BY THE ARCHBISHOPS OF CANTERBURY AND YORK

Morag Ellis KC
Busola Sodeinde
Mark Woolley (up to 31 March 2023)
Dame Kate Barker (from 1 April 2023)

### NOMINATED BY THE ARCHBISHOPS OF CANTERBURY AND YORK

After consultation with others, including the Lord Mayors of the Cities of London and York, and the Vice Chancellors of Oxford and Cambridge Universities

Remi Olu-Pitan
Helen Steers
Jenny Buck

### Secretary to the Church Commissioners and Board of Governors

Gareth Mostyn

### State office-holders

First Lord of the Treasury
Lord President of the Council
Lord Chancellor
Secretary of State for Digital, Culture, Media & Sport
Speaker of the House of Commons
Speaker of the House of Lords

### Assets Committee

Subject to any general rules made by the Board, the Assets Committee has an exclusive power and duty to act in all matters relating to the management of the Church Commissioners' assets

Alan Smith, Chair
The Revd Christopher Smith
Bishop of Norwich, Rt Revd Graham Usher
Dr Cathy Rhodes
Remi Olu-Pitan
Suzanne Avery
Helen Steers
Kif Hancock
Dame Kate Barker
Jenny Buck
Gareth Mostyn, Committee Secretary

### Audit and Risk Committee

Acts in matters relating to the external auditors, the annual accounts and internal control systems

Hilary Wild, Chair
Busola Sodeinde
George Stylianides
Dave Jennings
Emma Upstone
Robert Zampetti
Muir Laurie, Committee Secretary

### Bishoprics and Cathedrals Committee

Acts for the Board in matters relating to episcopal and cathedral support

The Revd Canon Dr Flora Winfield, Chair
Bishop of Bristol, Rt Revd Vivienne Faull
Bishop of Salisbury, Rt Revd Stephen Lake
Dean of Ely, Very Revd Mark Bonney
Dean of Manchester, Very Revd Rogers Govender
Dean of Guernsey, Very Revd Tim Barker
Dr Nick Land
Ruth Mounstephen – Representative of Bishops' spouses
Anna Pitt – Representative for Association of English Cathedrals and Cathedrals Administration and Finance Association
Michael Minta, Committee Secretary

### Mission, Pastoral and Church Property Committee

Acts for the Board in matters relating to pastoral reorganisation, parsonages and diocesan glebe, and matters relating to the future of church buildings closed for regular public worship

The Revd Canon Dr Flora Winfield, Chair
Bishop of Jarrow, Rt Revd Sarah Clark
Bishop of Sheffield, Rt Revd Pete Wilcox
The Ven Simon Fisher
The Revd Canon Clare MacLaren
The Revd Christopher Smith
The Revd Sarah Geileskey
The Revd Preb Amatu Christian-Iwuagwu
Dr Cathy Rhodes
Morag Ellis KC
Shane Waddle
Garth Watkins
Wendy Matthews, Committee Secretary

## PROFESSIONAL ADVISERS

**Bankers:**
Lloyds Bank plc
39 Threadneedle Street
London EC2R 8AU

**Custodians:**
JP Morgan Chase Bank N.A.
25 Bank Street
Canary Wharf
London E14 5JP

**Auditor:**
Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

**Actuaries:**
Hymans Robertson LLP
One London Wall
London EC2Y 5EA

# ATTENDANCE AT MEETINGS

*The table below gives details of the meetings attended by governors and non-Commissioner committee members.*

| | BOARD | ASSETS | AUDIT AND RISK | BISHOPRICS AND CATHEDRALS | MISSION, PASTORAL AND CHURCH PROPERTY |
|---|---|---|---|---|---|
| Number of meetings | 4 | 6 | 4 | 6 | 7 |
| Archbishop of Canterbury, **Most Revd Justin Welby** | The Archbishop of Canterbury chairs the Annual General Meeting. By arrangement he does not attend meetings of the Board of Governors. The Bishop of Manchester was previously the Archbishop's appointed deputy, and this is now the Bishop of Salisbury (from 1 January 2024). | | | | |
| Archbishop of York, **Most Revd Stephen Cottrell** | 3 | | | | |
| First Church Estates Commissioner, **Alan Smith** | 4 | 6 | | | |
| Second Church Estates Commissioner, **Andrew Selous MP** | 4 | 3 | | | |
| Third Church Estates Commissioner, **Canon Dr Flora Winfield** | 4 | | | 6 | 7 |
| Bishop of Bristol, **Revd Vivienne Faull** | 3 | | | 6 | |
| Bishop of Manchester, **Rt Revd David Walker** | 3 | | | 4 | |
| Bishop of Norwich, **Rt Revd Graham Usher** | 3 | | | | 3 |
| Bishop of Salisbury, **Rt Revd Stephen Lake** | 4 | 4 | | | |
| Bishop of Jarrow, **Rt Revd Sarah Clark** | | | | | 3 |
| Dean of Ely, **Very Revd Mark Bonney** | 4 | | | 5 | |
| Dean of Guernsey, **Very Revd Tim Barker** | | | | 6 | |
| Dean of Manchester, **Very Revd Rogers Govender** | 4 | | | 5 | |
| **The Venerable Simon Fisher** | | | | | 5 |
| **The Revd Christopher Smith** | 4 | 5 | | | 7 |

| | BOARD | ASSETS | AUDIT AND RISK | BISHOPRICS AND CATHEDRALS | MISSION, PASTORAL AND CHURCH PROPERTY |
|---|---|---|---|---|---|
| The Revd Stephen Trott | 3 | | | | 5 |
| Dame Kate Barker (from 1 April 2023) | 3 | 3 | | | |
| Canon Peter Bruinvels | 4 | 6 | | | 7 |
| Jenny Buck | 3 | 4 | | | |
| Canon Elizabeth (Betty) Renshaw | 3 | | | 4 | |
| Suzanne Avery | 4 | 5 | | | |
| Mark Beard (until 19 August 2023) | | | | | 1 |
| Simon Cawte (from 27 September 2023) | | | | | 3 |
| Morag Ellis | 3 | | | | 5 |
| Jay Greene | 4 | | 4 | | 5 |
| The Revd Preb Amatu Christian-Iwuagwu | | | | | 1 |
| Kif Hancock | 4 | 6 | | | |
| Dave Jennings | | 1 | 4 | | |
| The Revd Canon Clare MacLaren | | | | | 5 |
| Ruth Mounstephen | | | | 6 | |
| Remi Olu-Pitan | 3 | 4 | | | |
| Busola Sodeinde | 3 | 1 | 4 | | |
| Helen Steers | 4 | 5 | | | |
| The Revd Anne Stevens | 4 | | | | 6 |
| George Stylianides | | 1 | 4 | | |
| Jennifer Thomas | | | | 5 | |
| Nigel Timmins | 3 | | | | |
| Emma Upstone | | 1 | 4 | | |
| Jacob Vince | 4 | | | 3 | |
| Canon Shane Waddle | | | | | 6 |
| Garth Watkins | | | | | 5 |
| Hilary Wild* | 4 | 1 | 4 | | |
| Mark Woolley (until 31 March 2023) | 1 | 2 | | | |
| Anna Pitt | | | | 5 | |

**As Chair of Audit and Risk Committee, Hilary Wild is invited to attend Board meetings but is not a member of the Board.*

*A member of the Audit Committee attends every Assets Committee as an observer.*

# TRUSTEE RESPONSIBILITIES

*The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with UK law and accounting practices.*

## TRUSTEE RESPONSIBILITY STATEMENT

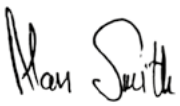
The Charities Act 2011 requires the trustees to prepare financial statements for each financial year. The trustees have to prepare the financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The trustees must not approve the financial statements unless they are satisfied that they 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, including the income and expenditure, 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 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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 group will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity and its subsidiaries' transactions; disclose with reasonable accuracy at any time the financial position of the charity and the group; and enable them to ensure that the financial statements comply with the Charities Act 2011, the Church Commissioners Measure 1947, and the Charity (Accounts and Reports) Regulations 2008.

The trustees are also responsible for safeguarding the assets of the Church Commissioners' for England (**th**e "parent charity") and its subsidiaries ("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 organisational and financial information included in the Commissioners' section of the Church of England website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board by:



**Alan Smith**
First Church Estates Commissioner
25 April 2024

# MONEY AVAILABLE RESOLUTION

*Money available resolution and summary of the independent actuaries' report.*

## INTRODUCTION

As required by the Church Commissioners Measure 1947 (as amended), at the 2024 Annual General Meeting of the Commissioners, the Board of Governors will recommend that the meeting (i) receives the Annual Report and Financial Statements; (ii) considers a revised recommendation on the planned allocation of money available for distribution in 2023-25, based on the forecast of sums that can be made available for distribution in each year of that triennium; and (iii) notes a forecast of the sums that it is hoped can be made available in each year of the following two triennia 2026-31, subject to the outcome of future triennial reviews.

## MONEY AVAILABLE RESOLUTION

At its meeting on 18 April 2024 the Assets Committee, having received updated advice from its actuarial advisors Hymans Robertson LLP (as required by the Church of England Pensions Measure 2018) which is summarised below, resolved to inform the Board that the Commissioners' expenditure plans can be made on the assumption that the following revised sums can be made available for distribution in total across 2023-2025:

- Up to £450m for historical distributions.
- Up to £426m for core (in perpetuity) distributions.
- Up to £177m for transformational time-limited distributions.
- Up to £226m for strategic ongoing distributions.

## SUMMARY OF THE REPORT FROM THE INDEPENDENT ACTUARIES

The Commissioners holds assets ("the assets") from which it pays pensions to retired clergy and other licensed ministers ("the pensions obligation") and staff ("the pensions liability"), and provides money to support the mission and ministry of bishops, cathedrals and parishes and for other purposes ("the distribution"). The distribution is affected by the extent of the pensions obligation and pensions liability. To assist the Commissioners in formulating the distribution policy, we carry out a detailed review from time to time.

Our most recent detailed review was carried out as at 31 December 2021 and we carried out an annual update of this review as at 31 December 2023. The reviews involved calculating the capital value (also known as the present value) of the following areas of future expenditure from the assets, according to their term:

1) Historical distributions mainly comprising an allowance to enable the Commissioners to meet its historical pensions obligation and pensions liability. As the pensions are payable throughout the lifetimes of the pensioners, the term of this area of expenditure is longevity related and not known in advance. We therefore make assumptions of future life expectancy for the purpose of calculating the capital value of the pensions obligation and pensions liability.

2) Planned core (in perpetuity) distributions, for example the grants to support Bishops' and Cathedrals' ministry, sub-divided into separate elements with appropriate rates of planned annual increases.

3) Planned or previously agreed distributions which have a fixed term.

Having calculated the capital values of the above areas of expenditure, we compare the total with the value of the assets held to assess whether the planned distributions are sustainable. If the level of assets exceeds the aggregate of the above distributions, as was the case in our most recent full review, we also calculate the level of

strategic ongoing distributions that could be afforded in perpetuity on our central assumptions. This is reflected in the numbers set out above.

Many occupational pension schemes have actuarial valuations performed using significant margins for prudence. This is done so that the scheme has a funding buffer should future events prove unfavourable, in particular if the pension scheme's sponsoring employer becomes insolvent. In contrast, our calculations for the Commissioners are made on a "best estimate basis" and do not include such margins of prudence. We consider that such margins are not required, as the assets are significantly larger than the pensions obligation and pensions liability, and no further margin is necessary. Moreover, if margins were to be included, this would restrict the level of other distributions, with the expectation that they are likely to be increased at some point in the future by more than the planned increases. This would lead to inter-generational inequity, with the future recipients of the distribution receiving more in real terms at the expense of current recipients.

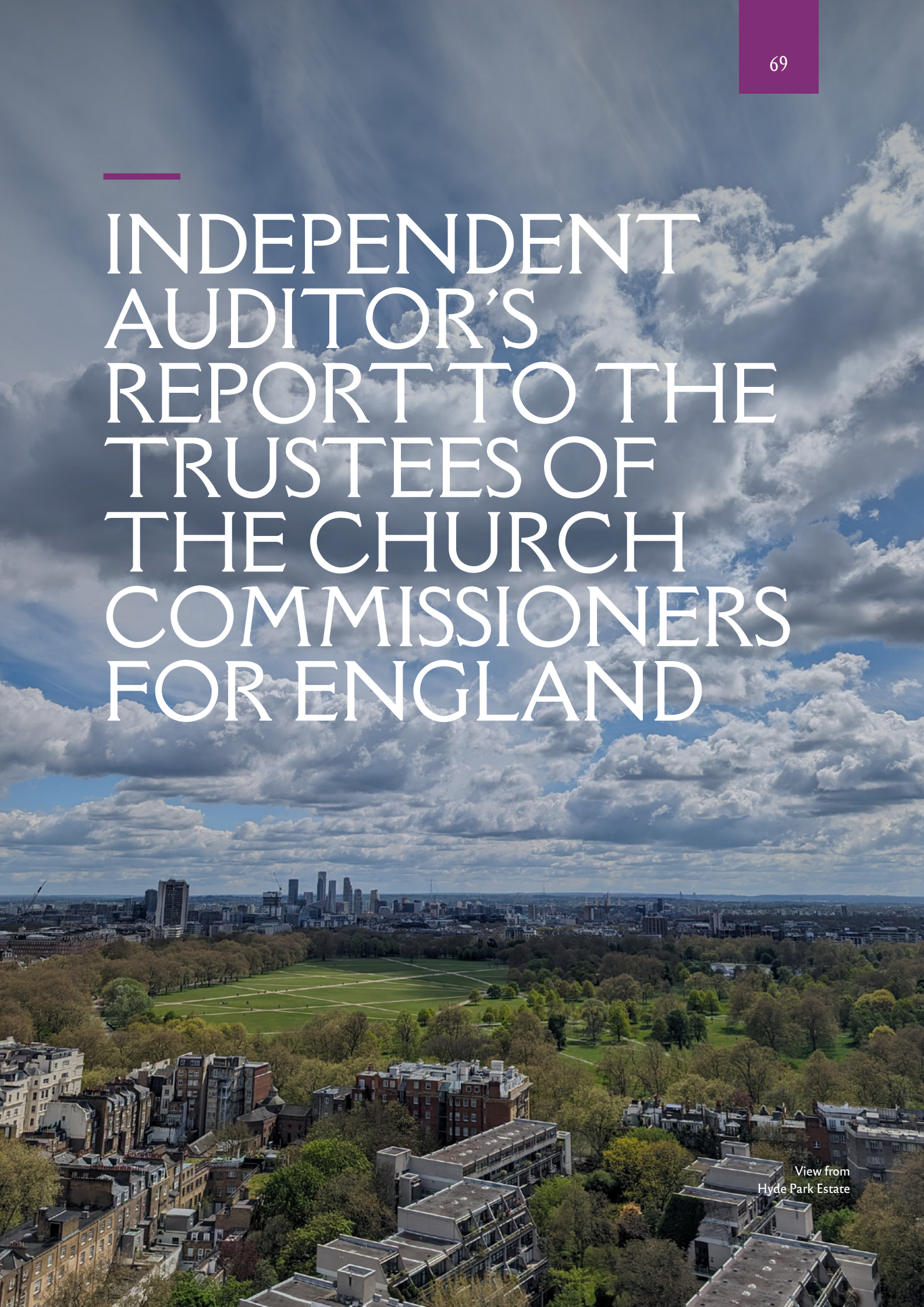
It should be noted that the distribution which the assets can support – and in particular the fund's capacity for strategic ongoing distributions – is extremely sensitive to a number of factors. These include the actual investment returns on the assets, the assumed average future investment return, actual increases in the national minimum stipend (on which the starting level of clergy pension is based) and inflation (which determines increases in pensions in payment) and the actual and prospective longevity of pensioners.

Recognising the high level of volatility in the sum available for strategic ongoing distributions we continue to advise that the Commissioners should pay a significant proportion of such distributions in a form that will automatically cease, or can be stopped within a reasonably short timescale, if any future actuarial review determines that such distributions are no longer affordable. We recommend that the Commissioners should reinforce the messaging within the Church that the strategic ongoing spending is designed to support short-term projects and reliance on its continuation at current levels should be limited where possible until the end of 2028, in line with the agreed policy to aim to give a full triennium of notice for any distribution cuts unless there is an extreme situation which requires swifter action. We note that much of the strategic ongoing spend is intended to continue until 2031.

In summary the overall conclusion of our calculations was that the package of distributions proposed for the 2023-25 triennium are deemed affordable on our best estimate assumptions. The affordability of this package of distributions should be re-examined in detail at the next triennial review as at 31 December 2024.

**Alec Day FIA**
**Peter Carver FIA CERA**
For and on behalf of Hymans Robertson LLP
April 2024

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND



View from
Hyde Park Estate

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

## OPINION

**Our opinion on the financial statements is unmodified**

We have audited the financial statements of The Church Commissioners for England (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2023, which comprise the consolidated and Commissioners' statements of financial activities, the consolidated and Commissioners' balance sheets, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 December 2023 and of the group's and the parent charity's incoming resources and application of resources, including the group's and the parent charity's income and expenditure 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 Act 2011.

## BASIS FOR OPINION

We have been appointed as auditor under section 151 of the Charities Act 2011. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent charity in accordance with the ethical requirements that are relevant to our audit of the group and the parent charity financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## CONCLUSIONS RELATING TO GOING CONCERN

We are responsible for concluding on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent charity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent charity to cease to continue as a going concern.

Our evaluation of the trustees' assessment of the group's and the parent charity's ability to continue to adopt the going concern basis of accounting included:

- Evaluation and challenge of the assumptions used in the independent actuarial report provided by Hymans Robertson LLP on the affordability in perpetuity of the parent charity's planned distributions using our knowledge of the parent charity. The report covers the spending plans for the next three-year period (the "triennium") and is updated annually to assess that the spending plans for the current and next triennium remain affordable;
- Evaluation of the liquidity of the parent charity and the group by assessing the cash and liquid assets held by the parent charity and the group to meet obligations in the 12 months from the date of signing of the report;
- Assessment of the associated sensitivity analysis (including stress and scenario testing) and reasonableness of assumptions used based on the engagement team's knowledge of the parent charity and the group and by corroborating inputs to supporting evidence;
- Assessment of the accuracy of management forecasts prepared for prior periods by comparing against actual results.

In our evaluation of the trustees' conclusions, we considered the inherent risks associated with the parent charity and the group's business model including effects arising from macro-economic uncertainties such as the cost of living crisis and high cost of energy, we assessed and challenged the reasonableness of estimates made by the trustees and the related disclosures and analysed how those risks might affect the parent charity's and the group's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## OUR APPROACH TO THE AUDIT

**Overview of our audit approach**

***Overall materiality:***

**Group:** £90.8 million, which represents 1% of the group's net assets

**Parent Charity:** £90.8 million, which represents 1% of the parent charity's net assets, capped at an amount less than group materiality for group audit purposes.

***Key audit matters for the parent charity and group were identified as:***

- Valuation of Investments Securities – excluding listed (change in scope)

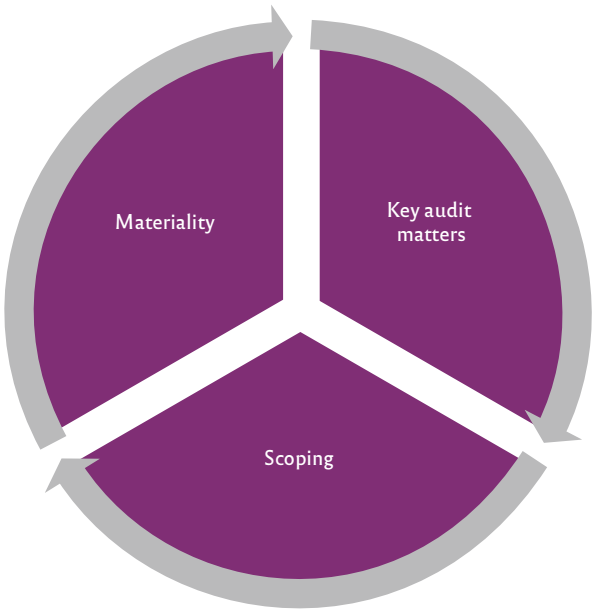
  The prior year key audit matter also included existence, in the current year, we pinpointed the key audit matter to valuation only.

- Valuation of Investments Properties – excluding indirect property – strategic and rural (change in scope)

  The prior year key audit matter applied in the entire direct investment properties portfolio however, in the current year we have pinpointed the key audit matter to only the rural and strategic asset class. This is due to the rural and strategic asset class having limited market information available to verify judgments involved such as yields and projected income flow, whilst the other asset classes have readily available market information therefore are considered less complex.

  The prior year key audit matter also included existence, in the current year, we pinpointed the key audit matter to valuation only.

We performed a full-scope audit of the financial statements using component materiality of the parent charity and specific-scope audit for two subsidiaries achieving 99% coverage of net assets and 100% coverage of total revenues.

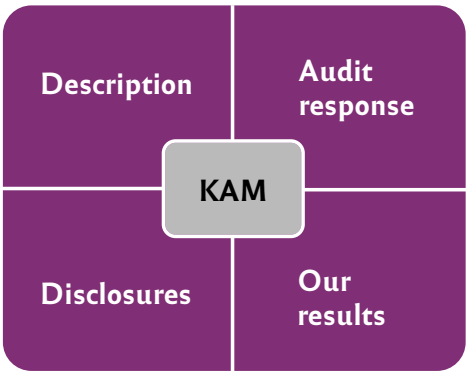


# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

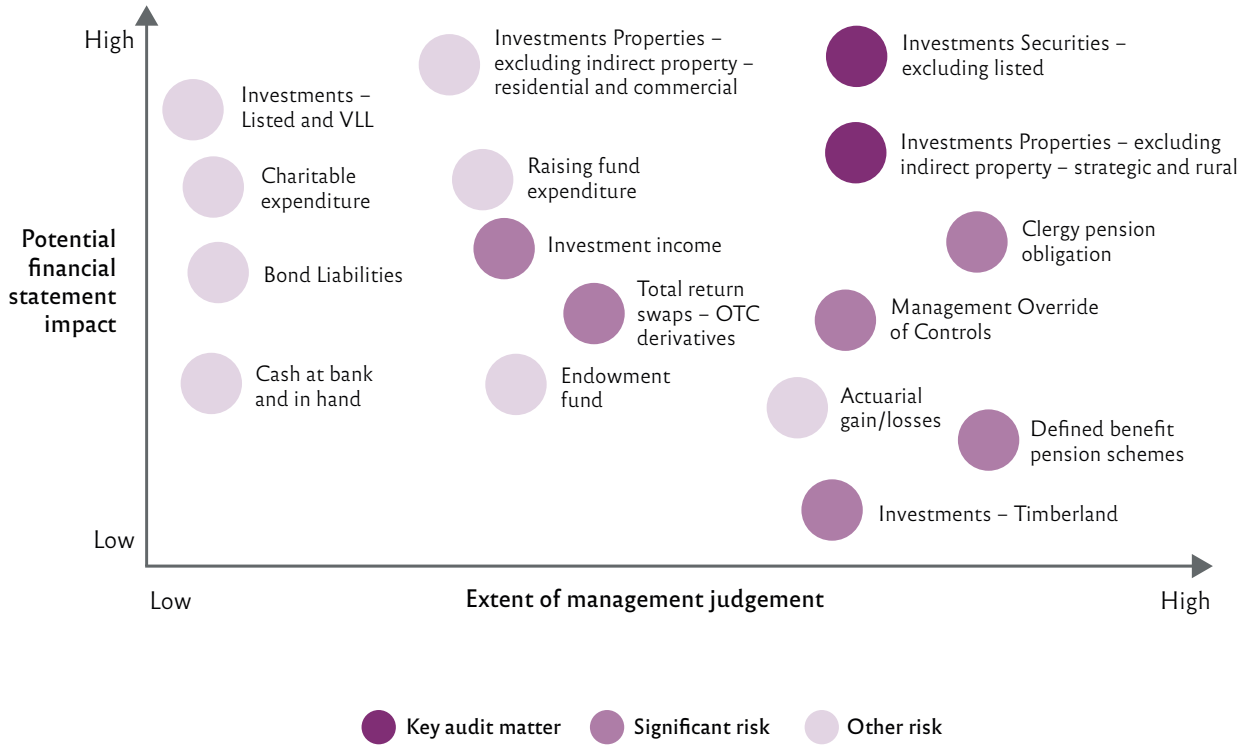
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## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the parent charity and group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.




In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



| Key Audit Matter – Group and parent charity | How our scope addressed the matter – Group and parent charity |
|---|---|
| **Valuation of Investment Securities – excluding listed**<br><br>We identified valuation of unlisted Investment Securities as one of the most significant assessed risks of material misstatement due to error.<br><br>The Group and parent Charity has a number of unlisted securities which include private equity, private credit and venture capital, whereby management rely on valuations by third-party investment managers. There is a risk that these valuations may be materially misstated given these funds are valued by reference to the estimated net asset values or final net asset values received from the fund managers at year end.<br><br>Unlisted investments including unlisted securities at £4,318.4 million (2022: £4,343.9 million), indirect property at £109 million (2022: £123.5 million), indirect timberland at £66.7 million (2022: £67.4 million), and infrastructure at £230.2 million (2022: £167 million). | **In responding to the key audit matter, we performed the following audit procedures:**<br><br>❄ Performed enquiries of management to understand the controls and procedures in place to ensure appropriate recording and valuation of investment securities.<br><br>❄ Evaluated the design and implementation of relevant controls and identified any significant control deficiencies that came to our attention.<br><br>❄ On a sample basis, obtained direct confirmation of the year-end valuation from the investment manager and corroborated this to available financial information such as latest audited financial statements, adjusted for any cashflows, to assess the reasonableness of the year-end valuation.<br><br>❄ In the absence of a year-end valuation for a selected sample, we obtained the latest valuation and cash-flow movements since the last valuation date to the year-end date to establish an estimated valuation as at year end.<br><br>❄ On a sample basis, obtained the latest set of audited financial statements to validate the accuracy of the estimates by comparing the net asset value ('NAV') on the unaudited capital / valuation statements to the audited financial statements net assets.<br><br>❄ On a sample basis, obtained the outstanding commitments at year end and compared to the latest capital statement available. |
| **Relevant disclosures in The Church Commissioners for England Annual Report 2023**<br><br>Financial statements: Note 1, Accounting policies and Note 2, Investments | **Our results**<br><br>Our testing did not identify material misstatements in the valuation of Investment Securities – excluding listed as at the year-end date. |

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

continued

| Key Audit Matter – Group and parent charity | How our scope addressed the matter – Group and parent charity |
|---|---|
| **Valuation of Investment Properties – excluding indirect property – strategic and rural**<br><br>We identified valuation of rural and strategic investment properties as one of the most significant assessed risks of material misstatement due to error.<br><br>The investment property portfolio consists of different types of property, including direct and indirect investment property.<br><br>The direct investment property portfolio consists of the following asset classes:<br><br>1) Rural and strategic – Key Audit Matter due to limited market information being available to verify judgements involved such as yields and projected income flow, therefore may be materially misstated due to inappropriate judgements being applied.<br><br>2) Residential and commercial – Not considered a Key Audit Matter due to market information being available to verify judgments involved such as yields and projected income flow, therefore considered less complex.<br><br>Direct investment property amounts to £1,597.6 million of which £901.3 million relate to rural and strategic land (2022: £1,636.7 million of which £889.7 million relate to rural and strategic land) | **In responding to the key audit matter, we performed the following audit procedures:**<br><br>❋ Performed enquiries of management to understand the controls and procedures in place to ensure appropriate recording and valuation of investment properties.<br><br>❋ Evaluated the design and implementation of relevant controls and identified any significant control deficiencies that came to our attention during our testing.<br><br>❋ We attended the property valuation meetings between the Commissioners and the valuation experts to observe management challenge on the valuation of the properties and develop our understanding of the judgements included in the valuations such as yields, and projected income flows, and to understand the methodologies applied and, where necessary, challenge their assumptions.<br><br>❋ Based on the understanding of the portfolio, we selected a sample of properties based on quantitative and qualitative characteristics. For these samples selected, we have performed the following:<br><br>– Used the expertise of our internal valuation experts who inspected either the external valuation reports or the cost model, which was used in determining the valuation to assess the methodologies used and the reasonableness of the assumed yields. This included checking that the valuations had been prepared in line with the Royal Institution of Chartered Surveyors (RICS) guidelines.<br><br>– Tested the input data used in the valuations by agreeing to supporting evidence such as rental agreements.<br><br>– Tested the mathematical accuracy of the valuations by performing a re-calculation.<br><br>❋ Assessed the external valuation experts' objectivity, competence, and capability.<br><br>❋ For a sample of post year-end sales, compared actual property sales prices against previous values reported by management valuation experts. |
| **Relevant disclosures in The Church Commissioners for England Annual Report 2023**<br><br>Financial statements: Note 1, Accounting policies and Note 2, Investments | **Our results**<br><br>Our testing did not identify material misstatements in the valuation of Investment Properties – excluding indirect property – strategic and rural as at the year-end date. |

## OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

| Materiality measure | Group | Parent charity |
|---|---|---|
| **Materiality for financial statements as a whole** | We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work. | |
| Materiality threshold | £90.8 million, which represents 1% of the group's net assets. | £90.8 million which represents 1% of the parent charity's net assets, capped at an amount less than group materiality for group audit purposes. |
| Significant judgements made by auditor in determining the materiality | In determining materiality, we made the following significant judgements:<br>❋ Net assets are considered to be the key driver for the group's performance as they directly impact the ability of the charity to fulfil its ongoing obligations.<br>❋ 1% of net assets is considered to be an appropriate threshold to apply to the chosen benchmark having considered the expectations of the users of the financial statements and the engagement risk.<br>Materiality for the current year is lower than the level that we determined for the year ended 31 December 2022 due to a change in the percentage applied to net assets. | In determining materiality, we made the following significant judgements:<br>❋ Net assets are considered to be the key driver for the parent charity's performance as they directly impact the ability of the charity to fulfil its ongoing obligations.<br>❋ 1% of net assets is considered to be an appropriate threshold to apply to the chosen benchmark having considered the expectations of the users of the financial statements and the engagement risk.<br>Materiality for the current year is lower than the level that we determined for the year ended 31 December 2022 due to a change in the percentage applied to net assets. |
| **Performance materiality used to drive the extent of our testing** | We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. | |
| Performance materiality threshold | £68.1 million, which is 75% of financial statement materiality for the group. | £68.1 million, which is 75% of financial statement materiality for the parent charity. |
| Significant judgements made by auditor in determining the performance materiality | In determining performance materiality, we made the following significant judgements:<br>Whether there were any significant adjustments made to the group financial statements in prior years; and<br>Whether there were any significant control deficiencies identified in prior years. | In determining performance materiality, we made the following significant judgements:<br>Whether there were any significant adjustments made to the group financial statements in prior years; and<br>Whether there were any significant control deficiencies identified in prior years. |
| **Specific materiality** | We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. | |
| Specific materiality | We determined a lower level of specific materiality for the following areas:<br>❋ Charitable expenditure<br>❋ Raising funds expenditure<br>❋ Investment income<br>❋ Related party transactions | We determined a lower level of specific materiality for the following areas:<br>❋ Charitable expenditure<br>❋ Raising funds expenditure<br>❋ Investment income<br>❋ Related party transactions |

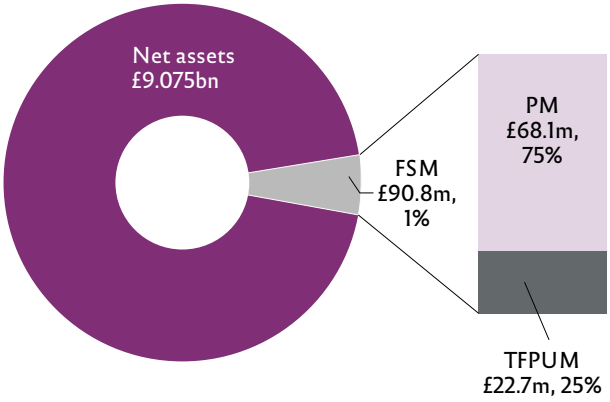
# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

continued

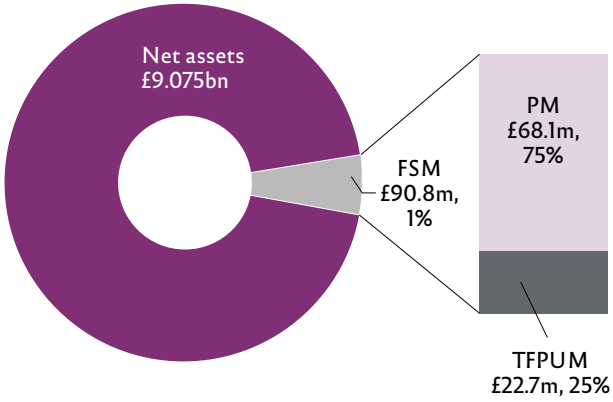
| Materiality measure | Group | Parent charity |
|---|---|---|
| Communication of misstatements to the Audit and Risk Committee | We determine a threshold for reporting unadjusted differences to the Audit and Risk Committee. | |
| Threshold for communication | £4.5 million and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. | £4.5 million and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. |

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – group




Overall materiality – parent charity




FSM: Financial statements materiality
PM: Performance materiality
TFPUM: Tolerance for potential uncorrected misstatements

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We performed a risk-based audit that requires an understanding of the parent charity and group's business and in particular matters related to:

**Understanding the group, its components, and their environments, including group-wide controls**

- Discussions held with management to understand key changes to the business and reinforce our understanding of the group's control environment and key risk areas;
- Obtaining an understanding of the design and implementation of relevant controls related to the investment accounting and administration services by evaluating the type I service auditor's report;
- Obtaining an understanding of the design and implementation of relevant internal controls linked to the unlisted securities portfolio, including assessment of the design, implementation and operating effectiveness of one identified control;
- We obtained an understanding of the business processes for all significant classes of transactions, including significant risks, in order to confirm our understanding of the control environment across the Group; and
- We documented and assessed the design and implementation of controls related to key audit matters and other significant risks communicated in this report. This included obtaining and assessing internal controls reports prepared by third-party auditors where applicable.

**Identifying significant components**

- The group audit team evaluated the identified components to assess their significance and determined the planned audit response based on a measure of materiality. Significance was determined as a percentage of the group's net assets and revenue.
- We also considered whether any components were likely to include significant risks of material misstatement to the group financial statements due to their specific nature or circumstances. No further components were identified from this consideration.

**Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)**

- An audit of the financial information using component materiality (full scope audit) was performed on The Church Commissioners for England, the parent charity;
- Audits of one or more account balances, classes of transactions or disclosures (specific scope procedures) were performed on C.C. Licensing and Cherry Tree Timber LLC;
- Analytical procedures using group materiality were performed on the financial information for the remaining components of the group.
- All key audit matters identified were addressed with the full-scope and specific scope audit procedures. The procedures performed in respect of these have been included in the key audit matters section of our report.

**Performance of our audit**

| Audit approach | No. of components | % coverage Total assets | % coverage Total net assets |
|---|---|---|---|
| Full-scope audit | 1 | 98% | 96% |
| Specific-scope audit | 2 | 2% | 3% |
| Analytical procedures | 14 | 0% | 1% |

- All the UK subsidiaries are in the same location as the parent charity, and the group engagement team visited that location as part of our audit. Overseas subsidiaries are in the USA and Australia, the group engagement team communicated with one component auditor in the USA virtually.

**Communications with component auditors**

- The group engagement team communicated with one component auditor performing specific-scope audits covering one component throughout the stages of their work, from planning, through fieldwork and as part of the concluding procedures. The component auditor reported to the group engagement team in relation to the audit procedures communicated.

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

continued

**Changes in approach from previous period**

- One subsidiary has been removed from full-scope audit in the current year and instead a specific-scope audit has been performed.
- Five subsidiaries have been removed from full-scope audit in the current year due to their relative financial insignificance in context of a group as a whole.
- One subsidiary has been scoped in for the current year to perform specific-scope procedures. This subsidiary was out of scope in the prior year.

## OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report and Accounts 2023 is inconsistent in any material respect with the financial statements; or
- the parent charity has not kept sufficient accounting records; or
- the parent charity's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Trustee Responsibilities Statement set out on page 66, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent charity and group and industry in which it operates. We determined that the following laws and regulations were the most significant: the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008, 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland' (Charities SORP (FRS 102) (second edition – October 2019)), and Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).
- We enquired of management and the Audit and Risk Committee, concerning the Group's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit and Risk Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We corroborated the results of our enquiries to relevant supporting documentation such as minutes of the Audit and Risk committee and board meetings.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - The group's operations, including the nature of its revenue sources, and of its objective and strategy to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
  - The group's control environment, including the policies and procedures implemented to comply with annual and financial reporting requirements.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the group engagement team included:
  - Determining completeness of journal entries and identifying and testing high-risk journal entries, in particular manual journal entries processed at the year end for financial statements preparation;
  - As per our risk assessment we maintained the presumed fraudulent revenue recognition risk defined by International Standard on Auditing (UK) 240 "The auditor's responsibilities relating to fraud in an audit of financial statements", because it is a significant balance in the financial statements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
  - Knowledge of the industry in which the group and parent charity operates; and
  - Understanding of the legal and regulatory requirements specific to the parent charity and group including:
    - The provisions of the applicable legislation;
    - The regulators' rules and related guidance, including guidance issued by relevant authorities that interprets those rules;
    - The applicable statutory provisions.

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

continued

- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We communicated with component auditors to request identification of any instances of non-compliance with laws and regulations that could give rise to a material misstatement of the group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

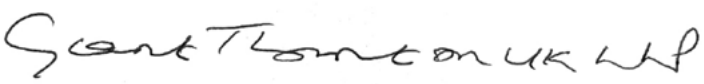
## OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the Audit and Risk Committee, we were appointed by the trustees on 3 November 2023 to audit the financial statements for the year ending 31 December 2023. Our total uninterrupted period of engagement is 8 years, covering the years ending 31 December 2016 to 31 December 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent charity and group and we remain independent of the group and the parent charity in conducting our audit.
Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

## USE OF OUR REPORT

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008 and section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.



**Grant Thornton UK LLP**
Senior Statutory Auditor
Statutory Auditor, Chartered Accountants London
25 April 2024

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006



# CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2023

| | Notes | 2023 Other funds £m | 2023 Endowment £m | 2023 Total £m | 2022 Other funds £m | 2022 Endowment £m | 2022 Total £m |
|---|---|---|---|---|---|---|---|
| **Income from:** | | | | | | | |
| Donations and legacies | | 0.2 | – | 0.2 | 1.2 | – | 1.2 |
| Investments | 2 | – | 188.3 | 188.3 | – | 143.3 | 143.3 |
| Other income | | 3.5 | – | 3.5 | 3.9 | – | 3.9 |
| Transfer to income | 18 | 221.6 | (221.6) | – | 185.5 | (185.5) | – |
| **Total income** | | 225.3 | (33.3) | 192.0 | 190.6 | (42.2) | 148.4 |
| **Expenditure on:** | | | | | | | |
| Raising funds | 3 | (0.4) | (106.9) | (107.3) | (2.2) | (57.2) | (59.4) |
| Charitable activities | | | | | | | |
| Supporting dioceses and the local church | 4 | (152.8) | – | (152.8) | (117.2) | – | (117.2) |
| Bishops' and Archbishops' ministry | 4 | (47.0) | – | (47.0) | (44.9) | – | (44.9) |
| Cathedrals' ministry | 4 | (14.1) | – | (14.1) | (14.3) | – | (14.3) |
| Other activities | 4 | (9.1) | – | (9.1) | (10.4) | – | (10.4) |
| Pre-1998 clergy pensions | 4, 16 | (1.5) | (162.6) | (164.1) | (1.4) | 70.7 | 69.3 |
| **Total charitable expenditure** | | (224.5) | (162.6) | (387.1) | (188.2) | 70.7 | (117.5) |
| **Total expenditure** | | (224.9) | (269.5) | (494.4) | (190.4) | 13.5 | (176.9) |
| **Total net income (expenditure) before investment gains** | | 0.4 | (302.8) | (302.4) | 0.2 | (28.7) | (28.5) |
| Gains on investment assets | 2 | – | 334.4 | 334.4 | – | 249.4 | 249.4 |
| Gains / (losses) on derivatives | 2 | – | 45.6 | 45.6 | – | 139.2 | 139.2 |
| Gains / (losses) on foreign currency | 2 | – | (34.9) | (34.9) | – | 24.5 | 24.5 |
| **Total net income before taxation** | | 0.4 | 42.3 | 42.7 | 0.2 | 384.4 | 384.6 |
| Current taxation | 10 | – | 1.9 | 1.9 | – | (2.8) | (2.8) |
| Deferred taxation | 10 | – | (1.0) | (1.0) | – | (0.7) | (0.7) |
| **Total net income after taxation** | | 0.4 | 43.2 | 43.6 | 0.2 | 380.9 | 381.1 |
| **Other recognised gains and losses** | | | | | | | |
| Actuarial gains / (loss) on defined benefit pension schemes (staff pre-2000) | 17 | – | (1.1) | (1.1) | – | 30.0 | 30.0 |
| **Total other recognised gains and losses** | | – | (1.1) | (1.1) | – | 30.0 | 30.0 |
| **Net movement in funds** | | 0.4 | 42.1 | 42.5 | 0.2 | 410.9 | 411.1 |
| **Reconciliation of funds:** | | | | | | | |
| Total funds brought forward | | 0.3 | 9,056.5 | 9,056.8 | 0.1 | 8,645.6 | 8,645.7 |
| **Total funds carried forward** | | 0.7 | 9,098.6 | 9,099.3 | 0.3 | 9,056.5 | 9,056.8 |

The income, expenditure and other recognised gains and losses all relate to continuing operations, none of which were acquired during the year.

The breakdown of other funds is shown in note 18.

# COMMISSIONERS' STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2023

| | Notes | 2023 Other funds £m | 2023 Endowment £m | 2023 Total £m | 2022 Other funds £m | 2022 Endowment £m | 2022 Total £m |
|---|---|---|---|---|---|---|---|
| **Income from:** | | | | | | | |
| Donations and legacies | 21 | 0.2 | (18.0) | (17.8) | 1.2 | 118.1 | 119.3 |
| Investments | | – | 206.2 | 206.2 | – | 110.0 | 110.0 |
| Other income | | 3.1 | – | 3.1 | 1.7 | – | 1.7 |
| Transfer to income | 18 | 221.6 | (221.6) | – | 185.5 | (185.5) | – |
| **Total income** | | 224.9 | (33.4) | 191.5 | 188.4 | 42.6 | 231.0 |
| **Expenditure on:** | | | | | | | |
| Raising funds | | – | (99.8) | (99.8) | – | (54.0) | (54.0) |
| Charitable activities | | | | | | | |
| Supporting dioceses and the local church | 4 | (152.8) | – | (152.8) | (117.2) | – | (117.2) |
| Bishops' and Archbishops' ministry | 4 | (47.0) | – | (47.0) | (44.9) | – | (44.9) |
| Cathedrals' ministry | 4 | (14.1) | – | (14.1) | (14.3) | – | (14.3) |
| Other activities | 4 | (9.1) | – | (9.1) | (10.4) | – | (10.4) |
| Pre-1998 clergy pensions | 4, 16 | (1.5) | (162.6) | (164.1) | (1.4) | 70.7 | 69.3 |
| **Total charitable expenditure** | | (224.5) | (162.6) | (387.1) | (188.2) | 70.7 | (117.5) |
| **Total expenditure** | | (224.5) | (262.4) | (486.9) | (188.2) | 16.7 | (171.5) |
| **Total net income (expenditure) before investment gains** | | 0.4 | (295.8) | (295.4) | 0.2 | 59.3 | 59.5 |
| Gains on investment assets | 2 | – | 335.8 | 335.8 | – | 147.5 | 147.5 |
| Gains / (losses) on derivatives | 2 | – | 45.9 | 45.9 | – | 139.2 | 139.2 |
| Gains / (losses) on foreign currency | 2 | – | (41.8) | (41.8) | – | 35.3 | 35.3 |
| **Total net income before taxation** | | 0.4 | 44.1 | 44.5 | 0.2 | 381.3 | 381.5 |
| Current taxation | | – | (0.2) | (0.2) | – | 0.2 | 0.2 |
| Deferred taxation | | – | (0.7) | (0.7) | – | (0.6) | (0.6) |
| **Total net income after taxation** | | 0.4 | 43.2 | 43.6 | 0.2 | 380.9 | 381.1 |
| **Other recognised gains and losses** | | | | | | | |
| Actuarial gains / (loss) on defined benefit pension schemes (staff pre-2000) | 17 | – | (1.1) | (1.1) | – | 30.0 | 30.0 |
| **Total other recognised gains and losses** | | – | (1.1) | (1.1) | – | 30.0 | 30.0 |
| **Net movement in funds** | | 0.4 | 42.1 | 42.5 | 0.2 | 410.9 | 411.1 |
| **Reconciliation of funds:** | | | | | | | |
| Total funds brought forward | | 0.3 | 9,056.5 | 9,056.8 | 0.1 | 8,645.6 | 8,645.7 |
| **Total funds carried forward** | | 0.7 | 9,098.6 | 9,099.3 | 0.3 | 9,056.5 | 9,056.8 |

The income, expenditure and other recognised gains and losses all relate to continuing operations, none of which were acquired during the year.

The breakdown of other funds is shown in note 18.

# BALANCE SHEETS
As at 31 December 2023

| | Notes | Consolidated 2023 £m | Consolidated 2022 £m | Commissioners 2023 £m | Commissioners 2022 £m |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 11 | **133.2** | 120.5 | **132.6** | 119.8 |
| Heritage assets | 12 | **3.6** | 3.5 | **3.6** | 3.5 |
| Investments | 2 | **9,967.7** | 9,671.9 | **9,201.6** | 8,950.0 |
| **Total fixed assets** | | **10,104.5** | 9,795.9 | **9,337.8** | 9,073.3 |
| **Current assets** | | | | | |
| Debtors | 13 | **209.8** | 264.1 | **992.1** | 1,007.7 |
| Current asset investments | | **272.6** | 590.3 | **272.6** | 590.3 |
| Cash and cash equivalents | | **667.3** | 422.2 | **661.6** | 418.3 |
| **Total current assets** | | **1,149.7** | 1,276.6 | **1,926.3** | 2,016.3 |
| **Liabilities** | | | | | |
| Creditors: amounts falling due within one year | 14 | **(213.3)** | (132.7) | **(223.9)** | (149.8) |
| **Net current assets** | | **936.4** | 1,143.9 | **1,702.4** | 1,866.5 |
| **Total assets less current liabilities** | | **11,040.9** | 10,939.8 | **11,040.2** | 10,939.8 |
| Creditors: amounts falling due after one year | 15 | **(647.7)** | (629.5) | **(647.7)** | (629.5) |
| **Provisions** | | | | | |
| Deferred tax liability | | **(3.8)** | (2.7) | **(3.1)** | (2.7) |
| Clergy pre-1998 pension obligation: | | | | | |
| Expected to fall due within one year | | **(127.8)** | (83.9) | **(127.8)** | (83.9) |
| Expected to fall due after one year | | **(1,081.2)** | (1,083.0) | **(1,081.2)** | (1,083.0) |
| **Total clergy pre-1998 pension obligation** | 16 | **(1,209.0)** | (1,166.9) | **(1,209.0)** | (1,166.9) |
| **Net assets excluding pension scheme liabilities** | | **9,180.4** | 9,140.7 | **9,180.4** | 9,140.7 |
| Defined benefit pension scheme liabilities | 17 | **(81.1)** | (83.9) | **(81.1)** | (83.9) |
| **Total net assets** | | **9,099.3** | 9,056.8 | **9,099.3** | 9,056.8 |
| **Funds of the charity** | | | | | |
| Endowment funds | | **9,179.7** | 9,140.4 | **9,179.7** | 9,140.4 |
| Pension reserves | 17 | **(81.1)** | (83.9) | **(81.1)** | (83.9) |
| Unrestricted funds: | | | | | |
| Designated funds | | **–** | – | **–** | – |
| General funds | | **–** | – | **–** | – |
| Restricted funds | | **0.7** | 0.3 | **0.7** | 0.3 |
| **Total charity funds** | 18 | **9,099.3** | 9,056.8 | **9,099.3** | 9,056.8 |

By order of the Board



**Alan Smith**
First Church Estates Commissioner

25 April 2024

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023

## Cash flow statement

| | Notes | 2023 £m | 2022 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | (35.2) | (89.1) |
| Cash paid from endowment capital for pre-1998 clergy pensions | 16 | (120.6) | (117.1) |
| **Net cash used in operating activities** | | (155.8) | (206.2) |
| **Cash flows from investing activities** | | | |
| Income from investments | | 188.3 | 144.3 |
| Expenditure on raising funds paid from endowment capital | | (98.0) | (83.3) |
| Movement in current asset investments* | | 317.7 | (282.9) |
| Tangible assets: additions | 11 | (13.7) | – |
| Tangible assets: proceeds from sale | | – | 0.2 |
| Investments: additions* | | (3,597.7) | (3,668.8) |
| Investments: sale proceeds* | | 3,639.2 | 3,269.9 |
| **Net cash used in investing activities** | | 435.8 | (620.6) |
| **Cash flows from financing activities** | | | |
| 3.250% Sustainability Bonds (2032) – proceeds from issue | | – | 249.2 |
| 3.250% Sustainability Bonds (2032) – Bond Iissue costs | | – | (1.3) |
| 3.625% Bonds (2052) – proceeds from issue | | – | 295.0 |
| 3.625% Bonds (2052) – Bond issue costs | | – | (1.8) |
| **Net cash provided by financing activities** | | – | 541.1 |
| **Change in cash and cash equivalents in the year** | | 280.0 | (285.7) |
| **Reconciliation of cash and cash equivalents** | | | |
| Cash and cash equivalents at the start of the year | | 422.2 | 683.4 |
| Change in cash and cash equivalents in the year | | 280.0 | (285.7) |
| Change in cash due to exchange rate movements | | (34.9) | 24.5 |
| **Cash and cash equivalents at the end of the year** | | 667.3 | 422.2 |
| **Cash and cash equivalents consist of:** | | | |
| Cash at bank | | 71.2 | 98.2 |
| Money market Funds | | 596.1 | 324.0 |
| **Cash and cash equivalents at the end of the year** | | 667.3 | 422.2 |

*Prior year movement in current asset investments of (£282.9m) have been reclassed from net cash flows from operating activities. Current asset investments include investments in treasury bills, gilts and supranational bonds. Together with the cash and cash equivalents these holdings make up the cash and near cash fund allocation, which is available for investment, short-term commitment and distribution purposes. Hence these have been reclassed to cash flow from investing activities. The net cash outflow from movement in debtors balance associated with outstanding investment trades of (£133.8m) has been reclassed from net cash used in operating activities as these balances arise from the investing activities. The net cash outflow from movement in creditors balance relating to outstanding investment trades of (£5m) has been reclassed from net cash used in operating as these balances arise from investing activities.

Material non-cash items – Outstanding trades disclosed in note 13 and 14 do not give rise to cash flows.

All of the above reclassification of balances from operating to investing activity has resulted in cash flow from operating activities to be restated from (£526.9m) to (£89.1m) and the net cash used in investing activities from (£182.8m) to (£620.6m). The cash and cash equivalents at the end of the 2022 year has remained unchanged.

# CONSOLIDATED CASH FLOW STATEMENT continued

**For the year ended 31 December 2023**

## Analysis of changes in net debt

| | At 1 January 2023 £m | Cash flows £m | Non-cash changes £m | At 31 December 2023 £m |
|---|---|---|---|---|
| Cash and cash equivalents | 422.2 | 245.1 | – | **667.3** |
| Total cash and cash equivalents | 422.2 | 245.1 | – | **667.3** |
| 3.250% Sustainability Bonds (2032) | (248.0) | – | (0.2) | **(248.2)** |
| 3.625% Bonds (2052) | (293.3) | – | (0.2) | **(293.5)** |
| Total net asset | (119.1) | 245.1 | (0.4) | **125.6** |

Non-cash movements represent adjustments in relation to the amortisation of bond issue costs and discount on issuance. See note 15 for further details.

## Reconciliation of net income to net cash flows from operating activities

| | Notes | 2023 £m | 2022 £m |
|---|---|---|---|
| Net income for the year | | **43.6** | 381.1 |
| Adjustments for: | | | |
| Depreciation | 11 | **0.9** | 0.9 |
| Expenditure on raising funds paid from endowment capital | 3 | **106.9** | 57.2 |
| Expenditure on charitable activities paid from endowment capital | 6 | **162.6** | (70.7) |
| Income from investments | 2 | **(188.3)** | (143.3) |
| Gains on investments | 2 | **(334.3)** | (249.4) |
| (Gains) / losses on foreign currency | | **34.9** | (24.5) |
| Amortisation of bond issue costs | 15 | **0.4** | 0.2 |
| Movement in debtors (excluding outstanding investment trades and accrued income)* | 13 | **65.6** | (47.3) |
| Movement in creditors (excluding outstanding investment trades and accrued expenditure)** | 14, 15 | **75.3** | 10.8 |
| Movement in deferred tax provision | | **1.1** | 0.7 |
| Pension reserve adjustment to net income | 17 | **(3.9)** | (4.9) |
| Net cash used in operating activities | | **(35.2)** | (89.1) |

* The net cash outflow from movement in debtors relating to outstanding investment trades has been reclassed from net cash used in operating activities to the net cash used in investing activities as this balance is associated with investing activities. The prior year figure of movement in debtors has been restated from (£181.1m) to (£47.3m) to reflect the exclusion of outstanding investment trades.

**The net cash outflow from movement in creditors relating to accrued expenditure and outstanding investment trades has been reclassed from net cash used in operating activities to the net cash used in investing activities as these balances are associated with investing activities. The prior year figure of movement in creditors has been restated from (£10.3m) to £10.8m to reflect this exclusion.

# NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 31 December 2023**

## 1. ACCOUNTING POLICIES

### (a) Legal status
The Church Commissioners for England ("the Commissioners") are a statutory body established by the Church Commissioners Measure 1947 (as amended) and has been regulated by the Charity Commission since registration on 27 January 2011.

### (b) Basis of preparation
The consolidated and charity financial information has been prepared in accordance with:
- Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102");
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ("the SORP"); and
- the Charities Act 2011.

The Commissioners meet the definition of a Public Benefit Entity ("PBE") and therefore apply the PBE prefixed paragraphs in FRS 102. The financial information has been prepared on the historical cost basis (except for the revaluation of investments) and on an accruals basis. A summary of the accounting policies, which have been applied consistently across the group, is set out below. The Commissioners adopt a total return approach to investments. Note 18 explains how the unapplied total return and the use thereof is calculated. The Commissioners have presented a consolidated cash flow statement and have taken advantage of the exemption within FRS 102 from presenting a cash flow statement for the Commissioners only.

The functional currency of the Commissioners is considered as pounds sterling because that is the currency of the primary economic environment in which the Commissioners operate. The consolidated Financial Statements are presented in pounds sterling. The numbers included within the Financial Statements are presented in millions, rounded to one decimal point.

### (c) Significant judgements and estimates
***Key judgements in applying the accounting policies***
The preparation of the financial statements includes the following key judgements in applying the accounting policies which would have the most significant effect on the amounts recognised:

- **Carrying value of investment assets and tangible fixed assets** – judgement is applied in selecting appropriate valuation methods for the assets of the Commissioners. The carrying values for each class of fixed asset are set out below. The accounting policies describe the valuation method applied for each class of asset, and the further disclosure notes provide breakdowns of the relevant asset classes.

| | Accounting policy | Further details | Consolidated 2023 £m | Consolidated 2022 £m | Commissioners 2023 £m | Commissioners 2022 £m |
|---|---|---|---|---|---|---|
| Fixed assets | | | | | | |
| Tangible assets | 1(j) | 11 | **133.2** | 120.5 | **132.6** | 119.8 |
| Heritage assets | 1(k) | 12 | **3.6** | 3.5 | **3.6** | 3.5 |
| Investments | 1(l) | 2 | **9,967.7** | 9,671.9 | **9,201.6** | 8,950.0 |
| Total fixed assets | | | **10,104.5** | 9,795.9 | **9,337.8** | 9,073.3 |

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 1. ACCOUNTING POLICIES continued
***Key accounting estimates and assumptions***

The preparation of the financial statements includes the use of estimates and assumptions. The accounting estimates which have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

- **Clergy pension obligation** – estimations are made in the valuation of the pre-1998 Clergy pensions obligation which is based on an actuarial assessment carried out by independent qualified actuaries. The carrying value is set out below and the assumptions and estimates employed in the valuation are set out in note 16.

| | | | Consolidated and Commissioners | |
|---|---|---|---|---|
| | Accounting policy | Further details | 2023 £m | 2022 £m |
| Expected to fall due within one year | 1(h) | 16 | **(127.8)** | (83.9) |
| Expected to fall due after one year | 1(h) | 16 | **(1,081.2)** | (1,083.0) |
| **Clergy pre-1998 pension obligation:** | | | **1,209.0** | 1,166.9 |

- **Pension liabilities** – estimations are made in the valuation of the Commissioners' defined benefit pension liabilities, which are undertaken by independent qualified actuaries. The carrying value is set out below, and the assumptions and estimates employed in the valuation are set out in note 17.

| | | | Consolidated and Commissioners | |
|---|---|---|---|---|
| | Accounting policy | Further details | 2023 £m | 2022 £m |
| Defined benefit pension scheme liabilities | 1(i) | 17 | **(81.1)** | (83.9) |
| **Defined benefit pension scheme liabilities** | | | **(81.1)** | (83.9) |

### (d) Going concern

The Commissioners' role in funding the Church's ministry comprises certain legal obligations and discretionary funding. The trustees are required to prepare financial statements on the going concern basis unless there is uncertainty as to the ability of the entity to meet its liabilities as they fall due within the twelve months after the financial statements are approved for signature. In assessing the going concern status of the Commissioners, the trustees have considered the Commissioners' role in funding the Church's ministry, the spending strategy, the application of total return and the legislation to allow endowment to be spent for specific pension purposes. In addition, the trustees take account of independent actuarial advice provided by Hymans Robertson LLP on the affordability in perpetuity of their planned distributions. This advice is provided every three years when setting the spending plans for the next three-year period (the "triennium"), and this is updated annually to ensure that the spending plans for the current and next triennium remain affordable. The approach adopted includes a smoothing mechanism which aims to give a full triennium's notice of any reduction in distributions unless there has been a significant deterioration in the balance between the Commissioners' assets and their spending plans. This means that while events such as the current geopolitical context and cost-of-living crisis are factors for consideration, the Commissioners have a clear framework for assessing whether the events are sufficiently significant that they would change the amounts available for distribution to beneficiaries in the short term.

The annual actuarial update for the year ended 31 December 2023 includes stress testing scenario analysis which models the impact on distributions in the event of different levels of reduction in asset values. This includes consideration of the impact of changes in the performance of the asset portfolio, expected future returns or inflation on the affordability of distributions. In light of this analysis there was no reason to consider that any changes were required to the planned distributions for the 2023 to 2025 triennium and so the trustees have concluded that the Commissioners are able to sustainably meet both their legal obligations and planned discretionary funding for at least the period to 31 December 2025. In addition, the trustees have considered the availability of sufficient liquid funds in light of market turbulence arising from continuing geopolitical instability and a challenging economic environment, the post-pandemic context

and other external factors. Under the Investment Risk Framework the Commissioners seek to hold at least 18 months' planned expenditure in cash and near cash assets and are satisfied that they have sufficient liquid assets to meet their obligations in the short term. Therefore, the Commissioners continue to adopt the going concern basis of accounting in the preparation of these financial statements.

**(e) Basis of consolidation and subsidiary undertakings**
The consolidated statement of financial activities ("SOFA") and balance sheet include the financial statements of the Commissioners and all their subsidiary undertakings made up to 31 December of each year. The subsidiaries have been consolidated on a line by line basis. Intra-group transactions are eliminated on consolidation. Further details about the Commissioners' significant subsidiaries are given in note 2(b).

The Commissioners, together with the Archbishops' Council and the Church of England Pensions Board are equal partners in Church of England Central Services ("ChECS"), a joint venture. Further details are given in note 2(c) and note 21. This jointly controlled entity is included in the Commissioners' consolidated financial statements using the equity method. The Commissioners' share of profits or losses from ChECS is included in the SOFA and its share of net assets is included in the balance sheet.

The Commissioners have a number of joint ventures that are held as part of their investment portfolio for investment purposes. These jointly-controlled entities are held at fair value. Changes in fair value are recognised in the consolidated SOFA.

**(f) Income**
All income is recognised when the Commissioners are legally entitled to the income, when it is probable the income will be received, and as soon as the amount can be quantified with reasonable accuracy.

*Donations and legacies*
Items donated to the Commissioners for the Lambeth Palace Library are recognised at the market value of the gift at the time of donation. Legacies are recognised as receivable once the Commissioners are notified of the gift, probate has been granted, and when the executors have established that there are sufficient assets in the estate to pay the legacy after settlement of liabilities and there are no conditions outside the control of the Commissioners that are not yet met.

Gift Aid payments from subsidiaries are recognised in the Commissioners financial statements when the Gift Aid payment is payable under Deeds of Covenant. The income is accrued in the year in which the associated profits arise in the subsidiary company with the payment being made to the Commissioners in the following financial year.

*Investment income*
Dividends are recognised when the Commissioners' right to receive payment is established, which is on the ex-dividend date of the underlying holdings. All other investment income is recognised on an accruals basis.

**(g) Expenditure**
The SOFA has been presented on an activity basis. Costs have been distinguished between charitable activities and those incurred to raise funds. Expenditure and liabilities are recognised when a legal or constructive obligation exists to make payment to a third party, it is probable that settlement will be required, and the amount of the obligation can be measured reliably.

Direct costs and grants are allocated directly to activities and are described in more detail in notes 5 and 6. Grants are recognised when a firm commitment to provide funding is made and there is evidence of a constructive obligation to the beneficiary. Support costs are apportioned to the activity to which they relate as shown in note 7. The long-term debtor and creditor balances are discounted to present value, where material. The discount rate used is based on the expected future yield on the assets that are earmarked for making these grant payments. Expenditure on raising funds includes investment management fees, performance fees, property and timberland running costs and other fees. Further details on these costs is included in note 3.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 1. ACCOUNTING POLICIES continued
Cars for use by bishops are normally obtained under four-year operating leases, the full cost of which is paid at commencement. The cost of such leases is allocated on a straight line basis over the period of the lease. The balance of the lease payments not yet charged to expenditure is included in prepayments.

**(h) Provisions**
Under the Pensions Measure 1997 the Commissioners have an obligation to meet the costs of clergy pensions for service up to 31 December 1997. Since the beneficiaries of the past service are not employees of the Church Commissioners this obligation does not fall within scope of section 28 of FRS 102 'Employee Benefits' and is therefore accounted for under section 21 – 'Provisions & Contingencies'. The liability for the pre-1998 pension obligation for Church of England clergy under the Church of England Pensions Scheme is recognised at the actuarial valuation provided by Hymans Robertson LLP. This is the best estimate of the total value of future discounted cash flows. The assumptions and methodology behind the cash flow projections are disclosed in note 16.

**(i) Pensions**
Pensions are described in note 17.

The Church Commissioners Superannuation Scheme is accounted for as a defined benefit scheme. The liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. Interest costs are charged to expenditure, with actuarial movements shown in other gains and losses.

The other defined benefit schemes of which the Commissioners are an employer or a 'responsible body' are considered to be multi-employer schemes, but the Commissioners are unable to identify its share of assets and liabilities of the schemes. Consequently, the contributions to these schemes are accounted for as if they were defined contribution schemes, where employer contributions payable in the year are charged to expenditure.

Where these other defined benefit schemes have deficit recovery contribution plans in place, the present value of these agreed payments are recognised as a liability at each balance sheet date. Amounts paid during the year are charged against this liability.

**(j) Fixed assets: tangible assets**
Costs incurred on acquiring, improving or adding to assets are capitalised if the cost is greater than £1,000. Repair and maintenance costs are charged to the SOFA in the period they are incurred. Green energy generation assets are initially recognised at cost and are revalued at each balance sheet date.

Operational See House properties are recognised at their market value on 1 January 2014, being the date of transition to FRS 102. This was deemed to be their cost under the transitional provisions of FRS 102. An impairment review is carried out annually and where the recoverable amount is materially less than the historic cost, the assets are impaired to the lower value.

Depreciation is charged on a straight line basis over the estimated useful life of the asset, calculated on the opening balance sheet value, on the following fixed assets:

| Fixed asset | Estimated useful life |
|---|---|
| Buildings and improvements | 50 years |
| Structural glazing | 25 years |
| Internal plant and equipment | 20 years |
| Leasehold office improvements | 10 years |
| Audio-visual equipment and IT systems | 5 years |

No depreciation is charged on See Houses and their historic content due to the anticipated high residual value, which would result in an immaterial depreciation for each asset and in aggregate.

(k) Fixed assets: heritage assets
The Commissioners own a number of assets that they consider to be heritage assets, which are held on an ongoing basis for their contribution to knowledge and culture, in particular relating to the history of the wider Church of England. The Commissioners' heritage assets have been grouped together in the following categories:

*Lambeth Palace*
Lambeth Palace is recognised at its deemed historic cost of £1. The Commissioners have chosen to recognise this class of heritage asset at cost. They have chosen to adopt this policy although it is believed that the market value, both at the time of acquisition and at the balance sheet date, was significantly in excess of the deemed cost, it is not possible to obtain a reliable estimate of the market value at either date, as conventional valuation techniques are inappropriate for the unique and historical nature of the building.

Any developments or improvements to the building are capitalised at cost and depreciated over the improvements' useful economic life. Maintenance costs are charged to the SOFA in the period they are incurred.

*Historic contents of Lambeth Palace*
Historic items are recognised at cost. On transition to FRS 102, the Commissioners deemed the cost of these assets to be their carrying value on 1 January 2014, based on the value attributed to them in a valuation carried out in 2007. The collection is not depreciated as the amount of depreciation is regarded as immaterial due to the high residual value, however, the collection is reviewed for impairment at each accounting year end date.

Any additional items purchased or donated since 1 January 2014 are capitalised if the cost is greater than £1,000. Maintenance costs are charged to the SOFA in the period they are incurred.

*Contents of Lambeth Palace Library*
The trustees consider that the vast majority of items in the Lambeth Palace Library would be difficult, if not impossible, to value. The library contains a number of historical books and records with no obvious market value and no comparable sale records to use as the basis for valuation. As a result, no value is reported for these assets in the Charity's balance sheet.

The exception is for books, manuscripts and other items purchased or donated since 1 January 2014, which are capitalised if the cost is greater than £1,000. Items in the collection that are capitalised are stated at cost but are not depreciated as the amount of depreciation is regarded as immaterial due to their anticipated high residual value. The collection is reviewed for impairment at each accounting year end date.

*Historic contents of former See Houses*
Historic items, including the Hurd Library which is on loan to the Hartlebury Castle Preservation Trust, are recognised at cost. On transition to FRS 102, the Commissioners deemed the cost of these assets to be their carrying value on 1 January 2014, based on the value attributed to them in a valuation carried out in 2007. The collection is not depreciated as the amount of depreciation is regarded as immaterial due to the high residual value, however the collection is reviewed for impairment at each accounting year end date.

Any additional items purchased or donated since 1 January 2014 are capitalised if the cost is greater than £1,000. Maintenance costs are charged to the SOFA in the period they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 1. ACCOUNTING POLICIES continued
**(I) Fixed assets: Non-financial instrument investments**
**Investment properties**
All directly owned properties are in the United Kingdom. The portfolio consists of rural and strategic land, residential and commercial properties. Rural land also includes mineral interests. Investment properties are recognised at cost upon acquisition and then recognised at fair value at each balance sheet year end date. Changes in fair value are recognised in the SOFA. Fair value is determined through reference to each property's market value in accordance with the Appraisal & Valuation Manual issued by the Royal Institution of Chartered Surveyors ("RICS"). All properties are valued by an external valuer with recognised and relevant skills and experience. The valuation methods adopted take into account all appropriate comparable evidence and market indices. The most appropriate method of valuation is selected for each property type.

The valuers of the properties are shown below.
Rural: Savills (UK) Limited
Strategic land: Savills (UK) Limited
Commercial: Cushman & Wakefield (UK) LLP
Residential: Cushman & Wakefield (UK) LLP
Minerals: Wardell Armstrong LLP

**Timberland (including biological assets)**
Timberland includes land, its standing timber and other assets. Land is measured as investment property. Standing timber is measured as a biological asset. The Commissioners do not hold any timber as stock as they only sell standing timber.

Land and other assets are valued annually by an external valuer at fair value determined through reference to each property's market value in accordance with the Appraisal & Valuation Manual issued by the Royal Institution of Chartered Surveyors ("RICS").

The value of standing timber is calculated on the timber maturity profile, the species, the geographic location and other environmental considerations. Changes in fair value in the year resulting from both net growth and change in the market value of standing timber are reported in the gains and losses on investments in the SOFA.

At point of sale, the carrying value of forestry assets is valued at fair value less estimated point-of-sale costs. The revenue from the sale of standing timber is recognised as income.

UK timberland (including biological assets) was valued by Bidwells LLP. Overseas timberland was valued by local qualified valuers.

**Subsidiary undertakings**
The Commissioners' principal subsidiary companies are wholly owned and are held to undertake property purchase, development and management and hold certain property, unlisted securities, infrastructure and timberland investments.

The subsidiaries are recognised at their net asset values in the Commissioners' balance sheet. This is considered to represent the fair value of the subsidiary, with changes in fair value being recognised in profit or loss.

**(m) Financial instrument**
The Commissioners have chosen to adopt sections 11 and 12 of FRS 102 in respect of recognition and measurement of financial instruments which are not public benefit entity concessionary loans.

All changes in fair value and gains or losses on disposal of investment assets, including related foreign currency transactions, are shown in gains or losses in endowment capital in the SOFA.

**Basic financial instruments**
**Basic financial assets**, including cash at bank and trade and other receivables are recognised and held at transaction price. They are derecognised when the rights to the cash flows from the financial assets expire or are settled.

**Cash and cash equivalents**, includes cash at bank and cash equivalents. Cash equivalents include money market funds which are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

**Financial liabilities**, including trade and other payables and intra-group balances are initially recognised at transaction price. Bank loans are subsequently measures at the amortised cost, using the effective interest rate. Financial liabilities are derecognised, when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Bond liabilities** are basic financial instruments measured initially as the proceeds of issue less bond issue costs. The costs of issue are initially capitalised and then amortised over the length of the bond term using the effective interest method. After initial recognition the liabilities are measures at amortised cost using the effective interest method.

**Current asset investments** include treasury bills, gilts and supranational bonds. Movements in the value of these instruments are recognised in income under the effective interest method. Together with the cash at bank and in hand, these holdings make up the cash and near cash fund allocation, which is available for investment, short-term commitment and for distribution purposes.

**Listed and unlisted securities** are a form of basic financial instrument and are initially measured at fair value. Such assets are subsequently held at fair value at each balance sheet date, with changes in fair value recognised in the SOFA. Listed securities comprise of listed public equities and fixed income instruments. The fair value of these investments is determined using bid price.

Unlisted securities comprise of a) closed-end unlisted funds which are invested in private equity, private credit and venture capital assets, and b) open-end unlisted funds invested in listed securities of various types. These funds are valued by reference to the estimated net asset values or final net asset values received from the fund managers at year end.

**Non-basic financial instruments**
All non-basic financial instruments are measured at fair value. Any changes to fair value are recognised in the SOFA.

**Value linked loans**
Value linked loans are granted for the purchase of residential properties. On disposal of the property, the Commissioners are entitled to a share of the proceeds corresponding to the proportion of the original purchase price which was financed by the loan.

Value linked loans are valued annually at portfolio level taking into account indexed values of the properties, estimated future house prices growth and income flows and the anticipated dates of repayment. All value linked loans were valued by Cushman & Wakefield (UK) LLP.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 1. ACCOUNTING POLICIES continued

**Indirect property, timberland and infrastructure funds**

Indirect property, timberland and infrastructure funds are closed end unlisted funds where the Commissioners and its subsidiaries hold minority interests in partnerships managed by a third party investing in properties, timberland or infrastructure projects.

These funds are fair valued annually using the estimated net asset value or final asset value provided by the fund manager.

**Stock lending programme**

The Commissioners' global custodian is authorised to enter into stock lending arrangements, whereby securities are loaned to external counterparties for a set period of time. The Commissioners receive cash collateral of greater value than the securities loaned from each counterparty for the duration of the loan period.

Interest is received on the reinvestment of the cash collateral held and is disclosed in note 2.

Where securities are loaned at the balance sheet date, the securities loaned are included in the balance sheet as the Commissioners retain the risks and rewards of ownership of the securities and also retain the contractual rights to any cash flows relating to the securities. The market value of listed investments includes stock on loan of £180.9m (2022: £74.2m).

**Derivatives**

The Commissioners use foreign currency forwards and options contracts, equity derivatives, index swaps and interest rate derivatives to facilitate risk management and efficient portfolio management. The currency derivatives reduce the impact of changes in foreign currency rates in relation to investments priced in certain currencies other than sterling. The equity derivatives, index swaps and interest rate derivatives are used to manage equity market risks, hedge portfolio biases and to provide efficient implementation for certain allocation decisions. In accordance with the Commissioners' investment policy, derivatives are not entered into for trading purposes. Derivatives are also used by some external fund managers to implement their investment strategy.

Derivatives are initially recognised at their fair value, which is equivalent to any transaction price paid. Derivative contracts outstanding at the balance sheet date are stated at fair value at the balance sheet date, which is derived from exchange prices if the derivative is listed or from third-party valuations if unlisted. If the fair value of the derivative is in a gain position, the contract is shown within debtors. If the fair value of the contract is in a loss position, it is shown within creditors. Hedge accounting is not applied by the Commissioners. Realised and unrealised gains and losses arising from these contracts are charged to the endowment fund in the SOFA. Cash delivered as collateral for derivative contracts continues to be reflected as an asset within cash at bank and in hand. At 31 December 2023, £39.6m cash was delivered as collateral (2022: £nil).

**(n) Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling on the balance sheet date.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling on the balance sheet date.

Profits and losses on sales of overseas investments are translated at the rate ruling on the date of the transaction. Unrealised gains and losses on overseas investments arising on translation are included in the net gains and losses on realisation and on revaluation in endowment capital in gains and losses on investment assets in the SOFA.

Income received in foreign currencies is converted into sterling and recorded at the rate ruling on the date of the conversion. If retained in foreign currencies, amounts are translated at the rate ruling on the date of the transaction. Subsequent gains or losses on conversion into sterling are included in gains and losses on foreign currency in the SOFA.

**(o) Taxation**
The Commissioners, as a registered charity, are exempt from taxation on their income and gains falling within Part 11 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to their charitable purposes.

The Commissioners' subsidiary undertakings are non-charitable subsidiaries and are subject to taxation, but do not generally pay UK Corporation Tax because their policy is to pay taxable profits as Gift Aid to the Commissioners. Foreign tax incurred by subsidiaries operating overseas is charged as it is incurred.

Deferred taxation is recognised in the Commissioners' subsidiary undertakings on timing differences that have arisen between the recognition of gains and losses in the Financial Statements and recognition in the tax computation. A deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which future reversals can be deducted. Deferred taxation assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to be reversed.

In common with many other charities, the Commissioners are unable to recover the majority of Value Added Tax ("VAT") incurred on expenditure. The amount of VAT that cannot be recovered is included within the underlying cost to which it relates.

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

The Commissioners are related to their subsidiaries. Details are given in note 2(b). Transactions between the Commissioners and their subsidiaries are disclosed in note 21.

The Commissioners are related to Church of England Central Services (ChECS), as they are a partner in this joint venture. Details are given in note 2(c) and note 21. The Commissioners are also related to the following pension funds, administered by the Church of England Pensions Board:

Church of England Funded Pensions Scheme; Church Administrators Pension Fund; and Church Workers Pension Fund. Details about the pension funds, including contributions paid, are given in notes 4, 8 and 17.

# NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2023

## 2. INVESTMENTS
### (a) Summary of movement on investments

*Consolidated*

| | At 1 January 2023 £m | Additions £m | Sale proceeds £m | Change in market value £m | At 31 December 2023 £m | 2023 investment income £m |
|---|---|---|---|---|---|---|
| Securities portfolio: | | | | | | |
| Listed securities* | 2,792.5 | 2,687.5 | (2,619.8) | 312.7 | 3,172.9 | 101.4 |
| Unlisted securities | 4,343.9 | 805.5 | (906.4) | 75.4 | 4,318.4 | 20.8 |
| Total securities | 7,136.4 | 3,493.0 | (3,526.2) | 388.1 | 7,491.3 | 122.2 |
| Properties: | | | | | | |
| Direct property | 1,636.7 | 22.3 | (91.6) | 30.2 | 1,597.6 | 44.9 |
| Indirect property | 123.5 | 25.0 | (7.0) | (32.5) | 109.0 | 0.2 |
| Total properties | 1,760.2 | 47.3 | (98.6) | (2.3) | 1,706.6 | 45.1 |
| Value linked loans | 73.9 | – | (8.8) | 4.4 | 69.5 | 3.0 |
| Timberland: | | | | | | |
| Land | 150.9 | – | – | (4.4) | 146.5 | – |
| Standing timber** | 316.1 | 3.0 | (11.3) | (50.9) | 256.9 | 9.5 |
| Indirect timberland | 67.4 | 0 | – | (0.7) | 66.7 | 3.0 |
| Total timberland | 534.4 | 3.0 | (11.3) | (56.0) | 470.1 | 12.5 |
| Infrastructure | 167.0 | 68.6 | (5.6) | 0.2 | 230.2 | 5.5 |
| Total | 9,671.9 | 3,611.9 | (3,650.5) | 334.4 | 9,967.7 | 188.3 |

| | At 1 January 2022 £m | Additions £m | Sale proceeds £m | Change in market value £m | At 31 December 2022 £m | 2022 investment income £m |
|---|---|---|---|---|---|---|
| Securities portfolio: | | | | | | |
| Listed securities* | 2,899.7 | 2,637.6 | (2,303.7) | (441.1) | 2,792.5 | 63.9 |
| Unlisted securities | 3,803.5 | 858.3 | (812.7) | 494.8 | 4,343.9 | 16.6 |
| Total securities | 6,703.2 | 3,495.9 | (3,116.4) | 53.7 | 7,136.4 | 80.5 |
| Properties: | | | | | | |
| Direct property | 1,574.9 | 84.2 | (121.4) | 99.0 | 1,636.7 | 40.9 |
| Indirect property | 110.7 | 33.8 | (24.9) | 3.9 | 123.5 | 0.5 |
| Total properties | 1,685.6 | 118.0 | (146.3) | 102.9 | 1,760.2 | 41.4 |
| Value linked loans | 89.5 | 0.5 | (5.7) | (10.4) | 73.9 | 3.0 |
| Timberland: | | | | | | |
| Land | 132.2 | – | (17.2) | 35.9 | 150.9 | – |
| Standing timber** | 356.9 | 4.6 | (49.5) | 4.1 | 316.1 | 7.8 |
| Indirect timberland | 54.1 | – | – | 13.3 | 67.4 | 4.9 |
| Total timberland | 543.2 | 4.6 | (66.7) | 53.3 | 534.4 | 12.7 |
| Infrastructure | 130.9 | 54.8 | (68.6) | 49.9 | 167.0 | 5.7 |
| Total | 9,152.4 | 3,673.8 | (3,403.7) | 249.4 | 9,671.9 | 143.3 |

* Investment income includes £37.8m (2022: £3.2m) of income relating to interest on cash and cash equivalents and current asset investments, and £0.4m (2022: £0.4m) stock lending income.

** Change in market value of standing timber mainly comprises revaluation loss of £45.4m (2022: gains of £9.3m) and a reduction of £5.5m (2022: £5.2m) due to sale of standing timber. Standing timber represents the biological assets held by the Commissioners.

*Commissioners*

| | At 1 January 2023 £m | Additions £m | Sale proceeds £m | Change in market value £m | At 31 December 2023 £m |
|---|---|---|---|---|---|
| Securities portfolio: | | | | | |
| Listed securities | 2,792.5 | 2,684.1 | (2,615.6) | 312.0 | **3,173.0** |
| Unlisted securities | 3,761.2 | 712.4 | (840.3) | 81.5 | **3,714.8** |
| Total securities | 6,553.7 | 3,396.5 | (3,455.9) | 393.5 | **6,887.8** |
| Properties: | | | | | |
| Direct property | 1,462.8 | 11.5 | (85.8) | 30.0 | **1,418.5** |
| Indirect property | 96.3 | 25.0 | (7.0) | (22.3) | **92.0** |
| Total properties | 1,559.1 | 36.5 | (92.8) | 7.7 | **1,510.5** |
| Value linked loans | 73.9 | – | (8.8) | 4.4 | **69.5** |
| Timberland: | | | | | |
| Land | 90.7 | – | – | (10.0) | **80.7** |
| Standing timber* | 244.5 | 1.0 | – | (33.1) | **212.4** |
| Total timberland | 335.2 | 1.0 | – | (43.1) | **293.1** |
| Infrastructure | 49.0 | 39.3 | – | 8.0 | **96.3** |
| Subsidiaries | 379.1 | – | – | (34.7) | **344.4** |
| Total | 8,950.0 | 3,473.3 | (3,557.5) | 335.8 | **9,201.6** |

| | At 1 January 2022 £m | Additions £m | Sale proceeds £m | Change in market value £m | At 31 December 2022 £m |
|---|---|---|---|---|---|
| Securities portfolio: | | | | | |
| Listed securities | 2,899.7 | 2,637.4 | (2,303.6) | (441.0) | 2,792.5 |
| Unlisted securities | 3,315.6 | 753.7 | (711.2) | 403.1 | 3,761.2 |
| Total securities | 6,215.3 | 3,391.1 | (3,014.8) | (37.9) | 6,553.7 |
| Properties: | | | | | |
| Direct property | 1,422.8 | 38.0 | (98.6) | 100.6 | 1,462.8 |
| Indirect property | 81.4 | 33.8 | (24.9) | 6.0 | 96.3 |
| Total properties | 1,504.2 | 71.8 | (123.5) | 106.6 | 1,559.1 |
| Value linked loans | 89.5 | 0.5 | (5.7) | (10.4) | 73.9 |
| Timberland: | | | | | |
| Land | 84.5 | – | (14.0) | 20.2 | 90.7 |
| Standing timber* | 295.8 | 2.1 | (48.7) | (4.7) | 244.5 |
| Total timberland | 380.3 | 2.1 | (62.7) | 15.5 | 335.2 |
| Infrastructure | 24.4 | 27.9 | (27.0) | 23.7 | 49.0 |
| Subsidiaries | 327.5 | 1.6 | – | 50.0 | 379.1 |
| Total | 8,541.2 | 3,495.0 | (3,233.7) | 147.5 | 8,950.0 |

* Change in market value mainly comprises revaluation losses of £28.8m (2022: gain of £0.4m) and a reduction of £4.2m (2022: £4.3m) due to sale of standing timber. Standing timber represents the biological assets held by the Commissioners.

The original cost of investments is not disclosed given the historic nature of many of the property investments.

FRS 102 requires investments values to be shown for the Charity as well as consolidated. There is no similar requirement for income and expenditure.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 2. INVESTMENTS continued
### (a) Summary of movement on investments continued
Unlisted securities includes £0.2m (2022: £0.2m) invested in shares in the Churches Mutual Credit Union Limited, which is a programme-related investment.

The significance of financial instruments to the ongoing financial sustainability of the Commissioners is considered in the Investment Policy and Performance section of the Trustees' Annual Report.

Church Commissioners' Net Assets of the Investment Fund excludes Tangible assets, Heritage assets, Grants liability, Clergy pre-1998 pension obligation & Defined benefit pension scheme liabilities from the Commissioners' Total Net Assets.

Commissioners' Asset Allocation within Investment Policy and Objectives of the Annual Report represents Commissioners' investment portfolio reported by investment strategy for management purposes and excludes debtor and creditor balances associated with charitable expenditures, cash used for payment of costs and distribution, and Commissioners' Bond and other tax-related liabilities.

The direct property and timberland assets are valued by professional external valuers under RICS guidelines. In accordance with those guidelines, the 2023 valuation of two portfolios, UK timber and parts of the Residential portfolio, have been the subject of 'material uncertainty' assessments due to particular market conditions for each. Management's assessment of the impact of the uncertainty in the worst-case scenario is £26m for the UK Timber and £39m for the Residential portfolio, which, however, is not considered material to the Commissioners' balance sheet.

The Commissioners have investments denominated in foreign currencies and are impacted by changes in foreign currency exchange rates. Non-sterling assets exposed to currency risk represented 63.0% (2022: 61.0%*) of the investment portfolio. A currency overlay programme is used to hedge back into sterling a proportion of foreign currency exposure. At 31 December 2023, 11.0% (2022: 24.3%*) of non-sterling assets were hedged to sterling. The net profit from operating the currency overlay programme was £105.5m before deducting fees of £0.6m (2022: loss of £68.1m before deducting fees of £1.2m). Net additions and sale proceeds during the year exclude the purchase and sale of foreign currency for the purposes of conversion and currency hedging. In addition, some fund managers may enter into foreign currency contracts to hedge the non-sterling assets they manage. The loss on these contracts was £5.2m (2022: loss of £2.9m).

*An error in the prior year's calculation of non-sterling asset exposure was rectified and hence the ratio of non-sterling assets exposed to currency risk was restated from 46.5% to 61.0% and the ratio of non-sterling assets hedged was restated from 31.2% to 24.3%.

The Commissioners also hold equity derivatives, index swaps and interest rate derivatives to manage equity market risk and for efficient portfolio management. The net loss from operating this programme was £71.7m (2022: profit of £204.8m).

### (b) Subsidiaries
The Commissioners' principal subsidiary companies are wholly owned and are held to undertake property purchase, development and management and hold certain property, securities, indirect property, infrastructure and timberland investments. The Ashford Great Park Partnership, held through intermediary companies, has its principal offices at 29 Great Smith Street, London SW1P 3PS.

| Registered in | Subsidiary (company number) |
|---|---|
| England and Wales | CC Trading Ltd (2080054), CC Lincoln Ltd (3687102), CC Projects(*) (1765782), Cedarvale (*) (2220037), CC Licensing (*) (2245961), Quivercourt (*) (1807330), and Weston Tree Ltd (7859221) |
| US (Delaware) | Cherry Tree Timber LLC (W-115255), Arbol Tree (5423402), Manty Tree LLC (7553982) |
| Australia | Jahr Tree Co Pty Ltd (600392667) |

* Unlimited companies.

Summary results for the material subsidiaries are shown below. Subsidiaries are material if there is a significant net funds total or if it is expected that revenue or expenditure may be significant.

The Commissioners also own 80% interests in Lone Rock Timber Investments MBD-Landco Limited Partnership and Lone Rock Timber Investments MBD-Logco Limited Partnership, both of which are registered in the US. These entities are joint ventures, however, the Commissioners hold them as part of their investment portfolio and so they are held at fair value through profit or loss in the financial statements.

| | CC Licensing | | CC Projects | | CC Trading Ltd | | Cedarvale | | Quivercourt | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Revenue | **44.3** | 127.3 | **5.6** | 27.4 | **1.0** | 0.9 | **–** | 0.7 | **–** | – |
| Expenditure* | **(37.5)** | (106.4) | **(12.0)** | (19.9) | **(1.3)** | (0.3) | **(3.0)** | – | **(11.3)** | (1.5) |
| Profit / (loss) | **6.8** | 20.9 | **(6.4)** | 7.5 | **(0.3)** | 0.6 | **(3.0)** | 0.7 | **(11.3)** | (1.5) |
| Assets | **803.7** | 767.8 | **105.6** | 103.7 | **6.4** | 6.7 | **36.2** | 39.2 | **17.0** | 27.2 |
| Liabilities | **(572.3)** | (543.2) | **(66.1)** | (57.8) | **–** | – | **–** | – | **(11.8)** | (10.7) |
| Net funds | **231.4** | 224.6 | **39.5** | 45.9 | **6.4** | 6.7 | **36.2** | 39.2 | **5.2** | 16.5 |

* Includes Gift Aid payments to the Commissioners.

**(c) Joint ventures**

Church of England Central Services (ChECS) is a charitable company limited by guarantee and is a joint venture between the Commissioners, the Archbishops' Council and the Church of England Pensions Board, who are equal partners. The purpose of ChECS is to enhance the efficiency and effectiveness of the charitable national and diocesan institutions of the Church of England and of other charities with a church ethos, by facilitating the provision of cost-effective shared financial, legal and other services. The Commissioners' share of net assets of ChECS was £nil (2022: £nil). As at 31 December 2023, other than the amounts disclosed in debtors in note 13, £nil was owed by the Commissioners to ChECS (2022: £46,000).

The Commissioners have no associated undertakings.

**(d) Future commitments**

The Commissioners have outstanding commitments to invest in private equity, private credit, venture capital, indirect property and infrastructure funds totalling £1.3bn as at 31 December 2023 (see table below). The drawdown and cash flow impact of these commitments will be over several years and is dependent on the fund managers acquiring underlying assets during the investment periods of the funds. The commitments are offset against distributions received from funds and other cash flows and are managed as a whole within the total liquidity requirements of the Commissioners' fund.

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| Securities portfolio | **1,175.6** | 1,240.3 | **770.7** | 778.5 |
| Indirect property | **51.9** | 70.9 | **49.9** | 68.9 |
| Infrastructure | **81.8** | 152.8 | **47.5** | 89.0 |
| Total capital commitments | **1,309.3** | 1,464.0 | **868.1** | 936.4 |

# NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2023

## 3. EXPENDITURE ON RAISING FUNDS

| | Direct costs £m | Internal management costs £m | Support costs (note 7) £m | 2023 Total £m | Direct costs £m | Internal management costs £m | Support costs (note 7) £m | 2022 Total £m |
|---|---|---|---|---|---|---|---|---|
| Securities | 33.7 | 13.8 | 4.5 | 52.0 | 7.7 | 9.1 | 3.9 | 20.7 |
| Properties | 21.1 | 4.2 | 0.9 | 26.2 | 18.3 | 3.5 | 0.9 | 22.7 |
| Indirect property | – | 0.3 | 0.1 | 0.4 | – | 0.3 | 0.1 | 0.4 |
| Value linked loans | 0.1 | 0.2 | – | 0.3 | – | 0.2 | – | 0.2 |
| Timberland | 6.9 | 0.6 | 0.1 | 7.6 | 3.3 | 0.3 | 0.1 | 3.7 |
| Infrastructure | – | 0.5 | 0.3 | 0.8 | – | 0.5 | 0.3 | 0.8 |
| Total investment management costs | 61.8 | 19.6 | 5.9 | 87.3 | 29.3 | 13.9 | 5.3 | 48.5 |
| Bond interest costs | 19.6 | – | – | 19.6 | 8.7 | – | – | 8.7 |
| Costs of managing events at Lambeth Palace | 0.4 | – | – | 0.4 | 2.2 | – | – | 2.2 |
| Total cost of raising funds | 81.8 | 19.6 | 5.9 | 107.3 | 40.2 | 13.9 | 5.3 | 59.4 |

Direct costs include investment management fees, performance fees, property and timberland running costs and other fees.

Internal management costs include costs of employing in-house investment managers, operational support staff costs and associated department running costs.

Detail of support costs, including the methodology for allocating costs between activities, is shown in note 7 where the method of allocating these costs is described.

Bond interest costs reflect semi-annual interest accrued on the Sustainability Bonds due 2032 at 3.250% and on the Conventional Bonds due 2052 at 3.625%.

Costs of managing events at Lambeth Palace comprises expenditure incurred by Palace Public Occasions Limited, a subsidiary of the Commissioners, which provides conferences and other events at Lambeth Palace.

## 4. EXPENDITURE ON CHARITABLE ACTIVITIES

| | Grant funding £m Note 5 | Direct funding £m Note 6 | Support costs £m Note 7 | 2023 Total £m | Grant funding £m Note 5 | Direct funding £m Note 6 | Support costs £m Note 7 | 2022 Total £m |
|---|---|---|---|---|---|---|---|---|
| Supporting dioceses and the local church | 150.0 | 1.8 | 1.0 | 152.8 | 115.0 | 1.3 | 0.9 | 117.2 |
| Bishops' and Archbishops' ministry | 20.8 | 23.2 | 3.0 | 47.0 | 19.2 | 22.7 | 3.0 | 44.9 |
| Cathedrals' ministry | 13.5 | 0.4 | 0.2 | 14.1 | 13.8 | 0.2 | 0.3 | 14.3 |
| Other activities | 4.7 | 3.1 | 1.3 | 9.1 | 6.6 | 2.6 | 1.2 | 10.4 |
| Total charitable expenditure excluding clergy pensions obligation | 189.0 | 28.5 | 5.5 | 223.0 | 154.6 | 26.8 | 5.4 | 186.8 |
| Pre-1998 clergy pensions | – | 163.9 | 0.2 | 164.1 | – | (69.5) | 0.2 | (69.3) |
| Total costs of charitable activities | 189.0 | 192.4 | 5.7 | 387.1 | 154.6 | (42.7) | 5.6 | 117.5 |

**Supporting dioceses and the local church**

The Commissioners support dioceses and the local church through providing grants to the Archbishops' Council. A breakdown of grant making activity can be found in note 5. The individual grant streams in this category are explained below:

- **Strategic Development Funding** is for new growth opportunities which aim to support major change projects which fit with dioceses' strategic plans.
- **Lowest Income Communities Funding** and **Transition funding** are to provide funding for mission in communities with the lowest incomes.
- **Sustainability Funding** provides extra help to dioceses in the face of loss of income caused by the Covid-19 pandemic.
- **Strategic Transformation Funding** is for those dioceses wishing to undertake major restructuring programmes in order to better align with their strategic plans and make a significant difference to their mission and financial strength, in turn supporting the Church's sustainable growth.
- **Strategic Ministry Funding** provides financial support for growth in the number of clergy, including support for pensions and housing, in a tailored manner so that it is proportionately higher for those dioceses that need it most.
- **Additional Ordinands Funding** is intended to meet costs of training the incremental increase in ordinands, supporting dioceses to deliver the Church-wide goal of providing for future ordained ministry through increasing the number of ordinands by 50%.
- **National Giving Strategy Funding** is provided to support a new strategy over five years to encourage giving and generosity in churches. This includes grants to dioceses to help them implement this strategy.
- **Innovation Funding** is aimed at helping parishes explore new ways of sharing the Christian message, alongside tried and tested approaches. It supports limited scale projects which will innovate and generate learning about growth which increases the number of new disciples, strengthens discipleship, grows social engagement or increases or diversifies leaders in the Church.
- **Energy Cost Grants** are awarded to dioceses to enable them to help Parochial Church Councils (PCCs) cover the increased cost of heating and lighting church buildings; and to provide targeted hardship support to clergy and other employed ministers to contribute towards household bills, in particular energy costs.
- **Funding for Posts of First Responsibility** is given to dioceses to support them in funding posts of first responsibility to enable finishing curates to move into roles of incumbent status.
- **Clergy Hardship Support Grants** are given to dioceses to enable them to provide targeted hardship support to clergy in greatest need, in light of significantly increased costs of living.
- **Growing Faith Foundation Funding** supports an initiative which aims to put children and young people at the heart of the mission and ministry of the Church, by getting churches, schools and households to work together.
- **People & Partnerships Funding** supplements the direct investment provided to dioceses by funding the pipelines of people (lay and ordained), the capacity and research which will be needed to deliver the Church of England Vision and Strategy across the whole country.
- **Theological Education Institutions Fee Support** is provided to support TEIs through a period of low ordination candidate numbers. It is envisaged as a one-off arrangement required pending the implementation of new Resourcing Ministerial Formation funding arrangements.
- **Funding for national services and support provided by the Council** enables the Archbishops' Council to undertake its work in a range of areas including Ministry, Faith & Public Life, and Digital Communications.
- **Safeguarding funding** provides financial support to the Archbishops' Council for the core work of the National Safeguarding Team and the Safeguarding Programme, through which a range of improvement initiatives are being implemented in response to the Independent Inquiry into Child Sexual Abuse (IICSA).
- **The Church's Housing Assistance for the Retired Ministry (CHARM) Fund** provides grants to subsidise the scheme, which is administered by the Church of England Pensions Board to provide housing for those retiring from stipendiary ordained & lay ministry.
- **Diocesan Investment Programme** is to fund local plans via dioceses to build and grow the Church in accordance with the Vision and Strategy for the 2020s.
- **Racial Justice funding** is grant money offered to dioceses and other institutions to make targeted interventions in the area of racial justice.
- **Net Zero Carbon grant funding** is available for dioceses to help them develop and initiate a net zero carbon action plan, along with other funding available for projects in schools, housing and cathedrals to support and enable the Church to reach its goal of net zero carbon by 2030.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 4. EXPENDITURE ON CHARITABLE ACTIVITIES continued

- **Disability funding** is available for dioceses and other institutions to undertake work to widen access to the Church community, and positions of leadership, for those with disabilities.
- **Core Technology grant** is a capital investment primarily related to replacing the NCIs' Finance system which goes out of support in 2025.
- **Buildings for Mission funding** is available to dioceses for urgent repair or improvement work to their churches, up to the value of £10,000 (or £12,000 for unlisted buildings).

**Bishops' and Archbishops' ministry**
The Commissioners are responsible for stipends, providing housing and office space for the diocesan bishops and archbishops and for the maintenance of those buildings including Lambeth Palace. They provide diocesan bishops and archbishops with an annual grant to cover their stipend and working costs and that of their suffragan bishops. Pension contributions are paid from this grant to the Church of England Funded Pensions Scheme for bishops and their chaplains, and the Church Administrators Pension Fund for bishops' support staff (see note 17).

**Cathedrals' ministry**
The Cathedrals Measure 1999 enables the Commissioners to make grants to cathedrals: section 21 and 22 grants are made towards the stipend and other costs of a dean and two residentiary canons of each cathedral; section 23 grants are made towards the stipend of any other clerk or salary of any lay person employed in connection with the cathedral; section 25 grants are made towards the repair of any chancel, other than that of the cathedral, which the cathedral is liable to repair.

Cathedrals Sustainability Funding enables the Commissioners to give discretionary section 23 grants to cathedrals to provide seed funding for projects aiming to help them become more financially sustainable.

As individual Cathedrals come within scope of the new Cathedrals Measure 2021, grants will be paid to them under section 28 of that Measure.

**Pre-1998 clergy pensions**
The Commissioners meet the costs of clergy pensions for service up to 31 December 1997. This amount is the movement in the provision for clergy pensions until 31 December 1997 in the year to 31 December 2023 (including associated administration costs). The cash paid under the pre-1998 scheme was £120.6m (2022: £117.1m). Further details are provided in note 16.

**Other activities**
The Commissioners have a legal and advisory role in the reorganisation of parishes, sales and other transactions relating to clergy housing and glebe land and settling the future of church buildings that have been closed for public worship. The Commissioners also contribute to their share of the liability for chancel repairs arising from their former and current ownership of rectorial property.

The Commissioners make a grant to the Churches Conservation Trust to support its work in preserving church buildings closed for regular worship which are of historic and archaeological interest and architectural quality. During the year, the Commissioners paid the statutory grant to the Churches Conservation Trust of £2.0m (2022: £1.4m).
The Commissioners also applied income of £0.8m (2022: £0.7m) from its share of proceeds on the sale of closed churches to these grants. Therefore, net expenditure on the annual grant to the Churches Conservation Trust was £1.2m (2022: £0.7m).

The Church Commissioners are responsible for running the national payroll for most serving and retired clergy on behalf of dioceses, cathedrals and other Church bodies. This is a statutory responsibility of the Commissioners and one of its charitable objectives, with the cost of providing this service paid for by the Commissioners and not passed on to the Church bodies.

## 5. GRANT MAKING

All grants are made to institutions.

| | 2023 £m | 2022 £m |
|---|---|---|
| **Supporting dioceses and the local church** | | |
| Grants to the Archbishops' Council for: | | |
| Strategic Development Funding | 3.5 | 17.8 |
| Lowest Income Communities Funding | 29.3 | 28.3 |
| CHARM Housing Grant | 8.0 | – |
| Diocesan Investment Programme | 60.8 | – |
| Racial Justice | 5.8 | – |
| Net Zero Grants | 6.4 | – |
| Parish Giving Scheme | 0.6 | – |
| Disability Grants | 0.1 | – |
| Core Technology | 1.5 | – |
| Building for Mission | 9.2 | – |
| Transition Funding | 4.2 | 5.3 |
| Sustainability Funding | – | 4.3 |
| Strategic Transformation Funding | (0.1) | 11.1 |
| Strategic Ministry Funding | (0.1) | 10.4 |
| Additional Ordinands Funding | 0.8 | 1.9 |
| National Giving Strategy | 1.1 | 1.5 |
| Innovation Funding | 0.2 | 4.5 |
| Energy Costs Grants | – | 15.0 |
| Posts of First Responsibility | 1.4 | 4.3 |
| Clergy Hardship Support | – | 3.0 |
| Growing Faith Foundation Funding | – | 1.3 |
| People and Partnerships Funding | 1.8 | 1.5 |
| Theological Educational Institutions Fee Support | – | 1.2 |
| National services and support provided by the Council | 10.3 | 8.5 |
| Safeguarding | 5.4 | 3.1 |
| Discounting adjustment (see note 15) | (0.2) | (8.0) |
| **Total grants to support dioceses and the local church** | 150.0 | 115.0 |
| **Bishops' and Archbishops' ministry** | | |
| 114 (2022: 114) grants to bishops in 42 (2022: 42) dioceses | 22.2 | 21.8 |
| Return of unspent grants from bishops | (1.4) | (2.6) |
| **Total grants for Bishops' and Archbishops' ministry** | 20.8 | 19.2 |
| **Cathedrals' ministry** | | |
| 74 (2022: 49) grants to 36 (2022: 33) cathedrals – Cathedral Sustainability Fund | 3.1 | 3.8 |
| 83 (2022: 84) grants to 42 (2022: 42) cathedrals – other grants | 10.4 | 10.1 |
| Discounting adjustment (see note 15) | – | (0.1) |
| **Total grants to pay for Cathedrals' ministry** | 13.5 | 13.8 |
| **Other activities** | | |
| Statutory grant to Churches Conservation Trust | 2.0 | 1.4 |
| Grant to Archbishops' Council for Social Impact Investment Funding | 2.7 | 5.2 |
| **Total grants for other activities** | 4.7 | 6.6 |
| **Total grant funding** | 189.0 | 154.6 |

Long-term grant funding is, where material, discounted to reflect the net present value of future payments. The discount rate used varies based on the time until the grant award is due to be paid.

# NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2023

## 6. DIRECT FUNDING

| | 2023 £m | 2022 £m |
|---|---|---|
| **Supporting dioceses and the local church** | | |
| Cathedrals and Church Buildings Team | 1.8 | 1.3 |
| **Total supporting dioceses and the local church** | 1.8 | 1.3 |
| **Bishops' and Archbishops' ministry** | | |
| Bishops' and Archbishops' housing and office premises | 5.8 | 4.7 |
| Lambeth Palace major refurbishment | 3.7 | 6.1 |
| Lambeth Palace Library depreciation | 0.9 | 0.9 |
| Lambeth Palace Library running costs | 2.3 | 2.2 |
| Lambeth Palace Library project costs | – | 0.2 |
| Archbishops' office and working costs and stipends | 7.6 | 6.9 |
| Other national costs | 2.0 | 0.9 |
| Archbishops' advisers | 0.5 | 0.4 |
| Direct costs of administering Bishops' and Archbishops' ministry | 0.4 | 0.4 |
| **Total Bishops' and Archbishops' ministry costs** | 23.2 | 22.7 |
| **Cathedrals' ministry** | | |
| Direct costs of administering Cathedrals' ministry | 0.4 | 0.2 |
| **Total Cathedrals' ministry** | 0.4 | 0.2 |
| **Pre-1998 clergy pensions** | | |
| Payments made to clergy | 120.6 | 117.1 |
| Actuarial adjustments | 41.9 | (187.8) |
| Other pre-1998 clergy pensions expenditure | 1.4 | 1.2 |
| **Total clergy pension obligation** | 163.9 | (69.5) |
| **Other activities** | | |
| National payroll for clergy | 1.1 | 0.5 |
| Chancel repair liability | 0.4 | 0.6 |
| Managing pastoral reorganisations and closed church buildings | 1.6 | 1.5 |
| **Total other activities** | 3.1 | 2.6 |
| **Total direct costs** | 192.4 | (42.7) |

## 7. SUPPORT COSTS

| | Raising funds £m Note 3 | Charitable activities £m Note 4 | 2023 Total £m | Raising funds £m Note 3 | Charitable activities £m Note 4 | 2022 Total £m |
|---|---|---|---|---|---|---|
| Shared services | 2.7 | 2.3 | 5.0 | 3.2 | 3.3 | 6.5 |
| Accommodation costs | 0.3 | 0.3 | 0.6 | 0.3 | 0.2 | 0.5 |
| Governance costs | 1.0 | 1.1 | 2.1 | 0.9 | 0.9 | 1.8 |
| Total support costs before staff pension costs | 4.0 | 3.7 | 7.7 | 4.4 | 4.4 | 8.8 |
| Staff pension costs (note 17): | | | | | | |
| Interest on staff pension scheme liabilities | 1.9 | 2.0 | 3.9 | 0.9 | 1.2 | 2.1 |
| Total support costs | 5.9 | 5.7 | 11.6 | 5.3 | 5.6 | 10.9 |

Overheads are apportioned according to an activity-based time allocation to different functions. Shared services include the Commissioners' share of the costs incurred by Church of England Central Services (ChECS). Accommodation costs include rent and service charges payable on the office space used by the Commissioners. Governance costs comprise staff and non-staff costs relating to the general running of the Commissioners including supporting the work of their Board and committees and audit costs paid to Grant Thornton UK LLP.

**Allocation of costs**
Most of the Commissioners' expenditure can be directly attributed to its various activities, however some costs are not directly attributable and need to be apportioned across the Commissioners' investment and charitable activities.

Support costs are allocated to either charitable activities or raising funds based on the most appropriate apportionment method. Costs are also allocated to specific charitable activities or investment types using the same methodology. Apportionment methods used are based on the estimated time that is spent on each activity, headcount, or direct expenditure incurred.

Fees paid to Grant Thornton UK LLP, excluding VAT, are shown in the table below:

| | 2023 £000 | 2022 £000 |
|---|---|---|
| Audit of Church Commissioners: | | |
| Current year | 263 | 231 |
| Audit of subsidiary undertakings | 44 | 44 |
| Total audit fees | 307 | 275 |
| Non-audit fees | – | 168 |
| Total fees paid to Grant Thornton UK LLP | 307 | 443 |

Audit fees include fees of £5,000 related to a bill for total return swaps (TRS) valuation review (2022: £nil). 2022 includes fees of £97,500 related to forensic accounting services provided to support a research project into the fund of Queen Anne's Bounty, one of the Commissioners' predecessor bodies and £70,000 for work associated with a Bond issue carried out by Church Commissioners' – a £250 million Sustainability Bond with a 10-year maturity (2032) and a £300 million Conventional Bond with a 30-year maturity (2052).

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 8. STAFF NUMBERS AND REMUNERATION
The Secretary and staff employed to manage the Commissioners' investment assets and other functions are employed directly by the Commissioners.

In addition to staff employed directly, the work of the Commissioners is supported by staff in shared service departments provided by Church of England Central Services (ChECS) which provides finance, HR, technology, communications, legal, internal audit and other services to the NCIs. The costs of all ChECS staff are shown in aggregate in the tables below – the Commissioners' share of which was £4,455,000 (2022: £4,586,000).

The cost of staff for which the Commissioners are the managing employer and for ChECS (in aggregate) was:

| | Commissioners' own staff | | | | | ChECS | |
|---|---|---|---|---|---|---|---|
| | Asset management | | Church functions and secretariat | | | Shared services | |
| | **2023 Number** | 2022 Number | **2023 Number** | 2022 restated Number | 2022 unadjusted Number | **2023 Number** | 2022 Number |
| Average number employed | **76** | 62 | **90** | 88 | 51 | **178** | 157 |
| | **£m** | £m | **£m** | £m | £m | **£m** | £m |
| Salaries | **11.7** | 8.7 | **4.1** | 3.7 | 2.5 | **9.1** | 7.6 |
| National Insurance costs | **1** | 0.7 | **0.4** | 0.4 | 0.3 | **1** | 0.9 |
| Pension contributions | **0.9** | 0.8 | **0.6** | 0.6 | 0.4 | **1.3** | 1.5 |
| Total cost of staff | **13.6** | 10.2 | **5.1** | 4.7 | 3.2 | **11.4** | 10 |

Salaries of the Commissioners' own staff include £13,000 (2022: £48,000) paid by way of termination costs to three fixed term persons due to redundancy of their posts following the planned ending of the project (Bats in Churches) (2022: one person).

The average number of staff employed and the cost of staff has been restated for 2022 in respect of the Church functions and secretariat only, to reflect the inclusion of the Lambeth Palace Library staff who became employees of the Church Commissioners from 1 January 2022. The effect of the restatement in 2022 is a net increase of 37 staff with an increased cost of £1.5m but this has no impact on the 2022 SOFA.

The Commissioners are obliged to pay pension benefits to staff, former First and Third Church Estates Commissioners, bishops' staff and staff of the Church of England Pensions Board who accrued years of pensionable service until 31 December 1999 as members of the Church Commissioners Superannuation Scheme ("CCSS").

Pension benefits earned on or after 1 January 2000 are provided by the Church Administrators Pension Fund ("CAPF"), administered by the Church of England Pensions Board. The Pensions Board publishes the Scheme's financial statements and is its custodian trustee. From 1 April 2019, defined contribution pension arrangements for some staff transferred from the CAPF to a separate pension arrangement on the same terms.

Pensions are described in more detail in note 17.

Average staff numbers employed in Church functions and the secretariat increased by 2 (2022: 88 restated); the prior year increase is largely driven by the transfer in of the Cathedrals and Church Buildings department, previously employed by the Archbishops' Council, as well as the inclusion of Lambeth Palace Library staff who became direct employees of the Church Commissioners on 1 January 2022.

**Asset management and national Church functions**
The cost of the management of the Commissioners' assets is included in internal management costs (note 3) and the cost of the administration of national Church functions is included in the direct costs of those activities (note 5). Secretariat costs are included in support costs (note 7).

**Staff emoluments**
The numbers of staff whose employee benefits for the year fell in the following bands:

| | Commissioners' own staff | | | | ChECS | |
|---|---|---|---|---|---|---|
| | Asset management | | Church functions and secretariat | | Shared services | |
| | **2023 Number** | 2022 Number | **2023 Number** | 2022 Number | **2023 Number** | 2022 Number |
| £60,001 to £70,000 | **8** | 4 | **7** | 8 | **15** | 13 |
| £70,001 to £80,000 | **8** | 3 | **–** | 1**** | **9** | 6 |
| £80,001 to £90,000 | **6** | 7 | **4** | 3 | **8** | 3 |
| £90,001 to £100,000 | **3** | 2 | **3** | 1 | **1** | 2 |
| £100,001 to £110,000 | **7** | 2 | **–** | – | **4** | 5 |
| £110,001 to £120,000 | **2** | 1 | **–** | – | **2** | 1 |
| £120,001 to £130,000 | **3** | 6 | **–** | – | **–** | 2 |
| £130,001 to £140,000 | **1** | 1 | **–** | – | **1** | – |
| £140,001 to £150,000 | **2** | 1 | **–** | – | **1** | – |
| £150,001 to £160,000 | **1** | 1* | **–** | – | **–** | – |
| £160,001 to £170,000 | **1** | – | **–** | – | **–** | – |
| £170,001 to £180,000 | **2** | 1 | **–** | – | **–** | – |
| £180,001 to £190,000 | **1*** | 1* | **1**** | 1** | **–** | – |
| £190,001 to £200,000 | **2***** | – | **–** | – | **–** | – |
| £200,001 to £210,000 | **–** | 1* | **–** | – | **–** | – |
| £210,001 to £220,000 | **–** | 1* | **–** | – | **–** | – |
| £220,001 to £230,000 | **2*** | 2* | **–** | – | **–** | – |
| £230,001 to £240,000 | **–** | 2* | **–** | – | **–** | – |
| £240,001 to £250,000 | **–** | 1* | **–** | – | **–** | – |
| £250,001 to £260,000 | **–** | 1* | **–** | – | **–** | – |
| £260,001 to £270,000 | **1*** | – | **–** | – | **–** | – |
| £280,001 to £290,000 | **1*** | 1* | **–** | – | **–** | – |
| £300,001 to £310,000 | **1*** | – | **–** | – | **–** | – |
| £330,001 to £340,000 | **–** | – | **–** | – | **–** | – |
| £350,001 to £360,000 | **–** | 1* | **–** | – | **–** | – |
| £360,001 to £370,000 | **2***** | 1* | **–** | – | **–** | – |
| £380,001 to £390,000 | **1*** | – | **–** | – | **–** | – |
| £540,001 to £550,000 | **–** | 1* | **–** | – | **–** | – |
| £570,001 to £580,000 | **1*** | – | **–** | – | **–** | – |
| £630,001 to £640,000 | **1*** | – | **–** | – | **–** | – |
| £640,001 to £650,000 | **–** | 1* | **–** | – | **–** | – |

*Including deferred incentive
** Secretary to the Church Commissioners (Chief Executive)
***One employee includes deferred incentive
**** Restated as part of inclusion of Lambeth Palace Library staff

Employee benefits include gross salaries, incentive payments and termination payments but do not include employer pension contributions.

Of those staff managed directly by the Commissioners, 66 (2022: 48 restated; 2022 unadjusted: 47) accrue benefits under a defined contribution scheme for which contributions for the year were £828,000 (2022: £605,000 restated; 2022 unadjusted: £592,000). The remaining 6 (2022 restated: 9; 2022 unadjusted: 9) staff accrue benefits under a defined benefit scheme. Of those managed by ChECS, 37 (2022: 29) accrue benefits under a defined contribution scheme for which contributions for the year were £428,000 (2022: £328,000). The remaining 4 (2022: 3) staff accrue benefits under a defined benefit scheme.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 8. STAFF NUMBERS AND REMUNERATION continued
**Staff emoluments continued**

The highest paid member of staff was the Chief Investment Officer who earned £333,000 (2022: £323,000) and a total incentive (including deferred incentive) of £305,000 (2022: £319,000) based on the long-term performance of the fund. Including the Chief Investment Officer, 11 (2022: 15) members of staff received deferred incentives in the year totalling £1,413,000 (2022: £1,823,000). Further details of the Commissioners' remuneration policy are included in the Governance Section of the Board's report on page 59.

The Commissioners' senior executive leadership team comprises eight posts, seven of whom are employed directly by the Commissioners and one by ChECS. Their aggregate remuneration, including incentives, national insurance and pension contributions, is £2,089,000 (2022: £1,390,000).

## 9. TRUSTEES' EMOLUMENTS AND EXPENSES

The First and Third Church Estates Commissioners are paid a salary in accordance with the Ecclesiastical Commissioners Act 1850, as amended by the Ecclesiastical Commissioners (Powers) Measure 1938. Other trustees have no entitlement to a salary or pension in their capacity as trustees.

| | 2023 £000 | 2022 £000 |
|---|---|---|
| First Church Estates Commissioner | | |
| Salary | **126** | 122 |
| National Insurance costs | **16** | 16 |
| Pension | **19** | 16 |
| Third Church Estates Commissioner | | |
| Salary | **84** | 74 |
| National Insurance costs | **10** | 10 |
| Pension | **4** | 3 |
| Total Church Estates Commissioners' costs | **259** | 241 |

Pensions paid to former First and Third Church Estates Commissioners of £30,000 (2022: £28,000) were charged to the staff pension provision.

The Commissioners meet the expenses incurred by the trustees in carrying out their duties. During the year, 17 (2022: 17) trustees claimed expenses or had their expenses met by the Charity totalling £20,147 (2022: £13,098) in respect of travel and subsistence. The Commissioners meet the expenses of Committee members in carrying out their duties. During the year, 7 (2022: 4) Committee members claimed expenses or had their expenses met by the Charity totalling £3,728 (2022: £1,059) in respect of their travel and subsistence.

## 10. TAXATION

| | Overseas (including Australian) Withholding Tax £m | 2023 £m | Overseas (including Australian) Withholding Tax £m | 2022 £m |
|---|---|---|---|---|
| Consolidated | | | | |
| Current tax | (1.9) | **(1.9)** | 2.8 | 2.8 |
| Deferred tax | 1.0 | **1.0** | 0.7 | 0.7 |
| Total taxation charge | (0.9) | **(0.9)** | 3.5 | 3.5 |
| Commissioners | | | | |
| Current tax | 0.2 | **0.2** | (0.2) | (0.2) |
| Deferred tax | 0.7 | **0.7** | 0.6 | 0.6 |
| Total taxation charge | 0.9 | **0.9** | 0.4 | 0.4 |

The Church Commissioners are a registered charity. As such, under UK tax law, they are exempt from Corporation Tax on all their Investment Income and Chargeable Gains. The UK resident subsidiaries of the Church Commissioners are, prima facie, subject to Corporation Tax on their income. However, all these subsidiaries have Deeds of Covenants to distribute all taxable profits to the Church Commissioners. As such distributions are tax deductible, no tax liability arises in the subsidiaries.

## 11. TANGIBLE ASSETS

*Consolidated*

| | Freehold buildings £m | Green energy generation £m | IT systems £m | Leasehold improvements £m | Operational properties and contents £m | Total £m |
|---|---|---|---|---|---|---|
| Cost or valuation | | | | | | |
| Balance at 1 January | 30.5 | 0.7 | 1.9 | 2.1 | 91.1 | **126.3** |
| Additions | 9.1 | – | – | – | 4.6 | **13.7** |
| Transfers / disposal | – | – | – | – | – | **–** |
| Balance at 31 December | 39.6 | 0.7 | 1.9 | 2.1 | 95.7 | **140.0** |
| Accumulated depreciation | | | | | | |
| Balance at 1 January | (1.8) | – | (1.9) | (2.1) | – | **(5.8)** |
| Charge for the year | (0.9) | (0.1) | – | – | – | **(1.0)** |
| Balance at 31 December | (2.7) | (0.1) | (1.9) | (2.1) | – | **(6.8)** |
| Net book value | | | | | | |
| Balance at 1 January | 28.7 | 0.7 | – | – | 91.1 | **120.5** |
| Balance at 31 December | 36.9 | 0.6 | – | – | 95.7 | **133.2** |

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 11. TANGIBLE ASSETS continued
***Commissioners***

| | Freehold buildings £m | IT systems £m | Leasehold improvements £m | Operational properties and contents £m | Total £m |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| Balance at 1 January | 30.5 | 1.9 | 2.1 | 91.1 | **125.6** |
| Additions | 9.1 | – | – | 4.6 | **13.7** |
| Transfers / disposal | – | – | – | – | **–** |
| **Balance at 31 December** | 39.6 | 1.9 | 2.1 | 95.7 | **139.3** |
| **Accumulated depreciation** | | | | | |
| Balance at 1 January | (1.8) | (1.9) | (2.1) | – | **(5.8)** |
| Charge for the year | (0.9) | – | – | – | **(0.9)** |
| **Balance at 31 December** | (2.7) | (1.9) | (2.1) | – | **(6.7)** |
| **Net book value** | | | | | |
| Balance at 1 January | 28.7 | – | – | 91.1 | **119.8** |
| **Balance at 31 December** | 36.9 | – | – | 95.7 | **132.6** |

The original cost of tangible fixed assets is not disclosed given the historic nature of many of the assets owned.

The deemed cost of operational See House properties was the valuation at the FRS 102 transition date. This valuation was carried out by Knight Frank LLP as at 31 December 2013. Operational properties includes the contents of See Houses, which were valued by Gurr Johns as at 31 December 2007.

The freehold buildings additions in the year of £9.1m represents the capitalised cost of the ongoing Lambeth Palace Refurbishment Project which is a 'once in a generation' major refurbishment programme at Lambeth Palace. No depreciation was charged in the year. Lambeth Palace is a heritage asset and shown in note 12 to the accounts.

All tangible fixed assets are in the United Kingdom.

## 12. HERITAGE ASSETS
**Analysis of heritage assets**

| | Lambeth Palace £m | Contents of Lambeth Palace Library £m | Historic contents of Lambeth Palace £m | Historic contents of former See Houses £m | Total £m |
|---|---|---|---|---|---|
| Balance at 1 January | – | 0.3 | 1.0 | 2.2 | **3.5** |
| Additions | – | 0.1 | – | – | **0.1** |
| **Balance at 31 December** | – | 0.4 | 1.0 | 2.2 | **3.6** |

**Lambeth Palace**
Lambeth Palace has been the historic London residence of the Archbishops of Canterbury since the 13th Century. It was acquired by the Commissioners as a result of an Order in Council given in 1946 in accordance with the Episcopal Endowments and Stipends Measure 1943 and was transferred to the Commissioners at its original deemed cost. At the time of acquisition, the Commissioners' best estimate of the historic deemed cost was £1. Any developments or improvements to the building are capitalised at cost (within tangible fixed assets note 11) and depreciated over the improvements' useful economic life. Whilst the building continues to have operational use, being used as the Archbishop's London residence and an office for a team of staff employed to support him in his work, it continues to be maintained by the Commissioners as a result of its significant historical and cultural importance as an important exhibit to the public of the history of the work of the Archbishops of Canterbury and the Church of England. The grounds of Lambeth Palace are also home to the Lambeth Palace Library. The Commissioners are responsible for the ongoing upkeep and maintenance of the building. Maintenance costs are charged to the SOFA in the period they are incurred.

**Contents of Lambeth Palace Library**
Lambeth Palace Library was founded in 1610 when Archbishop Richard Bancroft bequeathed to his successors as Archbishops of Canterbury his extensive collection of books and manuscripts. Ownership of the building and contents became vested in the Ecclesiastical Commissioners in 1946 and passed subsequently to the Commissioners. Responsibility for the maintenance of Lambeth Palace Library lies with the Commissioners. The collections of Lambeth Palace Library were designated by the Museums, Libraries and Archives Council in 2005 as outstanding in their national and international importance. The Library exists to preserve this unique heritage of the Church and the nation and to make it freely available for all to study and enjoy.

**Historic contents of Lambeth Palace**
Included within heritage assets are the historical contents of Lambeth Palace. These items are held primarily for their historical and artistic value. The contents' fair value has been calculated based on the market value last calculated at 31 December 2007. The Commissioners have performed a review of the historic contents of Lambeth Palace, which includes works of art, and are satisfied that there is no material difference between the fair value at 31 December 2023 and the full professional valuation obtained as at 31 December 2007.

**Historic contents of former See Houses**
Included within heritage assets are the historical contents of former See Houses that are on loan to various bodies. This includes the Hurd Library and other heirlooms at Hartlebury Castle and various objects at Fulham Palace. These items are held primarily for their historical and artistic value.

The contents' fair value has been calculated based on the market value last calculated at 31 December 2007. The Commissioners have performed a review of the historic contents, which includes works of art, and are satisfied that there is no material difference between the fair value at 31 December 2023 and the full professional valuation obtained as at 31 December 2007. There have been no additions since 2017.

## 13. DEBTORS

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Trade debtors | 10.8 | 23.5 | 4.7 | 3.4 |
| Subsidiary undertakings | – | – | 756.7 | 737.6 |
| Joint venture (ChECS) | 2.7 | 1.1 | 2.7 | 1.1 |
| Dioceses (Clergy Stipends and Diocesan Debtors Accounts) | 0.1 | 2.0 | 0.1 | 2.0 |
| Loans | 1.3 | 2.2 | 1.3 | 2.2 |
| Other debtors | 3.7 | 4.8 | 3.6 | 0.7 |
| Prepayments | 2.7 | 2.5 | 2.4 | 2.2 |
| Taxation and National Insurance contributions | – | – | – | 3.9 |
| Accrued income | 11.0 | 11.0 | 43.1 | 37.6 |
| Outstanding investment trades | 154.2 | 142.9 | 154.2 | 142.9 |
| Derivative open contracts | 23.3 | 74.1 | 23.3 | 74.1 |
| Total debtors | 290.8 | 264.1 | 992.1 | 1,007.7 |

Balances with subsidiaries are included in note 21.

Loans are interest bearing and consist of mortgages and loans to Church bodies, cathedrals and staff, and car loans to clergy.

Derivative open contracts are used for risk management and efficient portfolio management purposes. The value above represents those derivative contracts that have a positive value at 31 December. There are also derivatives which have a negative value disclosed in creditors within note 14. The total gains or losses on derivatives for the year is shown on the Statement of Financial Activities, which when used for hedging purposes are offset by movements in the fair value of the investment portfolio. For further details on foreign currency hedging, see note 2(a).

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 14. CREDITORS FALLING DUE WITHIN ONE YEAR

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Trade creditors | 7.8 | 5.8 | 7.6 | 5.4 |
| Subsidiary undertakings | – | – | 23.9 | 25.0 |
| Dioceses and other Church bodies | 7.9 | 7.5 | 7.9 | 7.5 |
| Other creditors | 5.6 | 3.7 | 5.0 | 3.3 |
| Taxation and National Insurance contributions | 9.4 | 8.6 | 4.2 | 3.9 |
| Accruals and deferred income | 31.7 | 22.9 | 24.4 | 20.5 |
| Grants payable | 85.7 | 67.0 | 85.7 | 67.0 |
| Outstanding trades payable | 24.1 | 9.8 | 24.1 | 9.8 |
| Derivative open contracts | 41.1 | 7.4 | 41.1 | 7.4 |
| Total creditors: amounts falling due within one year | 213.3 | 132.7 | 223.9 | 149.8 |

Derivative open contracts are used for risk management and efficient portfolio management purposes. The value above represents those derivative contracts that have a negative value at 31 December. There are also derivatives which have a positive value disclosed in debtors within note 13. The total gains or losses on derivatives for the year is shown on the Statement of Financial Activities, which when used for hedging purposes are offset by movements in the fair value of the investment portfolio. For further details on foreign currency hedging, see note 2(a).

Unrealised gains on derivative financial instruments are described in note 2.

## 15. CREDITORS FALLING DUE AFTER ONE YEAR

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Grants payable | 117.4 | 99.5 | 117.4 | 99.5 |
| Discounting adjustment | (11.4) | (11.3) | (11.4) | (11.3) |
| Total Grants payable | 106.0 | 88.2 | 106.0 | 88.2 |
| 3.250% Sustainability Bonds due 2032 | 250.0 | 250.0 | 250.0 | 250.0 |
| 3.250% Sustainability Bonds – Bond issue costs | (1.1) | (1.2) | (1.1) | (1.2) |
| 3.250% Sustainability Bonds – discount on issuance | (0.7) | (0.8) | (0.7) | (0.8) |
| 3.625% Bonds (2052) | 300.0 | 300.0 | 300.0 | 300.0 |
| 3.625% Bonds (2052) – Bond issue costs | (1.6) | (1.7) | (1.6) | (1.7) |
| 3.625% Bonds (2052) – discount on issuance | (4.9) | (5.0) | (4.9) | (5.0) |
| Total Bond liabilities | 541.7 | 541.3 | 541.7 | 541.3 |
| Total creditors: amounts falling due after one year | 647.7 | 629.5 | 647.7 | 629.5 |

### Grants payable

Grant making creditors can be analysed as follows:

| | Consolidated and Commissioners | |
|---|---|---|
| | 2023 £m | 2022 £m |
| As at 1 January | **155.2** | 141.8 |
| Changes in liability due to: | | |
| New grant commitments in the year | **190.6** | 165.3 |
| Return of unspent grants | **(1.4)** | (2.6) |
| Grant payments in the year | **(152.5)** | (141.2) |
| Changes in discounting adjustment | **(0.2)** | (8.1) |
| As at 31 December | **191.7** | 155.2 |
| Grants payable falling due within one year | **85.7** | 67.0 |
| Grants payable falling due after one year | **106.0** | 88.2 |
| As at 31 December | **191.7** | 155.2 |

For grants payable due in more than one year, the grant funding is expected to be settled in the following periods, though the drawdown of grants is dependent on the timing of expenditure incurred and claims made by the grant recipient:

| Grant stream | 2025 £m | 2026 £m | 2027 £m | 2028 £m | 2029 £m | 2030 and beyond £m | Total £m |
|---|---|---|---|---|---|---|---|
| Strategic Development Funding | 21.9 | 12.4 | 5.9 | 2.1 | 1.2 | 0.7 | 44.2 |
| Strategic Ministry Funding | 3.0 | 0.1 | – | – | – | – | 3.1 |
| Strategic Transformation Funding | 6.2 | 3.7 | 1.7 | 0.5 | 0.4 | – | 12.5 |
| Social Impact Investment Funding | 1.1 | 0.9 | 0.4 | 0.4 | – | – | 2.8 |
| Cathedral Sustainability Funding | 1.1 | 0.3 | – | – | – | – | 1.4 |
| Posts of First Responsibility | 1.3 | 1.0 | 0.5 | – | – | – | 2.8 |
| Building for Mission | 3.7 | 0.1 | – | – | – | – | 3.8 |
| Racial Justice | 1.7 | 1.8 | 0.6 | – | – | – | 4.1 |
| Net Zero Grants | 2.2 | 0.4 | – | – | – | – | 2.6 |
| Diocesan Investment Programme | 15.0 | 10.8 | 6.2 | 3.6 | 1.2 | 0.6 | 37.4 |
| Other grant streams | 1.6 | 0.8 | 0.3 | – | – | – | 2.7 |
| Total before discounting adjustment | 58.8 | 32.3 | 15.6 | 6.6 | 2.8 | 1.3 | 117.4 |
| Discounting adjustment | (4.4) | (3.3) | (2.0) | (1.0) | (0.5) | (0.2) | (11.4) |
| Total | 54.4 | 29.0 | 13.6 | 5.6 | 2.3 | 1.1 | 106.0 |

Long-term grant funding is, where material, discounted to reflect the net present value of future payments. The discount rate used varies based on the time until the grant award is due to be paid.

At the balance sheet date, the Archbishops' Council had made grant awards of £4.4m (2022: £13.8m) to two organisations, which did not meet the expenditure recognition criteria due to conditions attached to these awards. The Church Commissioners have therefore not recognised a corresponding grant to the Archbishops' Council in respect of these awards.

### Bond liabilities

In 2022 the Church Commissioners issued two bonds – a £250 million Sustainability Bond with a 10-year maturity (2032) and a £300 million Conventional Bond with a 30-year maturity (2052). The proceeds from the two bond issues will be invested on a long-term basis, enhancing the fund's capital efficiency, and offering the potential to generate additional value for the fund. The proceeds will be invested according to the Church Commissioners' responsible investment approach, with the proceeds of the Sustainability Bond used to support existing and future eligible sustainable projects, as set out in the Church Commissioners' Sustainable Financing Framework.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 15. CREDITORS FALLING DUE AFTER ONE YEAR continued
**Bond liabilities continued**

Bond issue costs of £1.3m were incurred (predominantly legal and financial advice) in respect of the 2032 Sustainability Bond. At December 2023, the total of amortised bond issue costs and the amortised discount on issuance was £1.8m (2022: £2.0m). The applicable interest rate is 3.25%. Repayment of the bond is due on maturity in 2032.

Bond issue costs of £1.7m were incurred (predominantly legal and financial advice) in respect of the 2052 Bond. At December 2023, the total of the amortised bond issue costs and the amortised discount on issuance was £6.5m (2022: £6.7m). The applicable interest rate is 3.625%. Repayment of the bond is due on maturity in 2052.

The following table details the bond-related contractual payments as at 31 December 2023.

| | Sustainability Bonds (2032) | | Bond (2052) | |
|---|---|---|---|---|
| | Interest due £m | Capital repayment £m | Interest due £m | Capital repayment £m |
| **Period** | | | | |
| Due to end December 2023 | 3.8 | – | 5.0 | – |
| Due within one year | 8.1 | – | 10.9 | – |
| Due between one to five years | 32.5 | – | 43.5 | – |
| Due after five years | 33.1 | 250.0 | 261.9 | 300.0 |
| **Total** | 77.5 | 250.0 | 321.3 | 300.0 |

## 16. PROVISIONS
**Provision for clergy pre-1998 pension obligation under the Church of England Pensions Scheme**

| | | Consolidated and Commissioners | |
|---|---|---|---|
| | Notes | 2023 £m | 2022 £m |
| As at 1 January | | 1,116.9 | 1,354.7 |
| Amounts charged against provision: | | | |
| Pensions to clergy for service prior to 1998 | | (81.7) | (79.2) |
| Lump sum payments on retirement for service prior | | (5.7) | (6.5) |
| Pensions to clergy widows and children for service | | (32.9) | (30.7) |
| Benefits under the Deaconesses and Lay Workers | | (0.1) | (0.1) |
| Transfers out of scheme | | (0.2) | (0.6) |
| | 6 | (120.6) | (117.1) |
| Changes in provision for: | | | |
| Interest on provision | | 81.6 | 58.2 |
| Changes in assumptions and due to experience | | 81.1 | (128.9) |
| | | 162.7 | (70.7) |
| **As at 31 December** | | 1,209.0 | 1,166.9 |

*History*

Prior to 1998, the Commissioners were responsible for paying the pensions benefits to clergy who accrued years of pensionable service as members of the Church of England Pensions Scheme. In 1997, legislation was enacted to provide for new pensions schemes to be established and administered by the Church of England Pensions Board, with contributions for future service to be paid by all responsible bodies and employers (dioceses, cathedrals, the NCIs, and other church organisations). This effectively capped the Commissioners' obligation for clergy pensions for clergy for which they are not the 'responsible body' to service up until 31 December 1997 only.

Details of the Commissioners financial responsibilities in respect of their role as 'responsible body' for bishops, cathedral clergy and certain other clergy for service since 1 January 1998 are described in note 17(a).

*Church of England Pensions Scheme*
The Commissioners are obliged to pay pension benefits to clergy who accrued years of pensionable service until 31 December 1997 as members of the Church of England Pensions Scheme. The Scheme is administered by the Church of England Pensions Board on behalf of the Commissioners. The obligation is recognised in full using the actuarial valuation carried out by Hymans Robertson LLP, independent qualified actuaries. A full valuation is carried out every three years and it is rolled forward in other years. A full valuation was carried out as at 31 December 2021.

The valuation uses the projected unit method and assumes all benefits including post-retirement increases continue to be paid in accordance with current practice. It uses financial assumptions reflecting the term structure of interest rates and inflation. These assumptions include the prospective rate of investment returns, future increases in the RPI, the starting level of pensions and the rate of post-retirement pension increases.

The principal assumptions used in deriving the Commissioners' obligation were:

| | 2023 % | 2022 % | 2021 % | 2020 % | 2019 % |
|---|---|---|---|---|---|
| Prospective annual rate of return on investments | 6.3 | 6.8 | 4.6 | 3.8 | 3.9 |
| Rate of increase of future stipend and increases in the starting pension | 2.5 | 2.3 | 2.9 | 3.3 | 3.2 |
| Rate of post-retirement pension increases | 3.2 | 3.2 | 3.7 | 3.3 | 3.2 |
| Retail price inflation | 3.2 | 3.2 | 3.7 | 3.3 | 3.2 |

The assumptions were made on a best estimate basis over a period reflecting the long-term nature of the fund and its objectives over 30 years. In their assessments of the pensions obligation, Hymans Robertson LLP have used bespoke Club Vita mortality tables. The life expectancy for beneficiaries aged 65 is 21.5 years (2018 valuation: 22.8 years) for men and 23.8 years (2018 valuation: 26.4 years) for women. In respect of future improvements in mortality rates the projection model from the 2020 Continuous Mortality Investigation has been used.

## 17. PENSIONS

| | Clergy | Staff | | | Clergy | Staff | | |
|---|---|---|---|---|---|---|---|---|
| | Post-1997 service Note 17(a) £m | Pre-2000 service Note 17(b) £m | Post-1999 service Note 17(c) £m | 2023 £m | Post-1997 service Note 17(a) £m | Pre-2000 service Note 17(b) £m | Post-1999 service Note 17(c) £m | 2022 £m |
| Pension reserves at 1 January | – | 82.4 | 1.5 | 83.9 | 0.5 | 115.5 | 2.8 | 118.8 |
| Benefits / contributions paid | – | (5.7) | (1.4) | (7.1) | (0.3) | (5.4) | (1.4) | (7.1) |
| Interest on liability | – | 3.8 | – | 3.8 | – | 2.1 | – | 2.1 |
| Other movement | – | (0.5) | (0.1) | (0.6) | – | – | 0.1 | 0.1 |
| | – | (2.4) | (1.5) | (3.9) | (0.3) | (3.3) | (1.3) | (4.9) |
| Actuarial (gain) / losses | – | 1.1 | – | 1.1 | (0.2) | (29.8) | – | (30.0) |
| Pension reserves at 31 December | – | 81.1 | – | 81.1 | – | 82.4 | 1.5 | 83.9 |

The reduction in pensions reserves due to cash paid is £7.1m (2021: £7.3m) and the total amount shown in expenditure is £2.1m (2021: £1.5m). Actuarial gains of £30.0m (2021: gains of £9.4m) have been recognised in other gains or losses.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 17. PENSIONS continued

**(a) Clergy pensions post-1997: Church of England Funded Pensions Scheme**

Pensions in respect of the service of Church of England clergy from 1 January 1998 are provided by the Church of England Funded Pensions Scheme, administered by the Church of England Pensions Board. The Church of England Pensions Board publishes the Scheme's financial statements and is its custodian trustee.

The Commissioners are one of the 'responsible bodies' in the Scheme, as they pay the stipends, National Insurance and pensions costs of bishops, archbishops, bishops' chaplains and most cathedral clergy.

The Scheme is considered to be a multi-employer scheme, and it is not possible to attribute the Scheme's assets and liabilities to specific employers. Therefore, contributions are accounted for as if the Scheme were a defined contribution scheme. The pension costs charged to the SOFA in the year are contributions payable plus any impact of deficit contributions.

A valuation of the Scheme was carried out by an independent qualified actuary using the projected unit method as at 31 December 2021. This revealed a surplus of £560m, based on assets of £2,720m and a funding target of £2,160m.

The contribution rate of future pensionable stipends payable by the Commissioners is made up of the following components. Normal contributions relate to providing benefits in relation to ongoing pensionable service. Administration expenses cover the day-to-day expenses of running the scheme.

| | From 1 January 2023 % | From 1 April 2024 % |
|---|---|---|
| Normal contributions | 26.5 | 23.5 |
| Contributions towards administration expenses | 1.2 | 1.2 |
| Total contribution | 27.7 | 24.7 |

**(b) Staff pensions pre-2000: Church Commissioners Superannuation Scheme**

The Commissioners are obliged to pay pension benefits to staff, former First and Third Church Estates Commissioners, bishops' staff and staff of the Church of England Pensions Board who accrued years of pensionable service until 31 December 1999 as members of the Church Commissioners Superannuation Scheme ("CCSS").

This is a multi-employer scheme where each employer can ascertain their share of the scheme assets and liabilities. The Commissioners' share is therefore provided for in the balance sheet in full. The liability is estimated each year by Hymans Robertson LLP, independent qualified actuaries.

Using the projected unit method, and assuming all benefits including post-retirement increases in pensions continue to be paid in accordance with current practice, the provision of £81.1m (2022: £82.4m) shown in the table above represents the Commissioners' share of the deficit on the CCSS.

Financial assumptions reflecting the term structure of interest rates and inflation have been used to estimate the value of the obligation. These assumptions include the prospective rate of investment returns, future increases in the RPI, the starting level of pensions and the rate of post-retirement pension increases. The principal assumptions over the estimated duration of the obligation used in estimating the provision were:

| | **2023 %** | 2022 % | 2021 % | 2020 % | 2019 % |
|---|---|---|---|---|---|
| Discount rate (annual rate of return on AA rated corporate bonds) | **4.50** | 4.75 | 1.85 | 1.20 | 1.95 |
| Rate of salary increases | **3.95** | 3.95 | 4.25 | 3.80 | 3.70 |
| Rate of increase of pensions in payment: | | | | | |
| for service before 1 April 1997 (CPI) | **2.70** | 2.70 | 3.00 | 2.50 | 2.35 |
| for service since 1 April 1997 (RPI) | **3.20** | 3.25 | 3.55 | 3.05 | 3.25 |

In their assessments of the pensions liability, Hymans Robertson LLP used bespoke Club Vita mortality tables. In respect of future improvements in mortality rates, the projection model from the 2020 Continuous Mortality Investigation has been used.

History of experience gains and losses:

| | 2023 £m | 2022 £m | 2021 £m | 2020 £m | 2019 £m |
|---|---|---|---|---|---|
| Actuarial loss / (gain) | 1.1 | (29.8) | (9.4) | 12.2 | 6.7 |

**(c) Staff pensions post-1999: Church Administrators Pension Fund**

Pensions for staff in respect of service from 1 January 2000 are provided by the Church Administrators Pension Fund, administered by the Church of England Pensions Board. The Church of England Pensions Board publishes the Fund's financial statements and is its custodian trustee.

The Commissioners are one of the employers in the Fund. The Fund has two sections: the defined benefit and the defined contributions schemes. Staff who commenced service before 1 July 2006 are members of the defined benefit section of the scheme and staff who commenced service after 30 June 2006 are members of the defined contributions section.

The defined benefit section is considered to be a multi-employer, last man standing defined benefit pension scheme. This means that it is not possible to attribute the Fund's assets and liabilities to specific employers and that contributions are accounted for as if the Fund were a defined contribution scheme. The pension costs charged to the SOFA in the year are contributions payable for both defined contribution and defined benefit sections, plus any impact of defined benefit deficit contributions.

A valuation of this defined benefits section is carried out every three years, and as at 31 December 2023, the most recent finalised valuation was at 31 December 2022. This revealed a deficit of £1.9m. Following the valuation, the employers collectively entered into an agreement with CAPF to pay contributions of 27.6% of Pensionable Salaries to 31 December 2023 and 16.5% from 1 January 2024 thereafter towards future service benefits. The employers also agreed to make deficit payments of £2.4m per annum payable monthly, from 1 January 2023 to 31 December 2023 with no future increases, in respect of the shortfall in the Defined Benefit Section. These deficit contributions were made by each employer in proportion to Pensionable Salaries of those in the Defined Benefit Section. Deficit contributions ceased to be payable after 31 December 2023.

## 18. FUNDS

An Order was made by the Charity Commission on 19 June 2012, at the request of the trustees, to enable them to account and report income and capital returns and charitable expenditure on a total returns basis.

The Order requires the unapplied total return to be calculated at the point at which the Order is made, and subsequent movements are shown in the table below. The unapplied total return is the amount of the fund over and above the base level of endowment. The trustees agreed this base level should be the book value of assets of the Ecclesiastical Commissioners and the Queen Anne's Bounty when they were transferred to the Commissioners in April 1948 (£155.8m), inflated in line with RPI and deducting clergy pensions paid from capital, since the Pensions Measure 1997 became effective. The base level of the endowment at 1 January 2012 was £3,000.4m and the unapplied total return was £2,202.0m. The base value and unapplied total return together with the general fund reserve made up the total fund value of £5,237.6m at 1 January 2012.

The total return each year remains part of the endowment fund, until it is transferred to the general fund and becomes an "applied total return". The transfer is shown in the table below and on the face of the SOFA. The trustees agreed the base value of the endowment should be recalculated each year to reflect the permanent diminution of the fund as clergy pensions are paid out under the Pensions Measure 1997 and inflated in line with RPI. In 2020, the trustees agreed to change the inflation rate to the Consumer Prices Index including Housing (CPIH).

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 18. FUNDS continued
The pre-1998 clergy pension obligation set out in note 16 has been allocated to the unapplied total return as the Commissioners do not have indefinite power to spend endowment on clergy pensions, but until recently only for a seven-year period ending in 2025. This power has been extended for a further seven years to 2032. As such, the base value of endowment is reduced each year by the clergy pensions paid in that year with movement in the provision being taken against the unapplied total return.

| | Notes | Base value of endowment £m | Unapplied total return £m | Total endowment fund £m | Other funds £m | Total funds £m |
|---|---|---|---|---|---|---|
| At 1 January 2023 | | 2,608.2 | 6,448.3 | 9,056.5 | 0.3 | 9,056.8 |
| Add investment return for the year: | | | | | | |
| Income return – gross income | | – | 188.3 | 188.3 | 3.7 | 192.0 |
| Income return – cost of raising funds | 3 | – | (106.9) | (106.9) | (0.4) | (107.3) |
| Capital return and foreign exchange | | – | 345.1 | 345.1 | – | 345.1 |
| Taxation payable | 10 | – | 0.9 | 0.9 | – | 0.9 |
| Total investment return during the year | | – | 427.4 | 427.4 | 3.3 | 430.7 |
| Less | | | | | | |
| Clergy pensions paid | 16 | (120.6) | – | (120.6) | – | (120.6) |
| Release of clergy pensions paid | | – | 120.6 | 120.6 | – | 120.6 |
| Movement on clergy pensions provision | 16 | – | (162.6) | (162.6) | – | (162.6) |
| Gain / loss on defined benefit pension schemes | 17 | (1.1) | – | (1.1) | – | (1.1) |
| Charitable expenditure: non-pensions | | – | – | – | (224.5) | (224.5) |
| Total other movements during the year | | (121.7) | (42.0) | (163.7) | (224.5) | (388.2) |
| Add indexation on base value of endowment | | 109.5 | (109.5) | – | – | – |
| Application of non-applied total return | | – | (221.6) | (221.6) | 221.6 | – |
| At 31 December 2023 | | 2,596.0 | 6,502.6 | 9,098.6 | 0.7 | 9,099.3 |

| | Notes | Base value of endowment £m | Unapplied total return £m | Total endowment fund £m | Other funds £m | Total funds £m |
|---|---|---|---|---|---|---|
| At 1 January 2022 | | 2,468.2 | 6,177.4 | 8,645.6 | 0.1 | 8,645.7 |
| Add investment return for the year: | | | | | | |
| Income return – gross income | | – | 143.3 | 143.3 | 5.1 | 148.4 |
| Income return – cost of raising funds | 3 | – | (57.2) | (57.2) | (2.2) | (59.4) |
| Capital return and foreign exchange | | – | 413.1 | 413.1 | – | 413.1 |
| Taxation payable | 10 | – | (3.5) | (3.5) | – | (3.5) |
| Total investment return during the year | | – | 495.7 | 495.7 | 2.9 | 498.6 |
| Less | | | | | | |
| Clergy pensions paid | 15 | (117.1) | – | (117.1) | – | (117.1) |
| Release of clergy pensions paid | | – | 117.1 | 117.1 | – | 117.1 |
| Movement on clergy pensions provision | 15 | – | 70.7 | 70.7 | – | 70.7 |
| Gain on defined benefit pension schemes | 16 | 30.0 | – | 30.0 | – | 30.0 |
| Charitable expenditure: non-pensions | 4 | – | – | – | (188.2) | (188.2) |
| Total other movements during the year | | (87.1) | 187.8 | 100.7 | (188.2) | (87.5) |
| Add indexation on base value of endowment | | 227.1 | (227.1) | – | – | – |
| Application of non-applied total return | | – | (185.5) | (185.5) | 185.5 | – |
| At 31 December 2022 | | 2,608.2 | 6,448.3 | 9,056.5 | 0.3 | 9,056.8 |

Other funds comprise the following balances:

| | At 1 January 2023 £m | Income £m | Expenditure £m | Transfers £m | At 31 December 2023 £m |
|---|---|---|---|---|---|
| *Restricted funds* | | | | | |
| Reconciliation | 0.1 | 0.8 | (0.2) | – | 0.7 |
| Centre for Cultural Witness | 0.2 | 0.1 | (0.3) | – | – |
| Other restricted funds individually below £0.1m | – | 0.5 | (0.5) | – | – |
| Total restricted funds | 0.3 | 1.4 | (1.0) | – | 0.7 |
| *Unrestricted funds (general)* | | | | | |
| General fund | – | 2.4 | (224.0) | 221.6 | – |
| Total unrestricted funds | – | 2.4 | (224.0) | 221.6 | – |
| Total other funds | 0.3 | 3.8 | (225.0) | 221.6 | 0.7 |

| | At 1 January 2022 £m | Income £m | Expenditure £m | Transfers £m | At 31 December 2022 £m |
|---|---|---|---|---|---|
| *Restricted funds* | | | | | |
| Reconciliation | 0.1 | 0.1 | (0.1) | – | 0.1 |
| Closed churches | – | 0.7 | (0.7) | – | – |
| Centre for Cultural Witness | – | 0.3 | (0.1) | – | 0.2 |
| Other restricted funds individually below £0.1m | – | 0.1 | (0.1) | – | – |
| Total restricted funds | 0.1 | 1.2 | (1.0) | – | 0.3 |
| *Unrestricted funds (general)* | – | 3.9 | (189.4) | 185.5 | – |
| Total unrestricted funds | – | 3.9 | (189.4) | 185.5 | – |
| Total other funds | 0.1 | 5.1 | (190.4) | 185.5 | 0.3 |

Details of the significant restricted and designated funds are given below.

**Reconciliation**
The Archbishop of Canterbury receives external funding for his Reconciliation Ministry which is now based at Lambeth Palace. The scope of the funding covers staffing, office & IT costs, conferences and hospitality, UK & overseas travel, training and other resources in relation to the Archbishop's Reconciliation Ministry.

**Cultural Witness**
The Archbishop of Canterbury has received external funding for the Centre for Cultural Witness, which has recently been established at Lambeth Palace as part of his Evangelism ministry. The scope of the funding covers staffing, office & IT costs, research, and publishing costs.

The net assets of the Commissioners split between its funds, on a consolidated basis, are as follows:

| | General fund £m | Designated fund £m | Restricted £m | Pension reserve £m | Endowment fund £m | 2023 £m |
|---|---|---|---|---|---|---|
| Fixed assets | 36.9 | – | – | – | 10,067.6 | 10,104.5 |
| Current assets | 610.8 | – | 0.7 | – | 538.2 | 1,149.7 |
| Creditors: amounts falling due within one year | – | – | – | – | (213.3) | (213.3) |
| Creditors: amounts falling due after one year | (647.7) | – | – | – | – | (647.7) |
| Provisions | – | – | – | – | (1,212.8) | (1,212.8) |
| Defined benefit pension scheme liabilities | – | – | – | (81.1) | – | (81.1) |
| Total funds | – | – | 0.7 | (81.1) | 9,179.7 | 9,099.3 |

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 18. FUNDS continued

| | General fund £m | Designated fund £m | Restricted £m | Pension reserve £m | Endowment fund £m | 2022 £m |
|---|---|---|---|---|---|---|
| Fixed assets | 28.7 | – | – | – | 9,767.2 | 9,795.9 |
| Current assets | 601.4 | 0.8 | 0.3 | – | 674.1 | 1,276.6 |
| Creditors: amounts falling due within one year | (0.6) | (0.8) | – | – | (131.3) | (132.7) |
| Creditors: amounts falling due after one year | (629.5) | – | – | – | – | (629.5) |
| Provisions | – | – | – | – | (1,169.6) | (1,169.6) |
| Defined benefit pension scheme liabilities | – | – | – | (83.9) | – | (83.9) |
| Total funds | – | – | 0.3 | (83.9) | 9,140.4 | 9,056.8 |

## 19. CONTINGENT LIABILITIES

The Commissioners, dioceses and other Church bodies are the bodies responsible for the contributions to the Church of England Funded Pensions Scheme for clergy. In the event of defaults by any of the responsible bodies, the remaining responsible bodies, including the Commissioners, would continue to be responsible for the entire liabilities of the Scheme.

The Commissioners are joint employer, together with the other National Church Institutions (NCIs), of most of the staff of the NCIs and, as such, have a contingent liability for salaries and other employment costs in the event of a default by any of the other joint employers.

It is not practicable to reliably estimate the quantum of the above contingent liabilities.

## 20. LEASES

The Commissioners have different types of leases in place for its investment properties, including:

| Tenancy | Break terms |
|---|---|
| **Residential** | |
| Assured shorthold tenancies (ASTs) | Minimum 6 months then 2 months' notice |
| Assured tenancies | One month's notice |
| Regulated tenancies | One month's notice |
| Ground rents | No break terms |
| Licence agreement | One month's notice by either party |
| **Rural** | |
| Farm business tenancies | In general, there are no breaks until lease end date |
| Agricultural Holdings Act | Minimum 12 months' notice period by the tenant |
| Licence agreement | Will range from 1 to 3 months' notice by either party |
| **Commercial** | |
| Full repair and insurance | No break term unless specifically requested |
| Internal repair and insurance | No break term unless specifically requested |
| Geared rents | No break terms |
| **UK forestry** | |
| Not applicable | |

Due to the nature of the Commissioners' leases, most residential and rural property leases are cancellable within 12 months. Commercial property leases and residential ground rents are non-cancellable. The consolidated and Commissioners rents receivable under non-cancellable operating leases are:

| | 2023 £m | 2022 £m |
|---|---|---|
| Amounts due within one year | **13.9** | 14.3 |
| Amounts due after one year but not more than five years | **50.1** | 47.2 |
| Amounts due after five years | **307.1** | 241.9 |
| **Total rents receivable under non-cancellable operating leases** | **371.1** | 303.4 |

## 21. RELATED PARTY TRANSACTIONS

Church of England Central Services (ChECS) is a charitable company limited by guarantee and is a joint venture between the Commissioners, the Archbishops' Council and the Church of England Pensions Board, who are equal partners. The purpose of ChECS is to enhance the efficiency and effectiveness of the charitable national and diocesan institutions of the Church of England and of other charities with a church ethos, by facilitating the provision of cost-effective shared finance, HR, communications, legal, IT, internal audit and other services.

As at 31 December 2023, other than the amounts disclosed in debtors in note 13, £nil was owed by the Commissioners to ChECS (2022: £0.1m). The Commissioners' share of net assets of ChECS was £nil (2022: £nil). In addition, the Church Commissioners charged ChECS a total of £0.1m during 2023 (2022: £0.1m) for staffing costs in respect of information management and governance activities undertaken by staff at Lambeth Palace Library.

Like many charities, subsidiary companies carry out certain activities on behalf of the Commissioners. The transactions disclosed below are included in the Church Commissioners' standalone financial statements but are eliminated on consolidation. All transactions disclosed below are made between the Commissioners and one or more of its wholly owned subsidiaries, and so any cash or other assets transferred to a subsidiary are included within the consolidated financial statements.

If taxable profits are generated by the subsidiaries, these are paid to the Commissioners as donations made under Gift Aid. The Commissioners have recognised income relating to Gift Aid payments of £25.8m (2022: £87.2m) from its subsidiaries in the year.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 21. RELATED PARTY TRANSACTIONS continued
When finalising the 2022 Accounts for CC Licensing it became apparent that a disposal of an investment during 2022 had been incorrectly recorded in the information provided to the tax team. Although the overall profit was correct, the analysis between realised and unrealised gains was incorrect. Since unrealised gains are ignored for tax purposes this meant that the draft calculation of taxable profits had been overstated (by c.£43m) resulting in the Gift Aid Accrual being overstated by the same amount. The correction for this has been processed in 2023 by reducing the Gift Aid income by £43.8m in the Commissioners SOFA and reducing debtors on the Commissioners balance sheet by £43.8m. The unrealised gains on investment assets of the Commissioners SOFA have been increased by £43.8m and the change in market value of the subsidiaries on note 2(a) on the Commissioners balance sheet has been increased by £43.8m. During the year, two (2022: two) properties were sold; two from the Commissioners to CC Projects £8.7m (2022: two, £44.3m); a total of £8.7m (2022: £44.3m).

As disclosed in notes 13 and 14, the Commissioners maintain inter-company accounts between itself and its subsidiaries. The total debtors and creditors relating to subsidiary undertakings, excluding loan notes in Jahr Tree Co Pty Ltd, are debtors of £724.9m (2022: £705.8m) and creditors of £23.9m (2022: £25.0m). The Commissioners use these accounts for efficient cash management across the group and charge or pay interest at 1% above Bank of England Base Rate on these balances. The balances are unsecured with no fixed repayment date. During the year, the Commissioners received £37.5m (2022: £14.0m) and paid £1.4m (2022: £0.5m) interest in the year.

The Commissioners hold loan notes issued by its subsidiary Jahr Tree Co Pty in Australia totalling £31.8m (2022: £31.8m) at year end. The interest accrued on these loan notes in the year was £6.9m (2022: £6.4m). This transaction was made at open market value.

During the year, Palace Public Occasions Limited was charged less than £0.1m (2022: less than £0.1m) by the Commissioners for costs incurred by the Commissioners on behalf of the company. An additional amount of less than £0.1m (2022: less than £0.1m) was charged to the company by the Commissioners for the use of premises owned by the Commissioners.

## 22. FUNDS HELD ON BEHALF OF OTHERS

| | 2023 £m | 2022 £m |
|---|---|---|
| Residential service charges, sinking funds and tenants' deposits | **14.6** | 13.7 |
| Trust funds | **11.3** | 9.6 |
| Total funds held on behalf of others | **25.9** | 23.3 |

The Commissioners hold monies on behalf of others. The sums are not included in the Commissioners' balance sheets.

**Residential service charges, sinking funds and tenants' deposits**
The service charges and sinking funds are paid in advance by tenants of properties owned by the Commissioners in order that property repairs and maintenance works can be carried out.

**Trust funds**
The Commissioners are trustees of 36 funds, mainly restricted permanent endowment funds. Their income, £0.4m (2022: £0.3m), is applied in accordance with the terms of the trusts.

## 23. FINANCIAL RISK MANAGEMENT

In the ordinary course of its activities, the Commissioners manage a variety of investment risks including credit risk, liquidity risk and market risk. FRS 102 requires the disclosure of information in relation to certain investment risks. These risks, and how the Commissioners identifies, measures and monitors risk through various control mechanisms are set out below:

### a) Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

*Credit risk exposure*

The Commissioners are subject to credit risk as they invest in fixed interest securities (either directly or through external managers), Over The Counter (OTC) derivatives, have cash balances and undertake securities lending activities. Credit risk arising on derivatives depends on whether the derivative is listed on an exchange or is an OTC contract between two counterparties. The latter are not guaranteed by a regulated exchange and therefore the Commissioners are subject to risk of failure of the counterparty. The table below details the Commissioners' exposure to credit risk as at 31 December 2023.

| | Consolidated | |
|---|---|---|
| | 2023 £m | 2022 £m |
| Trade debtors | 10.8 | 23.5 |
| Outstanding investment trades | 154.2 | 142.9 |
| Dioceses (Clergy Stipends and Diocesan Debtors Accounts) | 0.1 | 2.0 |
| Joint venture (ChECS) | 2.7 | 1.1 |
| Loans | 1.3 | 2.2 |
| Other debtors | 3.7 | 0.9 |
| Accrued income | 11.0 | 11.0 |
| Prepayments | 2.7 | 2.5 |
| OTC derivatives contract – Debtors | 15.1 | 44.9 |
| Securities exposed to credit risk | 859.6 | 574.0* |
| Current asset investments | 272.6 | 590.3 |
| Cash at bank | 667.3 | 422.2 |
| Securities under Stock Lending programme | 180.9 | 74.2 |
| Total Credit risk exposure | 2,182.0 | 1,891.8 |

* The basis for calculating credit risk exposure was updated to include investments in pooled vehicles – Listed or Private. This resulted in a restatement of prior year Securities exposed to credit risk from £173.5m to £574.0m and also a restatement of Total Credit risk exposure from £1,488.7m to £1,891.8m.

Of the above financial assets, none of the Commissioners' financial assets subject to credit risk are past their due date or were impaired during the year.

*Risk management policies and procedures*

Credit risk arising on fixed interest securities included within current asset investment is mitigated by investing in high quality government and supranational bonds where the credit risk is minimal. The Commissioners also invest in investment grade, high yield and emerging market debt, which are included in Securities exposed to credit risk. The proportion at year end of each is 25%, 51% and 24% respectively. The Commissioners manage the associated credit risk by mandating the investment managers to diversify their portfolios to minimise the impact of default by any one issuer.

OTC derivative counterparties are selected (and retained) for trading a specific derivative instrument type, after an assessment of their credit quality, their competence with respect to trading a product, and subject to agreeing to the Commissioners' minimum standards within legal arrangements. For certain transactions, collateral may also be exchanged to minimise counterparty credit risk.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 23. FINANCIAL RISK MANAGEMENT continued
The Commissioners lend certain equity and fixed income securities under a securities' lending programme. The Commissioners manage the credit risk arising from securities' lending activities by restricting the amount of stock that may be lent, only lending to approved borrowers who are rated investment grade and through collateral arrangements.

Cash is held with financial institutions which are at least investment grade credit rated, with the maximum deposit limit for any one counterparty set by reference to its credit rating and G-SIB (Global Systematically Important Banks) status. Credit default swaps (CDS) spreads and rating notifications are monitored to ensure exposures remain within the approved limits. To reduce our credit risk exposure to any single financial institution we also invest in money market liquidity funds. These must have a AAAmmf or equivalent rating to be eligible for investment and limits are in place on the maximum allowable exposure to any single fund.

**b) Liquidity risk**
Liquidity risk is the risk that the Commissioners will encounter difficulties raising cash to meet their obligations when they fall due.

***Liquidity risk exposure***
This is a risk to the Commissioners, given the value of the Commissioners' commitments to charitable and investment activities.

The following table details the Commissioners' financial liabilities as at 31 December 2023:

| | Consolidated | |
|---|---|---|
| | 2023 £m | 2022 £m |
| **Creditors falling due within one year** | | |
| Trade creditors | 7.8 | 9.7 |
| Dioceses and other Church bodies | 7.9 | 7.5 |
| Other creditors | 5.6 | 3.7 |
| Taxation and National Insurance contributions | 9.4 | 4.7 |
| Accruals and deferred income | 31.7 | 22.9 |
| Grants payable | 85.7 | 67.0 |
| Outstanding investment trades | 24.1 | 9.8 |
| Derivative open contracts | 41.1 | 7.4 |
| **Total Liquidity Risk Exposure within one year (note 14)** | 213.3 | 132.7 |

| | Consolidated | |
|---|---|---|
| | 2023 £m | 2022 £m |
| **Creditors falling due after one year** | | |
| Grants payable | 106 | 88.2 |
| Bond liabilities | 541.7 | 541.3 |
| **Total Liquidity Risk Exposure after one year (note 15)** | 647.7 | 629.5 |

For private market commitments which are not part of the financial liabilities as of 31 December 2023, please refer to note 2(d).

***Risk management policies and procedures***
The Commissioners forecast asset and liability cash flows across the portfolio, to ensure that there are no liquidity mismatches in terms of the size or timing of expected cash flows. In order to further mitigate liquidity risks, the Commissioners hold appropriate levels of liquid assets, including holding cash and cash equivalents (cash at bank and money market fund investments) and current asset investments (short-dated fixed income instruments) sufficient to

fund the next 18 months' worth of planned distributions after including net new investments, forecast income, cash receipts and expenditure.

### c) Market risk

This comprises currency risk, interest rate risk and other price risk.

### i) Currency risk

This is the risk that the fair value or future cash flows arising in respect of a financial asset or liability will fluctuate because of changes in foreign currency exchange rates.

*Currency risk exposure*

The functional currency and currency of the majority of the Commissioners' expenditure is sterling. However, the Commissioners hold financial assets denominated in currencies other than sterling and are impacted by fluctuations in foreign currency exchange rates.

The following table details the asset value exposed to currency risk as at 31 December 2023:

| | 2023 £m | 2022 £m |
|---|---|---|
| Investment Assets excluding foreign currency contracts | | |
| USD | 5,863.4 | 5,422.1* |
| EUR | 608.0 | 629.0 |
| CHF | 63.0 | 58.0 |
| Other currencies | 417.8 | 414.7 |
| Foreign Currency Contracts | | |
| USD | (767.8) | (1,614.5) |
| EUR | – | – |
| CHF | – | – |
| Other currencies | – | – |
| Net Exposure | | |
| USD | 5,095.6 | 3,807.7* |
| EUR | 608.0 | 629.0 |
| CHF | 63.0 | 58.0 |
| Other currencies | 417.8 | 414.7 |

| | Impact on gain for the financial year 2023 £m | Impact on gain for the financial year 2022 £m |
|---|---|---|
| 10% US dollar appreciation | 509.6 | 380.8* |
| 10% Euro appreciation | 60.8 | 62.9 |
| 10% Swiss Franc appreciation | 6.3 | 5.8 |

* An error in the prior year's calculation of USD investment asset exposure was rectified, which resulted in a restatement of USD Investment Assets excluding foreign currency contracts from £3,807.7m to £5,422.1m and the USD net exposure from £2,193.2m to £3,807.7m. Prior year's Impact on gain for 10% US dollar appreciation was also restated from £219.3m to £380.8m.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2023**

## 23. FINANCIAL RISK MANAGEMENT continued
**Risk management policies and procedures**
Currency exposures are monitored and reported on at least a monthly basis. The Commissioners may use foreign currency forwards and options contracts to reduce the impact of changes in foreign currency exchange rates in relation to investments priced in certain currencies other than sterling.

In addition, the Commissioners have an investment policy to hold a minimum of 25% of total assets denominated in sterling.

**ii) Interest rate risk**
This is the risk that the value of an asset or liability will fluctuate because of changes in market interest rates (i.e. for fixed interest rate assets or liabilities) or that future cash flows will fluctuate due to changes in interest rates (i.e. for floating rate assets or liabilities).

**Interest rate risk exposure**
The Commissioners' hold cash and cash equivalents which includes money market fund instruments as detailed on the Balance Sheet. These are floating rate interest bearing assets, which are subject to interest rate risk. The Commissioners also invest in high quality government and supranational bonds for liquidity management purposes.

The Commissioners are also exposed to interest rate risk due to investments in public and private credit markets. These investment strategies are implemented by external investments managers, who consider the impact of changes in interest rates as part of their credit assessment.

As at 31 December 2023, £1,691m (2022: £1,506m) of assets were exposed to interest rate risk.

As stated in the accounting policies, the Commissioners' fixed interest bond liabilities are measured at amortised cost using the effective interest rate method, rather than at fair value.

**Risk management policies and procedures**
The Commissioners take into account the possible effects of a change in interest rates on the fair value and cash flows of the interest-bearing financial assets and liabilities when making investment decisions.

**iii) Other price risk**
This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

This is a risk for the Commissioners because its ability to support the Church over the long term is dependent on maintaining in real terms the purchasing power of the asset base.

*Other price risk exposure*
The following table details the asset value exposed to other price risk as at 31 December 2023:

| | Consolidated | |
|---|---|---|
| | 2023 £m | 2022 £m |
| Listed securities | **3,173.0** | 2,792.5 |
| Unlisted securities | **4,318.4** | 4,343.9 |
| Direct property | **1,597.6** | 1,636.7 |
| Indirect property | **109.0** | 123.5 |
| Value-linked loans | **69.5** | 73.9 |
| Timberland | **146.5** | 150.9 |
| Standing timber | **256.9** | 316.1 |
| Indirect timberland | **66.7** | 67.4 |
| Infrastructure | **230.2** | 167.0 |
| Total Investments (note 2(a)) | **9,967.8** | 9,671.9 |
| Derivatives open contracts debtors | **23.3** | 74.1 |
| Derivatives open contract creditors | **41.1** | 7.4 |
| Total Price risk exposure | **10,032.2** | 9,753.4 |

The Commissioners manage this exposure to overall price movements by constructing a diverse portfolio of investments across various markets. The asset allocation is regularly monitored to identify whether the current allocation, including intended changes, is in line with the targeted allocation as agreed with the Assets Committee. Price risk is also managed through active hedging strategies, which are expected to offset losses during market stress events. In 2023, Exchange-traded derivatives (Nil held at Dec 23) were used alongside OTC index swaps (£800m notional value trades held at Dec 23) in these hedging strategies with the OTC swap products positioned to hedge more severe or prolonged market events.




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**CHURCH COMMISSIONERS FOR ENGLAND**

England & Wales - Charity number 1140097

# Accounts



# SUPPORTING THE CHURCH OF ENGLAND NOW AND FOR THE LONG TERM

The Church Commissioners for England
Annual Report 2022

CHURCH COMMISSIONERS *for* ENGLAND

The Church Commissioners for England
Annual Report 2022

Supporting the Church of England
now and for the long term

Presented to Parliament pursuant to section 12(2)
of the Church Commissioners Measure 1947




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THE CHURCH COMMISSIONERS FOR ENGLAND

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Front cover: **Manchester Cathedral**

# OVERVIEW AND WELCOME FROM THE ARCHBISHOP OF CANTERBURY

*I am pleased to introduce this report on the work of the Church Commissioners for England, who support the Church tirelessly through their financial stewardship of its permanent endowment fund and the many other responsibilities they manage for the Church of England.*

Let me start by expressing my gratitude to the trustees and staff of the Church Commissioners for their tireless work over the previous year, which was particularly challenging (again!).

The inflationary pressures on the cost of living impacted people and organisations across the country, and that of course included our churches, dioceses and cathedrals, which experienced additional financial challenges on top of those that already existed as we emerged from the pandemic. Yet the work of the Church continued and indeed became even more important as our parishioners responded to the needs of their local communities.

Given this vital ministry of the Church, and in light of the financial pressures, the news that the Church Commissioners committed to increase financial distributions to the Church by 30% in the current three-year period (2023–25) was particularly welcome. This funding will help to support God's mission and ministry across the country, supporting local parishes and growing many more new worshipping communities to serve the whole nation. I am pleased that the Church Commissioners plan to maintain that funding level for the subsequent six years.

On the day that this new funding commitment was announced, I had a joyous visit to a church in the Diocese of Sheffield, which has benefited from national funding enabled by the Church Commissioners. St John The Evangelist Church in Balby, in Doncaster, runs an impressive social action ministry and provides an 'everything bank' to support the local community. It is a wonderful example of how the Church of England continues to be a true witness to the life-changing gifts we find in Christ, ministering to all, regardless of their situation.

The Church Commissioners' teams in 2022 demonstrated their continued commitment to supporting the Church financially and administratively. This dedication included supporting cathedrals with the implementation of the Cathedrals Measure, working and consulting with local parishes and dioceses on the proposed reform of the Mission and Pastoral Measure, and providing vital support and guidance as we work to deliver on our ambition to reduce the carbon footprint of the Church.

The positive performance of the endowment fund in a challenging year for financial markets was another remarkable achievement. In addition, I continue to be impressed by the Church Commissioners' commitment to the ethical and responsible investment management of the endowment, which in 2022 included campaigning against deforestation and continuing to work towards a net zero world and investment portfolio.

It has also been vitally important to consider our past to understand our present and best prepare for our future. When the Church Commissioners decided to research the past of one of its predecessor funds, Queen Anne's Bounty, to determine if it had ever profited from transatlantic chattel slavery, they discovered that the origins of the fund did indeed have historic links with this shameful practice. This abominable trade took men, women and children created in God's image and stripped them of their dignity and freedom. The fact that some within the Church actively supported and profited from it is a source of shame.

It is only by facing this painful reality that we can take steps towards genuine healing and reconciliation – the path that Jesus Christ calls us to walk. This research and report by the Church Commissioners is a moment for lament, repentance and restorative action. I pray that in acknowledging the past and providing a response to the findings of this research, the Church Commissioners may be able to make a considerable difference to those in communities which have been affected by these past wrongs. I am heartened by their response and plans to commit funding of £100 million to invest in a better and fairer future for all, including creating a new impact investment fund as well as enabling grant funding and supporting further research.

I thank God for the work of the Church Commissioners and the difference they are making to the churches and in the communities we serve.

**Justin Welby**
Archbishop of Canterbury





# LOOKING BACK AND LOOKING AHEAD – A LETTER FROM THE CHIEF EXECUTIVE

*The annual report is an opportunity not only to reflect on the previous year's activity but also to look ahead to developing further the Church Commissioners' contribution to the mission and ministry of the Church of England. On this occasion, that is magnified – in 2022 we looked very far back, as well as planning very far ahead.*

Our thorough actuarial review of the Church Commissioners' assets and financial commitments involved a huge amount of work and much careful and prayerful collaboration with other parts of the Church during 2022, and ultimately produced ambitious spending plans for the 2023–25 triennium. These plans represent an unprecedented level of financial support for a wide range of beneficiaries across the Church; the £1.2 billion we have committed is a 30% increase on the previous triennium and was made possible by the sustained strong performance of the investment fund. We also indicated that we plan to maintain this level of funding in the subsequent six years, which would mean total distributions of £3.6 billion to support front-line work of the Church of England between 2023 and 2031.

Looking forward, we want of course to continue to deliver the maximum possible sustainable distributions to support the Church's mission and ministry, and we will seek to do that through achieving strong returns from the fund, within our ethical investment framework. While various economic and geopolitical factors have brought significant challenges over the past year, we have taken steps to overcome them and were pleased that our returns held up well in 2022 compared with those of comparable funds, albeit below our CPIH+4% return target. But it is the long-term investment performance that is critical to the ongoing funding that we can provide to the Church - that is why we issued £550 million in bonds during 2022, in order to safeguard and hopefully increase our capacity to fund the Church's activities across the nation and for the long term.

As well as planning for the future, the Church Commissioners also looked far back (some 300 years back) into its history during 2022. Working with archivists, academics and forensic accountants, our research identified historic links between our predecessor fund, Queen Anne's Bounty, and the transatlantic chattel slave trade. In response to these findings, we committed £100 million of funding over the next nine years to establish a new impact investment fund and support further research within the Church and we also showed publicly some of the evidence of this shameful past in an exhibition at Lambeth Palace Library. The Church Commissioners is deeply sorry for these historic links with transatlantic chattel slavery and, while we have been clear that nothing can repair the damage caused by the generations of human misery inflicted through the transatlantic slave trade, we can and do seek to invest in a better future for us all.

Through these very different but complementary aspects of our investments work, the performance of our advisory, administrative and quasi-judicial functions, and our other support of parishes, dioceses, cathedrals and bishops, we continue to strive to provide the best possible support we can to the Church's ministry to the whole nation. I give thanks for the great privilege of being part of this work, for all the work and achievements outlined in this report, and in particular I thank God for my colleagues, the committed and talented trustees and staff of the Church Commissioners and other National Church Institutions.

Gareth Mostyn
Chief Executive

# AT A GLANCE

*We support the mission of the Church of England through ethical and responsible management of the Church's historic endowment fund.*

| | 2022 | 2021 |
|---|---|---|
| Total return | 5.0% | 13.3% |
| Total return (30 years average) | 10.0% | 9.9% |
| Supporting dioceses and the local church | £117.2M | £86.8M |
| Bishops' and Archbishops' ministry | £44.9M | £42.2M |
| Cathedrals' ministry | £14.3M | £12.3M |
| Other activities | £10.4M | £6.0M |
| Total charitable expenditure excluding clergy pensions obligation | £186.8M | £147.3M |
| Total cash paid on clergy pensions | £117.1M | £116.1M |
| Investment fund | £10.3BN | £10.1BN |





St Peter's, Highfields,
Diocese of Leicester

# OUR PURPOSE

*The Church Commissioners support the Church of England's ministry, particularly in areas of need and opportunity. We do this through responsible and ethical management of a diverse investment portfolio which enables us to grow our support for the Church, by helping to ensure funding is intentionally used for mission and growth, by managing our costs effectively,*

| STRATEGIC PRIORITIES | |
|---|---|
| *Supporting the Church's Vision & Strategy for the 2020s, through targeted funding, practical guidance and effective processes*  | *Ensure that Church Commissioners' funding is intentionally used for mission and growth* |
| | *Support different parts of the Church to enhance the use of their resources to advance mission and growth* |
| *Investing for Good*  | *Enable the Commissioners to meet its pension obligations and maintain and grow over time its support to the wider Church, by achieving a real rate of return (target: CPIH +4%) through a diversified portfolio to manage risk, that is at the forefront of responsible investment globally and is consistent with our ethical policies* |

*and by embracing our principles of accountability and service. Successful delivery of our purpose is underpinned by investment in a team of high-calibre trustees, committee members, and staff, and our commitment to their wellbeing and inclusion. Our priorities and objectives are closely aligned with the Archbishops' Council and the Church's Vision & Strategy for the 2020s.*

| | 2022 ACHIEVEMENTS | 2023 OBJECTIVES |
|---|---|---|
| | ❀ Completed triennial actuarial review, agreed spending plans for 2023–25 and ensured they were well communicated<br>❀ Completed the investigation into historic links to the transatlantic slave trade, reporting transparently on the findings, and developed a response package to invest in a better future for us all<br>❀ Supported Racial Justice with funding allocation in 2023-25 triennium spending plans, and engaging with Racial Justice Commission on slave trade research and response<br>❀ Supported churches and cathedrals with funding in response to energy crisis | ❀ With Archbishops' Council, introduce and deliver new triennium funding streams and embed requisite governance processes<br>❀ Encompasses new diocesan investment, net zero carbon, buildings for mission and racial justice programmes |
| | ❀ Continued review of Mission and Pastoral Measure, undertaking broad consultation and engagement, including visits to parishes and dioceses and dialogue with Synod reference group<br>❀ Provided advice and guidance on managing cathedral and church buildings<br>❀ Supported the first four Cathedrals through registration with the Charity Commission | ❀ Present Mission & Pastoral Measure Review proposals to Synod for approval to next stage<br>❀ By end of 2023, most cathedrals to be registered with Charity Commission and co-regulated by Church Commissioners / Charity Commission |
| | ❀ Continued to deliver strong investment returns, above target over the long run<br>❀ Continued Responsible Investment efforts centred on two main pillars: "Respect for the Planet" and "Respect for People", with progress on biodiversity, diversity and inclusion, and artificial intelligence themes in particular<br>❀ Introduced new dedicated staffing to take forward suitable affordable housing sites and piloting alternative strategies for taking forward development sites<br>❀ Continued the process of identification of cost-efficiency initiatives, including exploring opportunity to bring 'in house' more of the public equities portfolio | ❀ Onboarding of three new Assets Committee members<br>❀ Conclude and report to Synod on 2023 fossil fuel investment hurdles<br>❀ Continue to deliver upon priority housing opportunities in response to Coming Home report<br>❀ Take forward delivery of the Church Commissioners' response to the findings from the transatlantic slave trade research, including creation of new Oversight Group |

# OUR PURPOSE
continued

| | STRATEGIC PRIORITIES | |
|---|---|---|
| FIRM FOUNDATIONS | *Environment* | *Working to be a Church that cherishes God's creation and leads by example in becoming Net Zero by 2030* |
| | *Safeguarding* | *Striving for a Church that affirms the dignity of all people by being a safe place for all children and vulnerable adults* |
| | *Governance* | *Effective Board, Committees and Executive, to ensure objectives are met, and with appropriate accountability to Parliament and Church* |
| | *Finance* | *Management of costs and commitments so our financial support, especially for areas of need and opportunity, can be maintained and grown over time* |
| | *People* | *Attract, retain and motivate high-calibre staff and trustees. Support staff and trustee engagement, performance, succession, belonging and inclusion to ensure effective delivery of our goals* |
| | *Technology* | *Maximise the benefits of technology to connect communities, and also provide efficient and cost-effective services across the Church* |

| | 2022 ACHIEVEMENTS | 2023 OBJECTIVES |
|---|---|---|
| | ❀ Continued Responsible Investment efforts focused on the "Respect for the Planet" pillar<br>❀ Integrated Environmental Social Governance (ESG) approach across Real Estate portfolio, encompassing net zero commitment and natural capital strategy to enhance biodiversity<br>❀ Staff supported Environmental Working Group with development of the net zero carbon routemap, in support of the Church of England's 2030 net zero ambition | ❀ Through visible leadership and funding support, drive forward the Net Zero 2030 programme<br>❀ Establish new Net Zero Carbon programme board to oversee funding allocation |
| | ❀ Supported the Church's efforts to make it a safe place for all by participating in the design national redress scheme for survivors of safeguarding failures<br>❀ Funding support for the Archbishops' Council's National Safeguarding Programme which incorporates a range of improvement projects | ❀ Support the design and development of new Safeguarding redress scheme<br>❀ Continue to provide funding support for the Archbishops' Council's National Safeguarding Team and National Safeguarding Programme |
| | ❀ Supported work of the National Church Governance Review project board<br>❀ Recruited for new members of trustee board, securing high-quality, diverse appointments to join the Church Commissioners in late 2022 and early 2023 | ❀ Continue to develop and deliver plans to ensure a diverse 'trustee pipeline'<br>❀ Improve knowledge of the Church Commissioners amongst potential future Board/Committee candidates<br>❀ Achieve by running information event(s) with good engagement and interest<br>❀ Support work of the National Church Governance Review project board |
| | ❀ 2020–22 triennium funding managed in accordance with budgets. Virement between funding lines agreed in response to particular needs (e.g. energy crisis)<br>❀ Completed triennial actuarial review, agreed spending plans for 2023–25 and ensured they were well communicated | ❀ Manage expenditure in first year of new triennium according to agreed budgets |
| | ❀ Finalised work on refreshed values and behaviours, and ran employee engagement survey in late 2022<br>❀ Embedded hybrid working, implementing consequent policy adjustment, learning and support<br>❀ Evaluated the impact of Belonging and Inclusion strategy and developed and launched 'Phase 2' of the strategy | ❀ Recruit, onboard and set up for success new senior staff<br>❀ Develop and implement action plans in response to 2022 staff engagement survey<br>❀ Move into new NCI office space in Church House |
| | ❀ Robust technology support maintained to support National Church Institutions (NCIs) with the delivery of other objectives<br>❀ Progressed development of the new People System with plan to go live in early 2023 | ❀ Deliver successful go-live of People System/Payroll<br>❀ Launch and progress initial stages of project towards the introduction of a fit-for-purpose Finance system for the NCIs |



# SUPPORTING THE CHURCH OF ENGLAND

*The Church Commissioners make funds available to support projects providing mission and ministry across England.*

## SUPPORTING THE CHURCH IN NUMBERS

# £1.2BN

**We have committed to distribute £1.2bn over the next three years.**

AROUND

# 20%

**The Church Commissioners for England contribute towards around 20% of the annual running costs of the Church of England.**



St Helen's,
Lundy Island
Bristol Channel,
Diocese of
Exeter

# SUPPORTING DIOCESES AND THE LOCAL CHURCH

*One of the key ways in which the Church Commissioners achieve their purpose is through distributing funding to the Archbishops' Council ('the Council') and then on to support dioceses and local churches.*

## FUNDING PROGRAMMES IN 2022

The Strategic Investment Board (SIB) was responsible, on the Archbishops' Council's behalf, for determining the distribution of grant funding, evaluating its impact and advising the Council on funding strategy. The SIB's membership included the First Church Estates Commissioner and two other members of our Board of Governors.

Grants to the Archbishops' Council in support of dioceses and local churches are set out in note 5 of the financial statements.

## SUSTAINABILITY FUNDING

As part of a package of measures to support dioceses and, through them, parishes, during the Covid-19 pandemic, in 2020 the Archbishops' Council allocated up to £35m of the funding made available to it by the Church Commissioners to create a new grant funding stream – Sustainability Funding.

Sustainability Funding aims to maintain short-term financial stability for dioceses as they implement or develop their strategies for long-term mission health and financial stability. (Strategic Transformation Funding was also available to support dioceses with these long-term change programmes.) The SIB awarded a total of £14.9m of the £35m Sustainability Funding in 2020 and a total of £9.5m in 2021, with 30 dioceses receiving awards across the two years.

The impact of Covid-19 on dioceses' finances continued into 2022 and it became clearer, that as well as having an immediate impact on diocesan finances each year, the pandemic has seen the acceleration of longer-term trends. The SIB therefore agreed to continue distributing the remaining Sustainability Funding in 2022 with these longer-term challenges in mind.

The Commissioners and Council agreed to vire £5m of the £10.6m unallocated Sustainability Funding to support a £15m funding programme for dioceses to support parishes with the rising cost of energy, leaving up to £5.6m Sustainability Funding available for award in 2022.

In 2022 the Sustainability Funding continued to be targeted on dioceses with fewer investment assets and less affluent populations. In making its decisions on funding applications, the SIB took account of the steps dioceses are taking to address the impact of Covid-19 on their financial position; the measures they have undertaken in recent years to improve their financial sustainability; and the steps they are taking or planning to develop their longer-term mission health and financial sustainability. It awarded a total of £4.3m of Sustainability Funding to 12 dioceses in 2022.

## LOWEST INCOME COMMUNITIES FUNDING

The formula-based Lowest Income Communities (LInC) funding was introduced in 2017 to support dioceses in developing mission and growth in lower-income communities. Dioceses report annually on their use of the funding.

Many dioceses use LInC funding to support parishes which, due to their deprivation, cannot meet the full cost of ministry in their parish, in order to ensure ministry provision in these areas. The SIB has continued to encourage dioceses to ensure that their LInC funding is targeted towards supporting their most deprived communities. In 2022, a total of £28.3m of LInC funding was awarded to 28 dioceses. An additional £5.3m transitional funding was paid to support dioceses that receive less funding than they did under the previous formula.

As part of a package of measures designed to provide cash flow relief to dioceses during the pandemic, the Archbishops' Council and Church Commissioners paid all the LInC and transitional funding upfront in annual payments at the beginning of each year in the 2020–22 triennium.

## STRATEGIC DEVELOPMENT FUNDING

Since its inception in 2014, Strategic Development Funding (SDF) has supported major change projects which fit with dioceses' strategic plans and make a significant difference to their mission and financial strength.

Since 2020, SDF has been targeted at promoting growth in the largest urban areas, and where there is a focus on one or more of younger generations and deprived communities, channelling the funding available in 2020–22 towards people and areas where the Church has often had little effective engagement.

In June 2021, in response to a recommendation in the report of the Archbishops' Anti-Racism Taskforce, From Lament to Action, the SIB amended the SDF criteria to explicitly include targeting SDF on UK Minority Ethnic/ Global Majority Heritage (UKME/GMH) communities. The new criteria applied to projects awarded SDF from 2022. The previous criteria for SDF encompassed many areas that contain large UKME/GMH communities and a number of projects funded before June 2021 have a specific focus on these communities.

The aims of SDF align closely with the Church's Vision and Strategy priorities of building (1) a church of missionary disciples, (2) a church which is younger and more diverse, and (3) a church where the mixed ecology is the norm. In 2022, the SIB awarded £15.2m of SDF to six new projects. The funding will be drawn down over more than one year. The SIB also awarded additional SDF totalling £1.9m to existing projects in seven dioceses, mainly to support them with the impact of the rapid increases in church building costs.

SDF was awarded on the basis that the cash drawdown stayed within the limits of the monies allocated for this funding in the three-year spending period, reflecting the fact that the projects supported can run for up to six years.

The 2022 awards brought the total SDF awarded in 2014–22 to £198m to support 93 major change programmes. Of these, 76 projects have been supported in 37 dioceses totalling £183m since the SDF programme was significantly expanded in 2017.

**The projects that were awarded SDF in 2022 are:**

- **Chichester Diocese The Beauty of Christ for Crawley's New Generation:** Building on the success of St John's Crawley which was planted in 2017 from St Peter's Brighton, as part of a 2017 SDF project. St John's church, Crawley, is moving to a new town centre site and aims to grow and connect with unchurched and dechurched people. A leadership development pipeline will train apprentices who reflect all backgrounds and ages, with at least 25% from UKME/GMH backgrounds. St John's will revitalise churches in Three Bridges, Crawley and West Green, Crawley, and plant into the new housing developments in Forge Wood and Kilnwood Vale. Awarded £1.6m against a total project cost of £3.4m

- **Durham Diocese Transforming Growth in Darlington:** The project will invest in St Cuthbert's church, Darlington to grow a youth-focused centre which will resource youth ministry across the deanery, with outreach focusing on the church's musical heritage. The project will also invest in six locations across the diocese to pilot church plants with a variety of models and contexts. Awarded £2.5m against total project costs of £4m.

- **London Diocese Transforming Tower Hamlets:** Ordained or lay planting leads will be based at St Paul's Shadwell, Christ Church Spitalfields and Bow Church, and will go on to plant a total of six new worshipping communities in Bethnal Green, Whitechapel, Shadwell, Stepney Green, Mile End and Poplar, with a strong focus on youth and young people in a multicultural context. An online churches network will signpost to social transformation and discipleship across the deanery. The project will also research into engagement with Bangladeshi groups, leading to at least two pilot projects to engage with these groups. Awarded £1.8m against total project costs of £5.6m.

- **London Diocese Transforming Southall & Hounslow:** St John's Southall and Holy Trinity Hounslow will be supported to plant and resource 13 parishes across a newly created mission zone, focusing on reaching first, second and third generation migrants, alongside developing youth hubs; a social engagement programme offering employment training for young people; an intercultural mission and discipleship course; and training for young and emerging church planters. The project will aim to encourage and train 15 new foreign language and intercultural congregations serving 500 new disciples and 60 new

emerging young leaders from diverse backgrounds. Awarded £2.7m against total project costs of £5.4m.

- **Birmingham Diocese Growing Capacity in Longbridge and through Anglo-Catholic Mission:** This project will support the revitalisation of a church in Longbridge by Gas Street Birmingham. The Longbridge church will serve the community through the Love Your Neighbour scheme, offer gathered worship services, encourage membership of small discipleship groups, and develop leaders, including for further church plants and revitalisations. The project will also invest in a pilot with five selected Anglo-Catholic parishes, working with a missioner and a facilitator, to grow new disciples in each parish and pilot new approaches to mission and ministry that could be transferrable to other Anglo-Catholic settings. Awarded £2.3m against total project costs of £4.1m.

- **Leeds Diocese Mountains into Roads:** New Opportunities in the Bradford Episcopal Area: This is an expansion of the work of Fountains Church in Bradford which was awarded SDF in 2018. The diocese aims to sustain and promote growth in one of the largest urban populations of deprived, UKME/GMH communities in the country. As progress has been faster than expected, the project plans to increase social impact, make more disciples, raise more leaders, and plant more churches. Aims by 2027 include an additional ten plants and revitalisations, more than 500 new disciples, more than 160 lay leaders, about 925 new worshippers, and some 25 candidates for ordination. These will be spread across: Fountains Church and network, St John's Great Horton, Holy Trinity Idle, St John's Clayton, as well as a new resourcing church: Girlington, Manningham and Heaton. This project was awarded £4.2m.

## STRATEGIC TRANSFORMATION FUNDING

The Archbishops' Council and Church Commissioners made a one-off sum of £44m available in 2020–22 to help dioceses develop and deliver diocesan-wide mission and growth strategies to ensure a thriving and sustainable future for the Church.

The overall aims of Strategic Transformation Funding (STF) align with those of SDF, i.e. to support major change programmes which fit with dioceses' strategic plans and make a significant difference to their mission and financial strength. The SIB agreed that the funding would support a relatively small number of dioceses, targeted at those with the least historical and current resources.

**The SIB made two awards of STF in 2022:**

- **St Edmundsbury & Ipswich Diocese** was awarded £1.27m, towards total project costs of £2.57m. The funding will support flourishing and growing Christian communities across the diocese, including in Ipswich, Bury St Edmunds, Haverhill and Felixstowe, up to 12 market towns and in rural areas. It will support churches in developing their mission and ministry to children and young people and their families, especially in deprived areas. It will also enable the development of a learning hub which will offer training, events and resources to churches.

- **Liverpool Diocese** was awarded £7.5m in two tranches for its Fit for Mission strategy, the first tranche of £3.4m has been released, and the second tranche of £4.1m will be released after a successful pilot of the work around Larger Single Parishes. Fit For Mission is built around four mission priorities: introducing people to Jesus, deepening discipleship, developing leaders, and working for justice.

All dioceses are eligible to apply for funding to strengthen their strategic capacity. In 2020–22 this funding was made available from the monies allocated for STF. The SIB made 17 awards of Capacity Funding, totalling £6.4m, in 2022.

## INNOVATION FUNDING

The SIB launched Innovation Funding in 2021 to support limited-scale projects which will innovate in the light of the Church's Vision and Strategy and generate learning about 'good growth', i.e. growth which increases the number of new disciples, strengthens discipleship, grows the impact of the Church's social engagement work, or increases and diversifies the number of leaders in the church.

Innovation Funding aims to help find creative approaches to challenges facing the Church of England today and will support innovation focused on at least one of the following underrepresented groups as we aim to be a church which fully represents the communities we serve in age and diversity: younger people and children; lower income communities; UK Minority Ethnic/Global Majority Heritage populations; and urban areas.

In 2022 the SIB awarded £4.2m to 18 Innovation Funding projects, encompassing a wide range of exciting approaches to mission and ministry. In addition to these, the SIB awarded £375,000 to the Estates Evangelism Task Group to run a series of events or 'Innovation Challenges,' bringing together practitioners to identify potential innovative ideas to be further developed into projects which meet the funding's key criteria.

The 2022 awards are listed below:

| DIOCESE/ORGANISATION | PROJECT NAME | INNOVATION AWARD |
|---|---|---|
| Diocese of Birmingham | Safe Spaces for Young People; Supporting churches to connect with young people who live in some of the most disadvantaged neighbourhoods of the diocese. | £239,775 |
| Diocese of Blackburn | Choir Church; Building a partnership with Choir Church to plant 25 new congregations in schools across the diocese. | £249,531 |
| Diocese of Bristol | Swindon New Town: Seeking good growth in a traditional Catholic context by responding to social need with an intentional approach to discipleship. | £249,690 |
| Diocese of London | Youth Ministry in Communion; Establishing a hub of collaborative youth ministry rooted in the sacramental tradition. | £250,000 |
| Royal School of Church Music | Hymnpact! Developing a school to church pathway, using Hymnpact! materials to support discipleship both individually and corporately. | £230,000 |
| Diocese of Southwark | Bubble Church; Investing in Bubble Church (developed by Ascension Church, Balham), so that it may be launched, nurtured, and grow nationally. | £250,000 |
| St Hild College | Seedbed; A new training programme for lay church planters and lay evangelists. | £223,666 |
| Diocese of Bath & Wells | Movement; Gathering Christian young people scattered among rural churches, and training local youth leaders to share their faith with unchurched young people. | £248,289 |
| Church Mission Society | Pioneering Parishes; Equipping parish leadership teams to make pioneering integral to parish life and sustain a mixed ecology of church. | £247,059 |
| Jesus Shaped People | Innovation Project; Equipping churches in deprived parishes to bring about growth in discipleship, discover new vision, reshape mission strategy, build lay confidence, bring people in from the margins, enabling growth. | £249,810 |
| The Kick Project | KICK Innovation Project; Transforming young people's lives, with God's love, through sport and support. | £104,200 |
| Diocese of Lichfield | St Chad & St Mark Wolverhampton; Bringing diverse, multiple ethnic communities together in shared worship and mission, ensuring growth in discipleship that will help nurture new leaders. | £175,000 |
| Diocese of London | Imprint; Aiming to culturally equip and theologically inform young adult leaders from diverse backgrounds and demonstrate innovative ways to catalyse church planting. | £250,000 |
| New Wine | Raising Generation Minsters; Minster churches from within the New Wine Network will each seek to help, support and develop smaller local churches to pioneer and establish a new children's and youth ministry of their own. | £250,000 |
| Diocese of St Albans | Alban Way; Developing young leaders through spiritual formation in order to develop spiritually healthy, resilient and holistic leaders. | £249,035 |
| St Mellitus | Peter's Stream; Pioneering the Peter Stream into a new regional hub based at SMC East Midland. | £249,836 |
| Weston Church, Diocese of Winchester | Weston Church Youth Project; Establishing a church plant reaching, and eventually led by young people living in a disadvantaged neighbourhood. | £250,000 |
| Diocese of Winchester | The Pillar; A church-led mental health project for young people aged 11-18 years of age. | £249,992 |

## INDEPENDENT REVIEW OF STRATEGIC DEVELOPMENT FUNDING AND LOWEST INCOME COMMUNITIES FUNDING

In 2021, the SIB commissioned an independent review of SDF and LInC funding, chaired by Sir Robert Chote.

The SIB warmly welcomed the Review's report which was published in March 2022.

The Review found that LInC funding is sustaining ministry in many poor communities that would otherwise lose it. It recommended that the primary role of LInC should continue to be in supporting and sustaining ministry in deprived communities and that funding levels should be at least maintained for the remainder of the ten-year transition period (2017–26). More of LInC should be used to extend and refresh ministry in deprived communities, with dioceses explaining the distribution and use of LInC funding clearly, including reporting on missional effectiveness.

The Review noted that SDF is manifested in parishes revitalised, the creation of new worshipping communities and additional ordained and lay ministry posts, with a focus on major and relatively deprived urban areas that have been under-served. Diocesan capacity to effect missional change is improved, helping the whole Church, and there have been new disciples and fresh social action in communities. In the delivery of project-based funding to support mission and growth, the Innovation Funding should be used to trial new ideas, while SDF should be used to scale up promising approaches, to help roll out relatively proven missional concepts and to develop and adapt them for new contexts. Resources should be provided to improve reporting mechanisms for the funding, increase the participation of communities currently under-represented in Church by ethnicity, class and gender, and ensure that the funding enables mission in all Church traditions and areas of the country. The Review recommended that, as well as these policy changes, there should be enhanced transparency and communication.

The Review observed that the funding streams are too small by themselves to achieve Church-wide change. Making the most of any lessons learned is therefore critical. They noted that work had been undertaken by the national church to share the lessons learned by the programmes, but that this should be enhanced and shared more widely.

The Review concluded that the Vision & Strategy offers an opportunity to try to establish renewed unity of purpose around the schemes and more broadly.

It recommended that the funding streams should align with the Vision and Strategy, and that the funds should retain their intentionality and additionality to existing work. As part of that, this should include moving to a more integrated strategic approach with dioceses.

The SIB has welcomed each of the Review's recommendations and has had conversations on the themes of church culture, outcome and learning collection, and transparency and communication. The recommendations have been taken into account in the design of future funding streams, and the SIB has also commissioned an outcome and learning framework to pick up many of the points around gathering common outcomes and sharing learning.

## FUTURE SPENDING PLANS

In 2022, the Commissioners and the Archbishops' Council agreed and announced their 2023–31 spending plans (encompassing the 2023–5 triennium as well as plans for the following two triennia). These include the creation of Strategic Mission and Ministry Investment (SMMI), which will support the Church in achieving the strategic priorities and the bold outcomes of the Church of England's Vision and Strategy for the 2020s. The vast majority of this funding will go directly to dioceses to advance their plans for the Vision and Strategy in local parishes and communities across the country.

The Commissioners and the Council have indicated total funding of £1.2 billion for SMMI from 2023–31, subject to the outcome of future triennial funding reviews.

A new Board – the Strategic Mission and Ministry Investment Board – will distribute and monitor the progress and impact of the SMMI. The new Board will also take on responsibility for tracking the effective delivery and impact of existing mission projects across the country previously awarded funding by the Strategic Investment Board.

Many of the recommendations of the independent review of SDF and LInC funding have been taken into account in the design of the Strategic Mission and Ministry Investment, including the building of trust and partnership between dioceses and national church. The funding programme and the processes undertaken at the new Strategic Mission and Ministry Board will also be more transparent.

**MEETING OUR AIMS:**
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*One of the key ways in which the Church Commissioners achieve their purpose is through distributing funding to support dioceses and local churches.*



Justin Welby, Archbishop of Canterbury and Stephen Cottrell, Archbishop of York at St John The Evangelist, Balby, Diocese of Sheffield

# ARCHBISHOPS', BISHOPS' AND CATHEDRALS' MINISTRY

*The Church Commissioners meet the stipends, office and working costs of the archbishops and bishops, as well as cathedral senior clergy, in support of their ministry.*

This area of our work is overseen by the Bishoprics & Cathedrals Committee, chaired by the Third Church Estates Commissioner (The Reverend Canon Dr Flora Winfield).

Diocesan bishops can spend their funding according to local needs, which were reviewed during 2022 in a zero-based budgeting exercise to inform future funding allocations.

## LAMBETH PALACE

Lambeth Palace is owned and maintained by the Church Commissioners. The Palace has been in need of repair for many years, with its infrastructure having not been updated since well before the Second World War. In 2022, under the regular oversight of the Bishoprics and Cathedrals Committee and an additional Project Oversight Board, a contractor was engaged under contract to carry out the required refurbishment works, which focus on sustainability, accessibility, safety and security.

## BISHOPS' HOUSING

The Commissioners have a statutory duty to support diocesan bishops with housing and to provide suitable accommodation which facilitates the bishops' work and mission.

Three new diocesan bishops took up office during 2022 and so the opportunity was taken to undertake necessary refurbishment works at the Bath & Wells, Rochester and Salisbury See houses, along with the Liverpool and Newcastle See houses to enable the new bishops to take up their ministries and responsibilities during early 2023.

We continued to take the opportunity to review and undertake sustainability interventions to ensure the See house portfolio aligns with the Church's commitment to be carbon net zero by 2030. The roll out of the installation of electric vehicle charging points at the See houses continues.

Challenges with availability of contractors and building material supply chains remained during 2022 and so, whilst always seeking best value in respect of building and maintenance costs, inflationary pressures remained a factor.

## CHANCEL REPAIRS

The Church Commissioners have inherited a whole or partial chancel repair liability in respect of approximately 800 parish churches, and from 1 January 2019 the Church Commissioners also took on the full administrative and financial responsibility for keeping approximately 200 cathedral chapter chancels in good order.

Consequently, the Bishoprics and Cathedrals Committee is responsible for the oversight of the Church Commissioners' expenditure on all chancel repairs and related matters. In 2022, we approved 58 new chancel repair projects which, with the existing projects from previous years, enabled us to provide financial and administrative support to approximately 105 parishes where the Commissioners have a responsibility. Similarly, we also supported nine cathedrals by taking on the financial and administrative responsibility for the repair of approximately 14 chancels for which those cathedrals are responsible.

## CATHEDRALS MEASURE 2021

The Commissioners continue to support cathedrals as they transition to become registered charities. Four cathedrals registered during 2022 with the vast majority expected to register in 2023.

Bespoke training and legal support for the registration process continues. We also convened a three-day strategic leadership event in Manchester to support cathedrals' focus on key areas of development as they move into the new co-regulatory regime (The Church Commissioners are co-regulator along with the Charity Commission). This was well attended and marked the

first stage in our training programme for Chapters as cathedrals adopt the new structures and ways of working outlined in the Cathedrals Measure 2021. We continue to meet regularly with the Charity Commission for England and Wales to ensure that the registration process is working well and to strengthen working relationships as we move into the role of co-regulator.

## BISHOPRICS & CATHEDRALS COMMITTEE SUSTAINABILITY WORK AND SUPPORT FOR THE CHURCH OF ENGLAND'S AMBITION TO REACH NET ZERO CARBON BY 2030

In 2022 the Commissioners completed a baseline survey of the carbon footprint of cathedrals and See houses. These surveys will help to inform part of the response to General Synod's call for all parts of the Church of England to work to achieve year-on-year reductions in carbon emissions to achieve a target of net zero by 2030.

The survey of cathedrals highlighted the challenges in meeting this call, finding that achieving net zero by 2030 is likely to require some form of carbon offsetting. However, the survey identified the potential to reduce the cathedral sectors' total operational carbon by 75% by 2030 and we will be working closely with cathedrals in 2023 to help them to develop potential pathways.

The carbon footprint of See houses was much smaller, reflecting the different scale and challenges associated with this portfolio. Whilst their carbon footprint is unsurprisingly significantly smaller, there is a greater potential to achieve net zero by 2030 and we will be developing pathways in 2023 to try to meet this target.

## LAMBETH PALACE LIBRARY

2022 saw the Library's first full year in its new building, which now gives readers and visitors the opportunity to use the former collections of the Church of England Record Centre alongside those of the Library. The building is open to the general public, who can see changing exhibitions and find out more about the history of the Church of England. Exhibitions during 2022 included From Popish Plot to Civil Rights (on religious archives), Layers of Lambeth (on the urbanization of Lambeth Marsh over four centuries) and Collecting during Covid-19 (recent acquisitions of rare books and manuscripts by the Library's Friends), as well as highlights from the Library's historic collections.

In early 2023, the Library held the Enslavement: Voices from the Archives exhibition, which accompanied the Church Commissioners' public report on historic links between Queen Anne's Bounty and transatlantic chattel slavery, an exhibition which received many visitors and much interest.



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# CATHEDRAL AND CHURCH BUILDINGS

*The Cathedral and Church Buildings team works with and supports the people who care for our churches and cathedrals.*

We do this through training and guidance for Diocesan Advisory Committees and Fabric Advisory Committees, through online published guidance and advice on the day-to-day maintenance and conservation of churches and on how to go about making changes to church and cathedral buildings. We engage directly with some cases, where we are involved with individual churches or cathedrals, and support the work of the Church Buildings Council and the Cathedrals Fabric Commission for England. We work with government, Historic England and the wider heritage sector to develop policy and leverage funding.

With the start of a new Quinquennium in May 2022, we recruited 14 new members (of 24) for the Cathedrals Fabric Commission for England, six new members (of 24) for the Church Buildings Council, and 19 new members for the various conservation committees.

## BUILDINGS FOR MISSION

During 2022 we secured funding as part of the 2023–25 triennium for a programme of work entitled 'Buildings for Mission'. This work is aimed at supporting cathedrals, dioceses and parishes with the management of their built assets and associated land, expanding existing tools and models which have been shown to work.

The overall aim is to remove burdens from hard pressed congregations and governance bodies by providing support to help them manage many of the more onerous technical responsibilities or facilitating them to do so on a collective basis. Total funding of £11 million has been allocated over the triennium, divided into two mutually supportive workstreams:

- Digital provision and training; the overall aim is to provide an improved integrated system for many aspects of managing buildings and sites.
- Support for churches; the bulk of the funding will provide for more than 20 new Church Buildings Support staff in dioceses to complement and supplement the work done by existing staff and to support the work of local volunteers. It will also enable these staff to offer minor repair grants. This workstream will support the roll-out of Church Buildings Management Partnerships, a delivery mechanism that was developed in 2022.

## ENVIRONMENT AND NET ZERO CARBON 2030

We have continued to progress our net zero programme in 2022. There is widespread recognition across the Church of England of the climate emergency and the necessity of a strong, visible Christian response to what is happening to our world. As a key step towards this, all 42 dioceses have now registered as Eco Dioceses. The Eco Diocese scheme is an initiative run by A Rocha UK to encourage diocesan-level engagement with 'Eco Church', and promote local church participation in the scheme.

At the February 2022 General Synod, amendments to the Faculty Jurisdiction Rules were approved that removed some regulatory hurdles to proposals for reducing the carbon footprint of a church and also requiring a strong case to be made for proposals that continue or increase reliance on fossil fuels for heating. These came into force on 1 July 2022.

The Routemap to Net Zero Carbon by 2030 was agreed by General Synod in July 2022 and is the action plan to deliver net zero carbon this decade, in line with the ambition agreed at Synod. It contains milestones and actions for all parts of the Church. The Church Commissioners have committed an anticipated £190 million of funding over the next nine years towards this action plan, with £30m for 2023–25. Work began in 2022 to plan and prepare for the best use of this funding.

In support of this work, we launched a new range of case studies, issued new guidance, offered training and webinars, ran two conferences (one for Diocesan Environment Officers and one, in partnership with Fit for the Future and Historic England, on the Future of Heat)

and increased our own capacity through creating the Net Zero Carbon and Building Services committee of the Church Buildings Council.

We also focused on biodiversity, in particular through the Churches Count on Nature project, and on climate resilience, creating new case studies and guidance.

## CONTESTED HERITAGE

We continued to provide advice to parishes, dioceses and ecclesiastical judges regarding contested heritage cases. In January 2022, we presented our work on contested heritage to the Archbishops' Commission on Racial Justice. We are grateful for the serious attention the Commission gave in its first Biannual Report to consideration of the impact of memorials in our churches and cathedrals to known traders in enslaved people and those who were otherwise a party to their brutal exploitation. A Contested Heritage Committee was established by the Church Buildings Council in July 2022 to bring a broader understanding of the issues, and to provide advice on policy, guidance and cases for the Church Buildings Council and Cathedrals Fabric Commission for England. A review of the published national contested heritage guidance is underway, with a focus on the theology underpinning the guidance and learning from its use in cases at Jesus College Chapel, Cambridge (Diocese of Ely) and Dorchester, St Peter, Holy Trinity & All Saints (Diocese of Salisbury).

## FUNDING

We continued our work with Historic England, the National Churches Trust, the National Lottery Heritage Fund, the Historic Religious Buildings Alliance and others to gather evidence ahead of a future bid to government for long-term repairs funding for listed places of worship as recommended in the 2017 Taylor Report into the sustainability of cathedrals and church buildings.

The major repair projects funded by the government's Culture Recovery Fund came to successful conclusions in June 2022. These grants were aimed at sustaining cultural institutions and the specialist craft and buildings trades during the pandemic. £4.3m was awarded to 21 cathedrals and Major Churches across the country under the second round of the scheme.

In 2022, our conservation grants programmes awarded nearly £300,000 to 102 projects in 30 dioceses. We continued to work with organisations and networks including the Heritage Craft Funders Network and the Heritage Skills Demand Group on the current and future challenges of sustaining crafts and heritage skills that are necessary to conserve our historic church buildings and interiors. Our grants are published on the 360Giving website.

## THE NATIONAL BURIAL GROUNDS SURVEY

The project to map each of the Church of England's 12,500 churchyards is now well underway, with surveying completed in the Dioceses of Carlisle and Truro and progressing in Exeter, Salisbury and Oxford. This project using laser scanning technology will result in a free-to-access map of graves being available online over a seven-year period.



Gloucester Cathedral

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# MISSION, PASTORAL AND CHURCH PROPERTY

*The Church Commissioners have a responsibility to work with parishes, diocesan teams, patrons and bishops to further the 'cure of souls' by helping the Church manage changes to the local provision of worship, mission and ministry at a parish and diocesan level.*

This work is fundamental to our shared mission and ministry, as it enables the Church to respond to changing factors such as demography and population shifts.

The Commissioners have a quasi-judicial role and are responsible for the management and delivery of the processes of the Mission and Pastoral Measure (2011), the Church Property Measure (2018) and related legislation. This work is overseen by the Mission, Pastoral and Church Property Committee (MPCPC). The Committee is chaired by the Third Church Estates Commissioner (The Reverend Canon Dr Flora Winfield). The Committee met nine times in 2022; eight committee meetings and one day of hearings into three cases in the Diocese of Winchester. As well as considering casework, the Committee also discusses wider policy and works with the National Church Institutions (NCIs) and other partners on a range of related matters.

The Mission and Pastoral Measure facilitates changes to pastoral arrangements (the administrative geography of worship, mission and ministry), changes to ministry provision (generally benefices) and changes to building provision (including church buildings, graveyards and housing). The process required to make changes varies according to the matter, but it usually involves consultation with the relevant parties and in some matters the proposals will be published for consultation. If there are no written objections the legal instrument (a scheme or order) gets made, or if there are written objections the case is considered by the MPCPC.

**In 2022 the MPCPC considered the following cases:**

- Eight schemes affecting the pastoral arrangements in parishes and benefices.
- One scheme for a church building which needed to be closed, and six schemes for the disposal of church buildings where new uses had been identified, including a nursery and residential housing.

**Other casework included:**

- Making 89 schemes which included the creation of new parishes and benefices, the unions of parishes and benefices and alterations to team ministry arrangements. 108 new proposals were received during the year.
- Settling the future use of 28 church buildings which included disposals for worship use by other Christian denominations, and disposals for educational, community and residential uses, including the freehold disposal of ten church buildings which had previously been leased for housing in London.
- Consulting on the new uses for 26 church buildings which are no longer required for regular public worship which included community and residential uses.
- Making progress on the disposal of church buildings which have been closed for longer than five years. Four church buildings were sold for Christian worship and residential use, and uses were identified for a further nine churches.
- Vesting one new church into the Churches Conservation Trust (CCT).

In total, just over £2m in net proceeds from the disposal of closed churches and sites was allocated to dioceses to support mission and ministry and new initiatives in 2022. In the past ten years, we have transferred more than £20m from proceeds to dioceses to support ongoing mission.

## REVIEW OF THE MISSION AND PASTORAL MEASURE (MPM)

In 2020, the Legislative Reform Committee of the Archbishops' Council commissioned a review of the Mission and Pastoral Measure (MPM) 2011. An initial paper was brought to General Synod in 2021 and an analysis of consultation responses was tabled in February 2022. A General Synod Reference Group was also established in February 2022 and the Church Commissioners are very grateful for the support of that group, as they have helped us to seek out areas of consensus for change and develop our proposals in collaboration. Alongside that work, the Commissioners have completed a substantial programme of engagement with representatives from parishes, deaneries and diocesan teams from across different parts of the country, and from a range of ministry contexts, including in Carlisle, Exeter, Hereford, St Edmundsbury and Ipswich, Lincoln, London, Liverpool and Winchester. Proposals for a revised Mission and Pastoral Measure will be developed and presented to General Synod during 2023, to be followed by draft legislation in 2024, if approved by Synod.

## TRAINING

The team provided a new training programme to diocesan teams in 2022, which included training on MPM processes, parish governance and joint councils.

## CHURCHES CONSERVATION TRUST (CCT)

The MPCPC is also responsible for overseeing our relationship with the Churches Conservation Trust (CCT), which is jointly funded by the Commissioners and the Department for Digital, Culture, Media & Sport. The CCT works in partnership with communities to conserve the most historically significant church buildings, and is currently responsible for more than 350 churches. During 2022, a new Chair was appointed to the CCT (Liz Peace) and the Commissioners supported the recruitment of new trustees and Chief Executive (Greg Pickup). There was also engagement with the CCT Board on the MPM review. The CCT Annual Report and Accounts for 2022 was laid before General Synod in February 2023.

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*Providing support for the Church's mission and heritage is a critical part of the Church Commissioners' responsibilities. Through legislative change and sound governance frameworks we can enable parishes and dioceses to respond to changing contexts and support the sustainability and renewal of the Church in the communities we serve.*



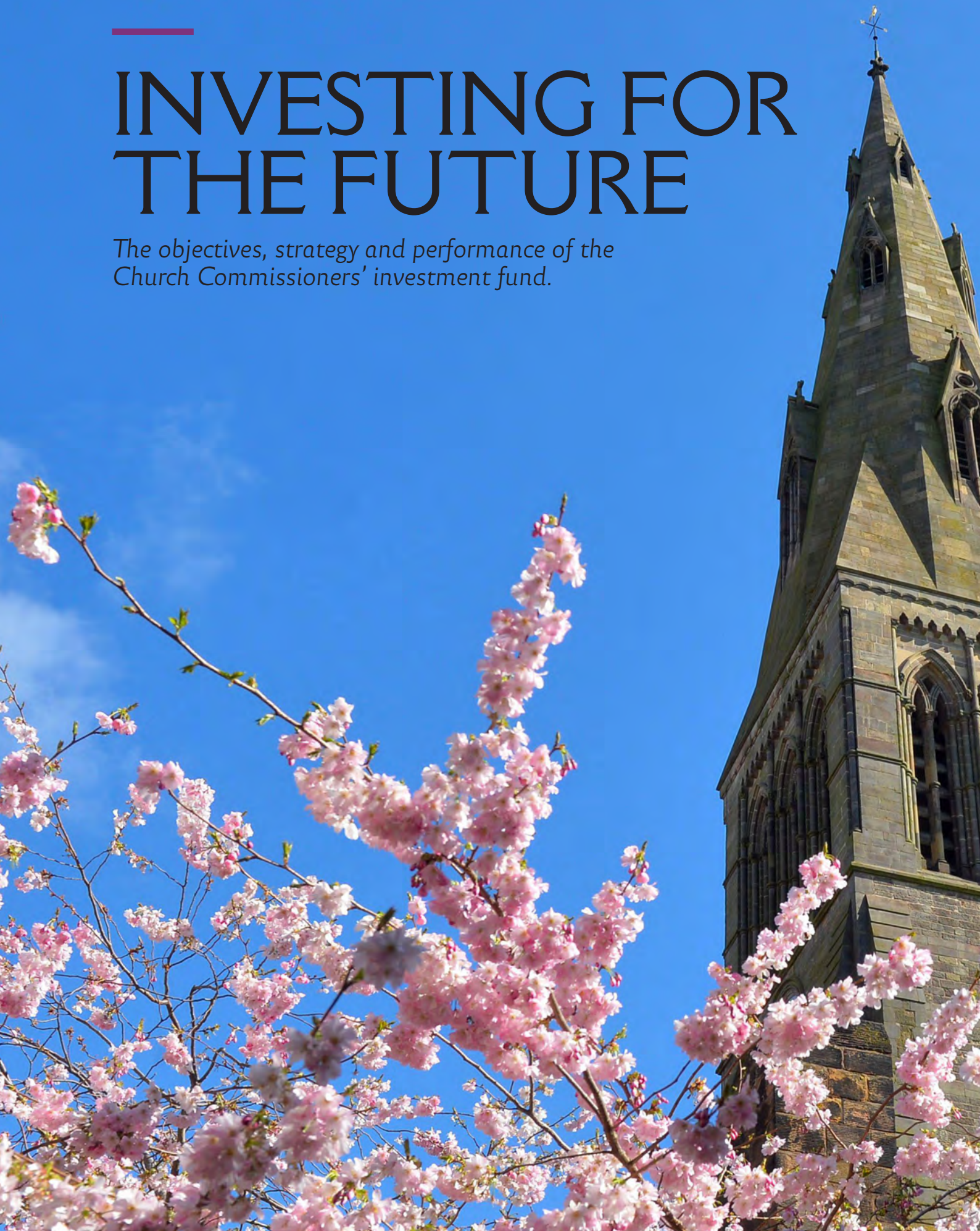
**THE REVEREND CANON DR FLORA WINFIELD, THIRD CHURCH ESTATES COMMISSIONER**



St Mary's, Warwick, Diocese of Coventry

# INVESTING FOR THE FUTURE

*The objectives, strategy and performance of the Church Commissioners' investment fund.*



## INVESTING FOR THE FUTURE IN NUMBERS

**£10.3bn**
**Assets under management**

**5%**
**Total net return**



Leicester Cathedral

# REVIEW OF INVESTMENTS

*The Church Commissioners manage an investment fund of £10.3bn[1], in an ethical and responsible way. The fund has delivered an average return of 10.2% per annum over the last ten years.*

## OBJECTIVES

- To manage the fund to ensure consistent and sustainable distributions for our beneficiaries.
- To achieve a total return of CPIH+4.0% per annum over the long term.
- To meet performance benchmarks for individual asset classes.
- To manage risks appropriately.
- To act within our ethical guidelines and be at the forefront of responsible investment globally.

## FUND STRATEGY AND PERFORMANCE

The Church Commissioners manage a diversified portfolio spread across a broad range of asset classes, consistent with our ambition to be at the global forefront of responsible investment.

Our investment objective is to generate a return of CPIH+4.0% per annum, on average, over the long term, in order to support the work and mission of the Church of England today and for future generations. We have managed to match or exceed our target over 3, 5, 10, 20 and 30 years. Over the past ten years, the fund has achieved an average return of 10.2% per annum.

Meeting or exceeding our performance objective allows us to meet our pension obligations and to grow, in real terms, our support for the Church, balancing the needs of both current and future beneficiaries. Since 2005 we have managed to grow our (non-pensions) distributions at more than double the rate of inflation, thanks to strong investment performance. As we start a new triennium in 2023, we have announced our largest ever increase in our planned distributions. In the 2023–25 triennium we plan to increase support for the Church by 30%, compared to the previous triennium.

The Commissioners' investment policy is to hold a diversified portfolio of investments across a broad range of asset classes consistent with our ethical guidelines and our Responsible Investment Framework. The asset allocation chart (below) shows our asset weightings at the end of 2022.

Despite a very challenging environment for financial markets, 2022 marked the fourteenth year in a row the Church Commissioners delivered a positive return. The Church Commissioners also issued its inaugural bonds in July 2022, made up of a £250 million Sustainability Bond with a 10-year maturity and a £300 million conventional bond with a 30-year maturity. The money raised will be invested on a long-term basis, enhancing the fund's capital efficiency and offering the potential to generate additional value for our beneficiaries. The total assets figures quoted are net of the bond debt.

2022 was a memorable year for global economies and financial markets, characterised by high inflation, geopolitical turmoil, and a historically rapid central bank interest rate tightening cycle. Financial markets mostly did not see this environment coming and at the start of 2022 markets were still pricing in a return to the recent past, where easy monetary policy would produce low, stable inflation going forward with modest growth. Then, the Russia-Ukraine conflict added a commodity supply shock to the still present post-pandemic demand shock, which further fuelled inflationary pressures.

We saw some of the largest shifts in macro-economic conditions that developed world countries had experienced in decades. During 2022, central banks began to tighten aggressively in response to high and stubborn inflation, with many central banks raising interest rates in 75-100bp increments. Towards the end of the year, central banks began to slow their pace of tightening.

1.Net of bond debt

2022 was notable not only for the severity of losses in markets but also their breadth. Both equities and bonds fell sharply, which is rare in a historical context. This meant traditional portfolios, which invest mainly in liquid equity and bond markets, did poorly. Research showed 2022 was the fourth-worst year since 1926 for the typical 60/40 equity / fixed income portfolio. Sterling weakness had a big impact on returns in 2022, too.

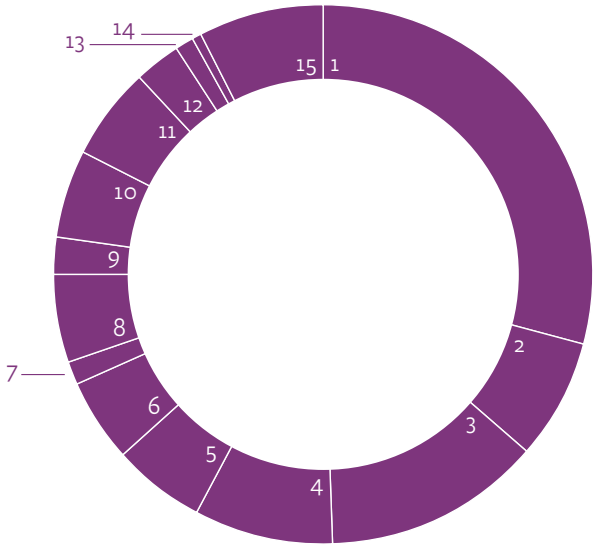
The historical anomaly highlights a broader theme: assets deemed to provide 'safety' varied significantly in 2022. Some asset classes that investors typically expect to offer protection in weak equity markets worked as expected. Others didn't. Some other asset classes typically labelled as 'higher risk' actually protected portfolios. If ever there was a year to highlight the challenges of traditional asset allocation / portfolio construction techniques and definitions of investment risk, 2022 was that year.

It was a good reminder that correlations between assets classes can change quickly. A common theme among the outliers was valuation, or the price the market wanted investors to pay for an asset, at the start of the year. For example, bonds, which did poorly, were at some of their most expensive valuation levels in centuries and as a result couldn't provide their usual defensive role. And some parts of the equity market that wouldn't typically outperform in a weak market did so because the market supported the valuations.

Despite challenging and volatile markets, the Church Commissioners' fund was able to deliver a positive return. The total net return was 5.0%, which compares favourably with other funds, although was behind our CPIH+4.0% per annum target as inflation rose to 40 year highs. As in most years, some asset classes in the portfolio delivered strong returns whereas others, like equities, did less well and delivered negative returns. The fund is well diversified across a broad range of asset classes, which helps to mitigate risk.

There were four main reasons the Church Commissioners were able to deliver a positive return despite the challenging market environment. Our dynamic investment risk management and hedging, across interest rate, equity risk and currency, added significant value during the year. Our absolute return managers had a very strong year, as detailed below. Our genuine diversification and high allocation to real assets also contributed positively. And our swift reduction of foreign exchange hedges in the first quarter of 2022 meant that we captured the majority of the gains as a result of sterling weakness.

## COMMISSIONERS' ASSET ALLOCATION




1. Public Equities ..... 28.9%
2. Defensive Equities ..... 7.4%
3. Absolute Return ..... 13.0%
4. Private Equity ..... 8.2%
5. Venture Capital ..... 5.8%
6. Timberland ..... 4.9%
7. Infrastructure ..... 1.5%
8. Credit Strategies ..... 5.2%
9. Commercial ..... 2.3%
10. Residential ..... 5.1%
11. Rural ..... 5.6%
12. Strategic Land ..... 2.8%
13. Indirect Property ..... 1.1%
14. Portfolio Hedges ..... 0.6%
15. Cash, and Cash-Like Assets ..... 7.6%

Our longer-term performance, which is important to determine our distributions to the Church, remained strong. Our 3, 5, 10, 20 and 30-year returns are either in line with or ahead of our target. Based on these returns, the value of the Church Commissioners' investment assets at 31 December 2022 stood at £10.3bn, net of the bond debt, compared with £10.1bn at the start of the year.

## PUBLIC MARKETS

Global equities were down over the course of 2022. In the first half of the year, markets fell between 20 and 25%. This was primarily caused by the direct impact of rising interest rates and, to a lesser extent, the indirect impact on market participants' outlook for the economy and earnings.

In the second half of 2022, some of the more acute pressures on inflation began to fade while growth remained resilient. This led to significant volatility with some 'bear' market rallies as investors perceived that central banks wouldn't have to tighten as much as initially feared, and then subsequent reversals as inflation remained high and central banks continued to signal that they would tighten interest rates aggressively. The rallies in markets were exacerbated by the unwinding in very pessimistic positioning among participants in the equity markets.

Within equity markets the story was mixed. The US underperformed all other regions in local currency terms. The UK, which produced a positive return, and Japan were the best performing markets. There wasn't a significant difference between larger companies' share performance versus smaller companies over the year as a whole. There was significant divergence among sectors. Energy stocks were up strongly whereas technology companies' shares were down sharply. The spread between these two sectors for the global index was over 75% in 2022. For the second year in a row, value stocks outperformed growth stocks. However, in 2022 the margin was significant, which wasn't the case in 2021. Overall, 2022, like 2021, was a difficult environment for active managers, with the majority lagging the market. Overall, our public equity portfolio returned -11.3% versus the benchmark of -7.6%, and the defensive equities portfolio, which consists of allocations to managers who take long and short positions to equities, generated a small return of 0.4%.

Our absolute return portfolio, which represents around 13.0% of the fund, is designed to generate returns which are largely independent of the external environment. In 2022, it returned 32.0%, which provided significant benefit at a total portfolio level in difficult, and otherwise challenging markets. Our fixed income portfolio invests in credit strategies, both liquid and illiquid, but was a very small allocation within the fund at the start of the year. The liquid portfolio, which includes investments in emerging market debt and structured credit, delivered a positive return of 1.3%.

## PRIVATE EQUITY AND VENTURE CAPITAL

The private equity and venture capital portfolios, which invest in unlisted companies, achieved total returns of 19.8% and 6.5% respectively in 2022. The portfolios continued to perform well despite the economic headwinds. The long-term and illiquid nature of these investments means the gains cannot be immediately realised, but they contribute to the strong full year out-turn for these portfolios. During the year, we agreed further commitments to the private equity portfolio totalling £234.4m and £87.4m to the venture capital portfolio. Over the long term, our private equity and venture portfolios have significantly outperformed public equity markets, returning 19.9% per annum over the past ten years.

## REAL ASSETS

The Church Commissioners' real asset portfolios consist of a diverse range of property-related investments enabling us to take a long-term approach in line with good stewardship. In 2021, a natural capital and carbon baseline assessment was completed across our farmland, strategic land and timberland portfolios. Informed by that assessment, the development of a strategy for environmentally positive change commenced in 2022. The output will ensure that net zero ambitions and a desire for biodiversity improvement, as well as stakeholder collaboration, are integrated within future portfolio decisions.

The overall real assets portfolio delivered a return of 9.5% during 2022. Our infrastructure funds and forestry investments produced returns of 41.0% and 11.9% respectively, which were the best returns in the real assets portfolio. Farmland, strategic land and the residential portfolio performed well, each delivering returns of between 8.6% and 11.3% during the year. Commercial property returns fell -3.2%, however this was still better than that market which declined more than -7%, as measured by the MSCI UK Annual Property Index.

The strategic land (land for housing development) team has been implementing a set of recommendations developed by the Church Commissioners in response to the Archbishops' Commission on Housing, Church and Community's Coming Home report. This includes the progression of several 'rural exception sites', which are

small-scale developments with higher levels of affordable housing. We sold the first of these sites, in Dover, for 13 homes including ten affordable homes and three market-price bungalows. We also developed and implemented an ESG Framework (environmental, social, governance) for the portfolio, which will focus on enhancing the social and environmental benefits derived from our developments.

Our farmland and forestry team continued to work with developers across several properties in the UK and the US to support renewable energy developments, as the portfolio executes its plans for a renewable energy transition.

The infrastructure portfolio had another active year. We continued our focus on energy efficiency and environmentally innovative infrastructure investments. Overall, the infrastructure portfolio is estimated to have reduced global greenhouse gas emissions by a net 18,500 tonnes of $CO_2e$ during the year.

**MEETING OUR AIMS:**
**Investing for Good. See more on pages 12–15.**



Visiting Scottish timberland

*The Church Commissioners has continued to be responsible stewards in a challenging year. The strong and resilient returns over the last decade have enabled us to increase our distributions to the highest level in our history for the triennium ahead. Our successful bond issuance, raising £550 million, will enable us to continue to pursue intergenerational equity and to maximise our support for the Church of England's mission and ministry over the long term.*



**ALAN SMITH,**
**FIRST CHURCH ESTATES COMMISSIONER**

# APPROACH TO RESPONSIBLE INVESTMENT

*The Church Commissioners' ambition is to be at the forefront, globally, of responsible investment. The Church Commissioners' responsible investment approach seeks to address the complexity of the world in which we invest by taking a systemic approach to systemic issues.*

Our responsible investment policy, published on the Church of England website, outlines our approach and the reasons behind why we take this approach. We believe that taking account of environmental, social and governance (ESG) issues is an intrinsic part of being a good investor. We hold this belief for both ethical and financial reasons. Our responsible investment framework is focused on the philosophies of Respect for the Planet and Respect for People.

Ethically, we think that investors who take account of ESG issues will be better aligned with the broader objectives of society and better corporate citizens. Moreover, an ethical approach to investments aligns our activities to the Five Marks of Mission.

We believe that a best-practice approach to responsible investment is one where the investor is comfortable operating in the complex, nuanced world we live in. This would be an approach where the aim is to increase positive outcomes, reduce negative outcomes and manage the exposure to risk, but where it is recognised that this may mean that we need to be invested in an area that carries a degree of both investment and reputational risk.

Financial, academic and industry studies, and our own experience, suggests that when ESG issues are well managed they can have a positive impact on the performance of investments, particularly over the longer term.



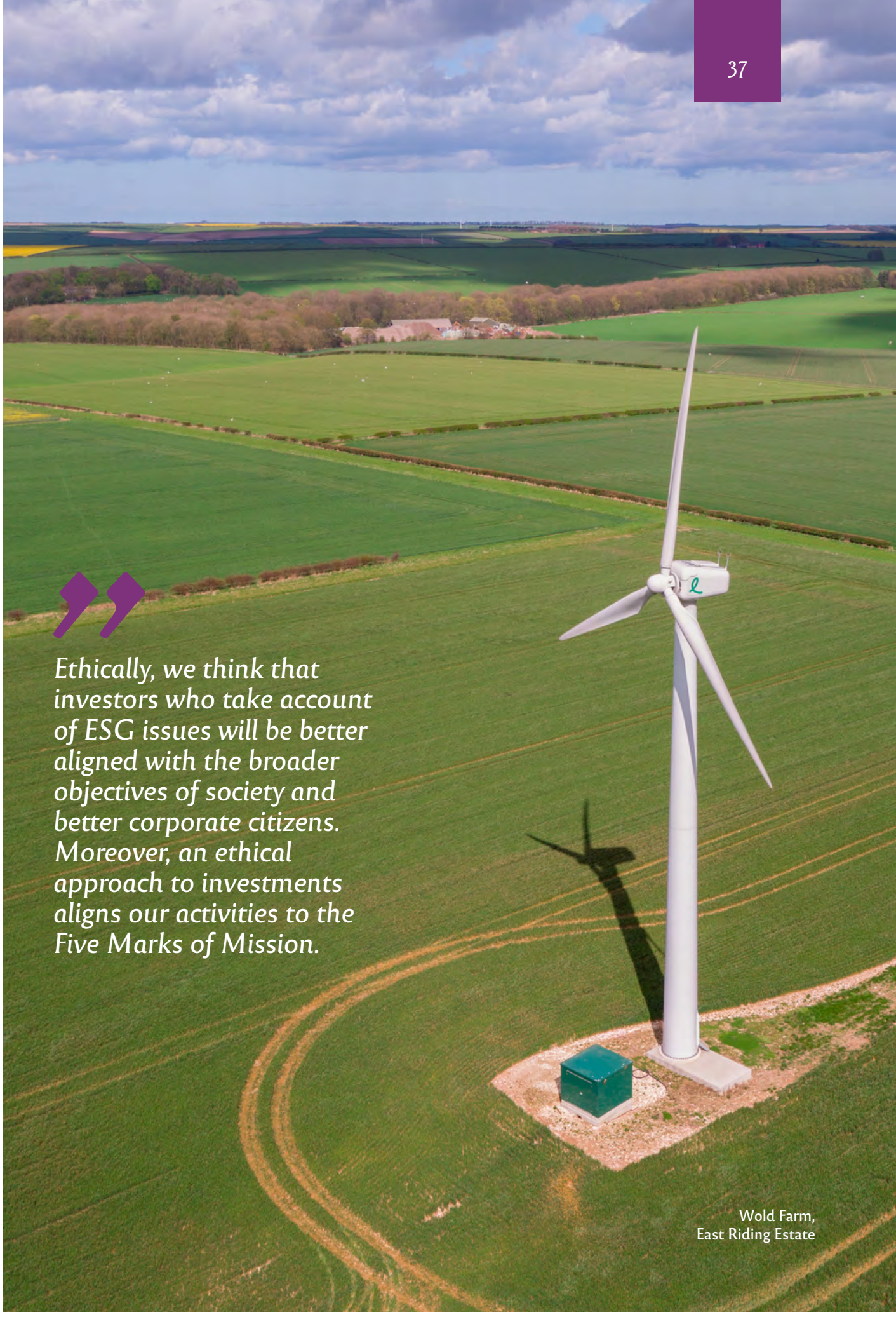

CASE STUDY

## THE TROPICAL FOREST ALLIANCE

**The Church Commissioners co-founded the Investor Policy Dialogue on Deforestation (IPDD) in 2020, and co-chair the Indonesia workstream. IPDD is a platform of institutional investors with 65 members from 19 countries representing assets under management of over $10 trillion.**

In October 2022, the Church Commissioners represented IPDD in high-level engagements in Jakarta, together with representatives of Robeco and Sumitomo Asset Management, and joined colleagues from the Tropical Forest Alliance. The group met with key stakeholders to discuss how to advance sustainable finance in Indonesia and how institutional investors can support the country's efforts to reduce deforestation. The Tropical Forest Alliance signed an agreement with the Indonesia Stock Exchange and Indonesia Chamber of Commerce and Industry to support capacity development for ESG-related investment and reporting.

At the Conference of the Parties to the United Nations Convention on Biological Diversity (COP15) in December 2022, the IPDD released its two-year outcomes report, which was reported positively in trade and mainstream press (Investors Policy Dialogue on Deforestation (IPDD) Initiative » Tropical Forest Alliance).



*Ethically, we think that investors who take account of ESG issues will be better aligned with the broader objectives of society and better corporate citizens. Moreover, an ethical approach to investments aligns our activities to the Five Marks of Mission.*

Wold Farm,
East Riding Estate




Hyde Park
Estate

# TOP 20 HOLDINGS (as at 31 December 2022)

## TOP 20 PROPERTY HOLDINGS

19-26 Long Acre & 28-30 Floral Street (Commercial)

Arbol Tree (Timberland, USA South)

Ashford Estate (Rural)

Brownhills Forest (Timberland, East Ayrshire)

Carlisle Estate (Rural)

Cherry Tree (Timberland, Virginia USA)

Chichester Estate (Rural)

Dykeraw Forest (Timberland, Scottish Borders)

Ely Estate (Rural)

Midgehope Forest (Timberland, Scottish Borders)

Huntingdon Estate (Rural)

Hyde Park Estate (Residential)

MetroCentre (Commercial)

Millbank Estate (Rural)

Rochester Estate (Rural)

Royal Lancaster Hotel (Residential)

South Lincoln Estate (Rural)

Strathwiggan & Deughwater Forest (Timberland, East Ayrshire and Dumfries & Galloway)

West Buccleuch Forest (Timberland, Scottish Borders)

Wycombe Retail Park (Commercial)

## TOP 20 EQUITY HOLDINGS

Alibaba Group

Alphabet

Amazon

Analog Devices

Apple

Charles Schwab

Equifax

HDFC Bank

Henry Schein

MercadoLibre

Merck

Microsoft

Salesforce

Samsung Electronics

Sanofi-Aventis

Siemens Ag

Steris Limited

Trane Technologies PLC

Vestas Wind Systems

Visa

**MEETING OUR AIMS: Investing for Good. See more on pages 12–15.**

# RESEARCH INTO LINKS TO TRANSATLANTIC SLAVERY

*Research into historic transatlantic chattel slavery links*

The Church Commissioners in 2019 decided to conduct research into the source of the endowment fund it manages to gain an improved understanding of its history, to understand better its present and to continue to support the Church of England's work and mission in the future as best it can. We worked with forensic accountants and academics to analyse early ledgers and other original documents from Queen Anne's Bounty, one of the Church Commissioners' predecessor funds, which was established in 1704.

Through that research, the Church Commissioners learned that its endowment had historic links to transatlantic chattel slavery. The Church Commissioners is deeply sorry for its predecessor fund's links with transatlantic chattel slavery.

## WHAT WE KNOW

In the 18th century, Queen Anne's Bounty invested significant amounts of its funds in the South Sea Company, which traded in enslaved people. Queen Anne's Bounty also received numerous benefactions, many of which are likely to have come from individuals linked to, or who profited from, transatlantic chattel slavery and the plantation economy.

Queen Anne's Bounty was used to supplement the income of poor clergy. This was done either through buying land from which the clergy received the income or through an annuity stream paid by Queen Anne's Bounty.

Queen Anne's Bounty's funds were subsumed into the Church Commissioners' endowment when it was created in 1948, perpetuating the legacy of Queen Anne's Bounty's linkages to transatlantic chattel slavery.

Every human being is made in the image of God, and Jesus teaches us that he came so that we all may have life in all its fullness. Chattel slavery, where people made in the image of God have their freedom taken away to be owned and exploited for profit was, and continues to be, a shameful and horrific sin.

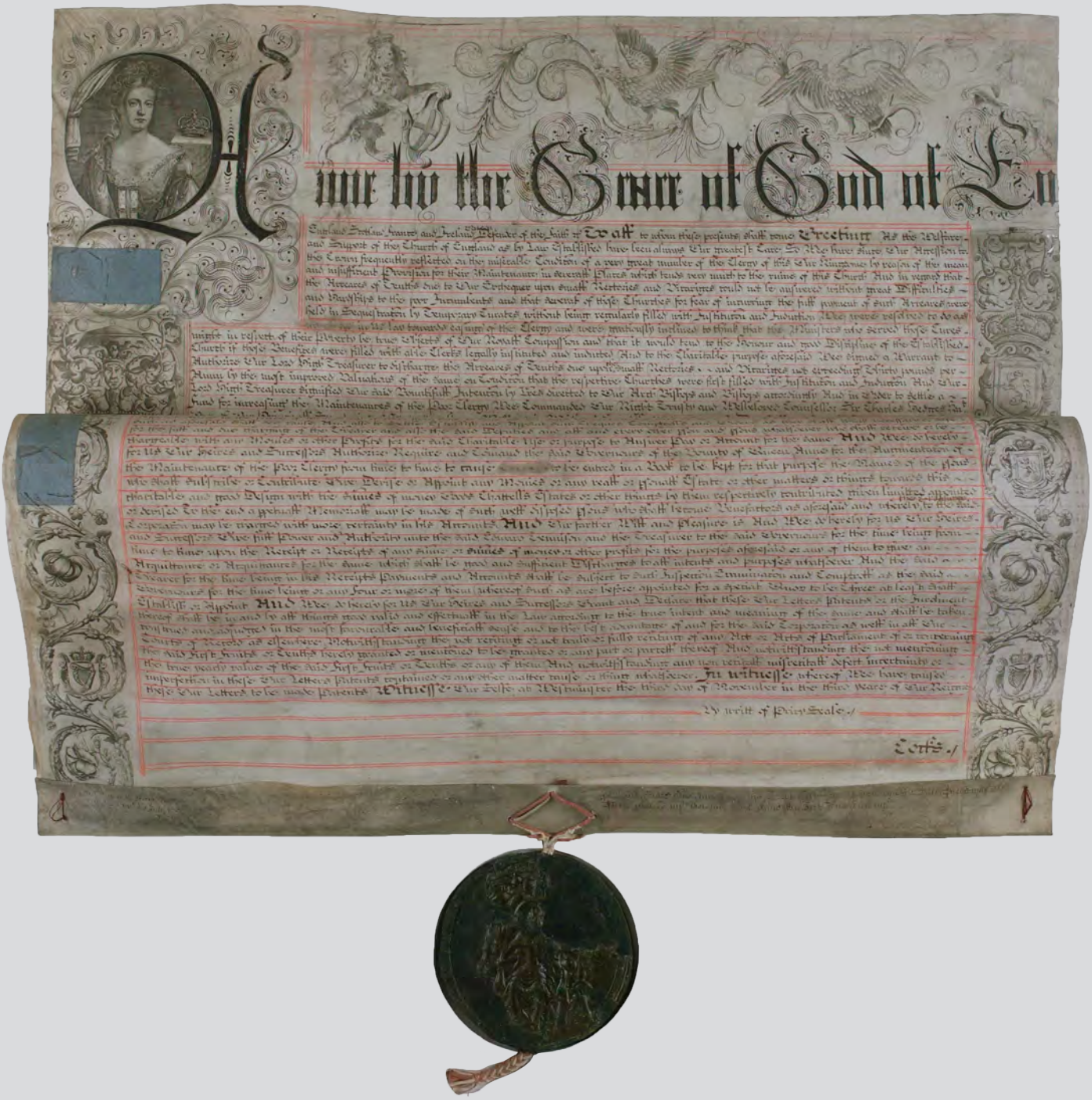
## OUR RESPONSE

In response to the findings, the Church Commissioners' Board has committed itself to trying to address some of the past wrongs by investing in a better future. It will seek to do this through committing £100 million of funding, delivered over the nine years commencing in 2023, to a programme of investment, research and engagement.

A new oversight group will be formed during 2023 with significant membership from communities impacted by historic transatlantic chattel slavery. This group will work with the Church Commissioners on shaping and delivering the response, listening widely to ensure this work is done sensitively and with accountability.

**The response will comprise:**

- Establishing a new impact investment fund to invest for a better and fairer future for all, particularly for communities affected by historic slavery. It is hoped this fund will grow over time, reinvesting returns to enable it to have a positive legacy that will exist in perpetuity, and with the potential for other institutions to participate, further enabling growth in the size and impact of the fund.
- Growth in the impact fund will also enable grant funding for projects focused on improving opportunities for communities adversely impacted by historic slavery.
- Further research, including into the Church Commissioners' history, supporting dioceses, cathedrals and parishes to research and address their historic links with slavery, and sharing best practice with other organisations researching their slavery legacies. As an immediate action, in early 2023 Lambeth Palace Library hosted an exhibition with items from its archives that have links to historic transatlantic chattel slavery.
- The Church Commissioners will also continue to use its voice as a responsible investor to address and combat modern slavery and human rights violations, and to seek to address injustice and inequalities.



Queen Anne's
Bounty Charter

# FINANCIAL REVIEW

*Our financial activity in 2022 and the processes and structures that underpinned it.*





Manor Farm,
Chichester

# REVIEW OF FINANCIAL ACTIVITY

*In what was another very difficult year – in the post-pandemic context with significant geopolitical uncertainty and the nation facing a cost-of-living crisis – the Church Commissioners were pleased to be able to distribute £186.8m in charitable expenditure (excluding pre-1998 clergy pensions), a year-on-year increase of £39.5m (26.8%).*

The total return on the fund is derived from income from and gains on investments. Total income for the year was £148.4m (2021: £148.1m), £0.3m higher than the previous year. This reflects an increase in equity dividend income, partially offset by a reduction in income from Timberland investments. Total gains on investment assets, including movements on derivatives, foreign currencies and taxation, was £413.1m (2021: £1,142.5m). Investment performance is described earlier in this report.

Expenditure during 2022 totalled £176.9m (2021: £226.4m), a reduction of £49.5m on the previous year. Excluding pre-1998 clergy pensions expenditure, which for accounting purposes (not cash payments) reduced by £64.2m, there was an underlying increase in charitable expenditure of £39.5m (26.8%). The cost of raising funds decreased by £24.8m year on year to £59.4m (2021: £84.2m).

A summary of the expenditure in 2022 and 2021 and the difference between the two is shown below.

The amount spent on supporting dioceses and the local church was £117.2m (2021: £86.8m), an increase of £30.4m (35.0%). This reflects a number of new grant streams made available (in partnership with the Archbishops' Council) during the year to respond to the cost-of-living crisis (described earlier in this report), including £15.0m Energy Cost grants made to dioceses to enable them to support Parochial Church Councils and ministers with rising energy bills, along with £3.0m Clergy Hardship support grants to provide targeted hardship support to clergy in greatest need. In addition, £4.3m Sustainability Funding (2021: £9.3m) was provided to dioceses to help support them as they continue to face the challenge of loss of income following the pandemic.

| CHARITABLE ACTIVITIES | 2022 £M | 2021 £M | DIFFERENCE £M |
|---|---|---|---|
| Supporting dioceses and the local church | 117.2 | 86.8 | 30.4 |
| Bishops' and Archbishops' ministry | 44.9 | 42.2 | 2.7 |
| Cathedrals' ministry | 14.3 | 12.3 | 2.0 |
| Other activities | 10.4 | 6.0 | 4.4 |
| **Total charitable expenditure (excluding pre-1998 clergy pensions)** | **186.8** | **147.3** | **39.5** |
| Pre-1998 clergy pensions | (69.3) | (5.1) | (64.2) |
| **Total charitable expenditure** | **117.5** | **142.2** | **(24.7)** |
| Raising Funds | 59.4 | 84.2 | (24.8) |
| **Total expenditure** | **176.9** | **226.4** | **(49.5)** |

Continued support for vocations was provided through £1.9m funding for additional ordinands (2021: £3.2m), £10.4m support for curates through Strategic Ministry Funding (2021: £11.3m) and for the first time this year £4.3m funding for Posts of First Responsibility to enable finishing curates to move into roles of incumbent status.

Other key expenditure in this category included Strategic Development Funding grants which increased to £17.8m (2021: £14.1m) and £4.5m of Innovation Fund grants made for creative mission projects which seek to help the Church fully represent the communities we serve in age and diversity (2021: £0.3m); £11.1m of Strategic Transformation Funding grants (2021: £9.0m) were awarded to dioceses to help support them with restructuring programmes to better align with their strategic plans; and £28.3m was awarded in respect of Lowest Income Communities (2021: £27.5m).

Further details of expenditure in this category can be found in note 5 to the financial statements and are also discussed in an earlier section of this report.

Expenditure on Bishops' and Archbishops' ministry also increased during the year to £44.9m (2021: £42.2m), with the increase largely reflecting the commencement of a programme of major refurbishment and repair to Lambeth Palace for the first time in nearly a century.

Expenditure on Cathedrals' ministry increased in the year to £14.3m (2021: £12.3m). This increase largely reflected additional awards made under the Cathedral Sustainability Fund of £3.8m (2021: £1.9m) including supporting cathedrals with the implementation of the Cathedrals Measure 2021.

From an accounting perspective, the pre-1998 clergy pensions expenditure decreased by £64.2m to a net income of £69.3m (2021: net income of £5.1m) as a result of changes in actuarial assumptions. The Church Commissioners meet the cost of clergy pensions earned in service until the end of 1997 and have provided in full for forecast future payments. The most recent annual actuarial update has generated a net income of £70.7m, which is offset by scheme administration costs of £1.2m and support costs of £0.2m, resulting in overall net income of £69.3m. In 2022 the Commissioners' cash payments for clergy pensions were £117.1m (2021: £116.1m).



# LONG-TERM FINANCIAL STRATEGY

*Reserves policy. The Church Commissioners' policy is to invest the endowment it manages on behalf of the Church to provide long-term financing to pay the pre-1998 clergy pension obligations and to make charitable distributions to support the mission of the Church of England in perpetuity.*

There is an aspiration to increase the in-perpetuity distributions in line with an inflationary factor, so that future beneficiaries receive distributions at a level broadly equivalent (in real terms) to current beneficiaries. The level of distribution each year is determined by independent actuarial advice from Hymans Robertson LLP. Further details are provided in the Independent Actuaries' Report, later in this report, including their qualifications for providing such advice.

The Commissioners account for and report returns (whether capital or income) on a total return basis under the terms of the Total Return Order obtained from the Charity Commission on 19 June 2012. This splits the fund into two components: the base level of the endowment and the unapplied total return. At 19 June 2012, the initial value of the base level of the endowment was £3bn and the initial value of the unapplied total return was £2.2bn. Further information on the Total Return Order is provided in note 18 to the financial statements.

In addition to being able to spend unapplied total return, the Commissioners have a time-limited power, which expires in December 2025, to spend endowment capital on its clergy pension obligations. In 2022, this resulted in £117.1m (2021: £116.1m) being charged to the base level of the endowment.

The total endowment fund of the Commissioners as at 31 December 2022 stood at £9.1bn (2021: £8.6bn), net of the provision for the pre-1998 clergy pension liability of £1.2bn (2021: £1.4bn) which is due for payment in future years. The base level of the endowment was valued at £2.6bn at 31 December 2022 (2021: £2.5bn), with the unapplied total return at the end of 2022 being £6.4bn (2021: £6.2bn). The trustees consider the level of unapplied total return to be sufficient, in light of their distribution policy, to meet their expenditure plans.

The total funds of the charity stood at £9.1bn (2021: £8.6bn) and reflect the value of the endowment fund described above, along with £0.3m (2021: £0.1m) restricted income funds.

## SPENDING PLANS

The Church Commissioners and Archbishops' Council prepare joint three-year spending plans. A Triennium Funding Working Group (TFWG), with members from the House of Bishops, Archbishops' Council and Church Commissioners, advised on how our funds should be most effectively distributed in 2020–22, informed by three priorities agreed by the House of Bishops:

- Investment in recruiting and training new ministers, helping dioceses deliver the Church-wide goal of increasing the number of ordinands by 50%;
- Supporting dioceses in making strategic investment in change programmes designed to produce 'good growth';
- The continuation of specific funding to help dioceses to support mission in lowest income communities.

We continued to make funding available for these priorities in 2022, and no changes were made to the overall amount expected to be available for distribution in 2020–22. However, various reallocations of funding were undertaken during the triennium to support dioceses, cathedrals and the wider Church to respond to critical unforeseen events during the period including the impact of Covid-19, the energy crisis and the increase in cost of living.

The TFWG convened again for six months from October 2021 to consider funding priorities for the 2023 to 2025 triennium and beyond. Alongside the work of the TFWG, the Church Commissioners' Assets Committee worked with its actuarial advisers to determine the capacity for sustainable distributions.

**The Spending Plans for 2023 to 2025 centred around the following priority areas:**

- Supporting the Church to deliver the bold outcomes and strategic priorities of the Vision & Strategy including reaching the young and the poor, and better representing the communities we serve
- Helping the Church to transition to a lower carbon approach in line with the Net Zero 2030 goal
- Making a step change in the area of Racial Justice, and other areas of diversity and social justice
- Ensuring the Church is a safe place for all.

An amount of £1.2 billion was made available for the 2023 to 2025 triennium, an increase of £0.3 billion on the previous triennium.



Winchester Cathedral

# GOING CONCERN

*The Church Commissioners' role in funding the Church's ministry comprises certain legal obligations and discretionary funding.*

In assessing the going concern status of the Church Commissioners, the trustees have considered the Church Commissioners' role in funding the Church's ministry, the spending strategy, the application of total return and the legislation to allow endowment to be spent for specific pension purposes. In addition, the trustees take account of independent actuarial advice provided by Hymans Robertson LLP on the affordability in perpetuity of their planned distributions. This advice is provided every three years when setting the spending plans for the next three-year period (the "triennium"), and is updated annually to ensure that the spending plans for the current and next triennium remain affordable. The approach adopted includes a smoothing mechanism which aims to give a full triennium's notice of any reduction in distributions unless there has been a significant deterioration in the balance between the Commissioners' assets and their spending plans. This means that while events such as Covid-19, the current geopolitical context and cost-of-living crisis, are factors for consideration, the Commissioners have a clear framework for assessing whether the events are sufficiently significant that they would change the amounts available for distribution to beneficiaries in the short term.

The annual actuarial update for the year ended 31 December 2022 was scrutinised by the Assets Committee, and includes stress testing scenario analysis which models the impact on distributions in the event of different levels of reduction in asset values. This includes consideration of the impact of changes in the performance of the asset portfolio, expected future returns or inflation, on the affordability of distributions. In light of this analysis, there is no reason to consider that any changes are required to the planned distributions for the 2023 to 2025 triennium and so the trustees have concluded that the Commissioners are able to sustainably meet both their legal obligations and planned discretionary funding for at least the period to 31 December 2025. In addition the trustees have given consideration to the availability of liquidity in light of market turbulence caused by ongoing geopolitical instability, a challenging economic environment, the post-pandemic context and other external factors. Under their Investment Risk Framework, the Commissioners seek to hold at least 18 months' planned expenditure in cash and near cash, and are satisfied that they have sufficient cash to meet their obligations in the short term. Therefore, the Commissioners continue to adopt the going concern basis of accounting in the preparation of these financial statements.

# CARBON REPORTING

*In 2018, the Government published Regulations concerning Streamlined Energy and Carbon Reporting (SECR).*

These are designed to increase awareness of energy costs within organisations, to provide data to inform adoption of energy efficiency measures, and to help them to reduce their impact on climate change. The Commissioners are not required to follow these Regulations; however, they are mindful of the General Synod's resolution of February 2020 for the whole Church, including the National Church Institutions (NCIs), to work to achieve year-on-year reductions in emissions in support of the Church's ambition to reach net zero emissions by 2030. The SECR Regulations concern direct energy usage, and the Commissioners disclose further information on this area below, albeit these disclosures are voluntary and do not incorporate the full scope of the SECR Regulations.

The Church Commissioners intend to monitor their emissions using an intensity ratio of tonnes of $CO_2$ equivalent per square metre of floor space or per headcount. However, the Church Commissioners have not yet made a decision concerning an appropriate base year for monitoring their emissions. As most energy usage relates to the use of offices, 2020 and 2021 were not suitable since most staff were working from home during these periods and during 2022 their use of Church House was significantly restricted by extensive refurbishment undertaken by The Corporation of the Church House (the owner of Church House) ("the Corporation"). The direct energy usage by the Church Commissioners is incurred as a result of staff travel and in the operation of offices at Church House, Lambeth Palace and Bishopthorpe Palace. The data available for energy costs incurred relating to staff travel in previous years is limited. However, in 2021 the NCIs entered into an arrangement with a travel management provider which now enables travel costs and energy usage to be monitored effectively. The NCIs have now formally introduced hybrid working for staff and, consequently, direct energy usage in the operation of their offices is anticipated to be lower than when staff were based in the office full time. However, we are unable to quantify whether the additional energy usage incurred as a result of staff working from home outweighs the savings on our buildings.

Energy usage in the office buildings our staff occupy principally consists of electricity and gas used in respect of heating and lighting. The refurbishment of Church House (see page 58) being undertaken by the Corporation is intended to improve energy efficiency with a commitment to move towards net zero carbon. The new Lambeth Palace Library is designed to use no gas and has solar panels that are anticipated to provide approximately half of the annual electricity use of the building. The current refurbishment programme at Lambeth Palace is intended to reduce its carbon footprint by half.
The total energy use by the Church Commissioners during 2022 at Church House, Lambeth Palace, and Bishopthorpe Palace was 1.8m kWh and the associated greenhouse gas emissions were 365.3 tonnes of carbon dioxide equivalent ($CO_2e$). This was calculated on the basis of energy usage as disclosed on utility bills and Government $CO_2e$ conversion ratios. The total energy use in respect of travel booked through our travel management provider for Church Commissioners' staff and others who use the provider was 181.7 tonnes of $CO_2e$ of which 174.8 tonnes related to air travel and 6.9 tonnes to train travel. These figures do not include energy use for travel booked independently or in respect of car usage.

# RISK MANAGEMENT STATEMENT

*The Church Commissioners' risk management process supports management by facilitating the identification and assessment of significant risks to the achievement of objectives.*

The roles and responsibilities of trustees, management and staff are clearly outlined and defined in the Risk Management Policy.

Each individual risk has an assigned risk owner who is accountable for the identification, assessment and review of known risks. The risks are reviewed and scored by applying the methodology proposed by the Charity Commission. The management of key risks is subject to independent review and assurance through the internal audit process overseen by the Risk & Assurance Team, which reports to the Audit and Risk Committee.

A robust governance structure ensures that strategic risk management arrangements and strategic risk registers are reviewed at least annually. The Risk & Assurance team facilitate and monitor the risk management process and help develop the organisational risk culture. The Audit and Risk Committee provide an additional layer of support and oversight to ensure the continued adequacy of risk management arrangements.

As the global Covid-19 pandemic impact was reduced in 2022, other political and geo-political challenges rose to the surface. Cyber security concerns also increased over the course of the year, as did pressures on households and organisations in light of the higher cost of living, including the energy cost crisis due to the conflict in Ukraine.

The Church Commissioners have agreed that the strategic (principal) inherent risks below represent the main obstacles to the achievement of the key objectives, and the table below includes a summary of the key management actions.

| PRINCIPAL RISK AREA | KEY MANAGEMENT ACTIONS AND PLANS |
|---|---|
| **Investment Returns**<br>Failure to achieve investment returns (as per actuarial calculation) required to meet pensions obligations and distribution levels to grow and support the wider church. | ❀ Effective and experienced Assets Committee oversight<br>❀ Disciplined valuation-led Investment Strategy and Process<br>❀ Genuinely diversified portfolio<br>❀ Proactive monitoring of market and currency exposures, and use of Tactical Asset Allocation to manage exposures as required<br>❀ Issuance of £550m of bonds during 2022, enhancing the fund's capital efficiency and giving the potential to generate additional value for the fund<br>❀ Clearly articulated Investment Policy, including supporting frameworks and guidelines |
| **Financial Controls**<br>Failure to control costs, liabilities and manage stakeholder expectations impacts the ability to provide sustainable support and assistance to the Dioceses. | ❀ Working closely with the Archbishops' Council, dioceses and cathedrals to understand their priorities and manage their expectations<br>❀ Regular review of financial situation of cathedrals to better assess financial strength<br>❀ Assets Committee governance of money available for distribution, including independent actuarial review and advice –Regular engagement between actuaries, staff and Assets Committee<br>❀ Triennium Funding Working Group (TFWG) recommended spending plans set for the next triennium (2023–25) – announced widely during 2022 |
| **Operational Effectiveness**<br>Lack of effective planning of operations, capacity challenges and/or ability to manage projects results in inefficient and ineffective working practices and a failure to achieve objectives to budget/time. | ❀ Budgetary control of costs with regular meetings to review and check expenditure against budget<br>❀ Project Management Framework in place for NCIs' projects<br>❀ Project Review Board providing senior management oversight of the most complex or high-risk projects in the NCIs<br>❀ Commissioners' management regularly reviews its portfolio of projects<br>❀ Experienced project management team leading the Lambeth Palace refurbishment, overseen by a project oversight board under the Bishoprics & Cathedrals Committee<br>❀ Review of use of Church House office space to deliver significant saving in rental cost |
| **Effective use of Church Commissioners funding**<br>National Church funding does not achieve the outcomes desired/expected and there are ineffective review/monitoring controls in place. | ❀ Strategic Investment Board (SIB) and Vision & Strategy teams give strong oversight of grant allocation and ongoing monitoring. Strategic Ministry Board (SMB) and Ministry team do likewise for Strategic Ministry Funding. These Boards will be superseded by the Strategic Mission & Ministry Investment Board (SMMIB) from 2023<br>❀ Recommendations from the Independent Review of SDF and LInC funding have been taken into account in the design of future funding streams by SIB/SMMIB<br>❀ TFWG recommended funding proposals set for the next triennium (2023–25)<br>❀ Annual review of SIB (and in future the SMMIB) reported to Commissioners' Board<br>❀ Operation of a virement policy which allows the Commissioners (with the Archbishops' Council) to respond effectively to emerging needs as they arise |

| PRINCIPAL RISK AREA | KEY MANAGEMENT ACTIONS AND PLANS |
|---|---|
| **Reputational Risks**<br>Reputational risks relating to the Church Commissioners, other NCIs or the wider Church, impact upon the Commissioners' ability to achieve their strategic objectives.<br><br>Wider societal issues/concerns with reputational implications for Church of England/Church Commissioners.<br><br>Long-established endowment funds may give rise to a reputational risk linked to the possibility of their original source, or early investment of funds, having slave-trade connections. This is the case for the original Queen Anne's Bounty and Ecclesiastical Commissioners' funds. | ❋ Proactive and frequent engagement with key Church stakeholders on Commissioners' strategy and priorities<br>❋ Financial Communications team proactively manages responses to media in relation to Investment Strategy<br>❋ Experienced and effective governance and scrutiny applied by the Assets Committee, Audit and Risk Committee and Board of Governors<br>❋ Regular analysis on financial performance of cathedrals to assess whether cathedrals are in a potentially challenging situation<br>❋ Proactive engagement with local communities and churches regarding local housing schemes<br>❋ Monitoring societal attitudes and proactive consideration of social justice issues with potential relevance to the Church Commissioners. Employment policies and Responsible Investment policies in place to ensure Church Commissioners are seen as attractive employers / partners<br>❋ The Church Commissioners established a sub-group of the Board that analysed historical linkages to Transatlantic Chattel Slavery. A new oversight group is to be created to help the Board to shape and deliver its response, with the commitment of £100m to a programme of impact investment, research and engagement |
| **Business Continuity**<br>Business continuity, IT resilience, cyber security, health and safety challenges etc. impact delivery of strategic objectives. Inability to deliver key services in the event of a major business continuity threat (e.g. Covid-19). | ❋ Cyber Essentials Plus accreditation secured and key control measures are monitored on an ongoing basis by management<br>❋ IT security training provided to all staff<br>❋ Critical technology infrastructure housed in a remote location<br>❋ Business Continuity Plan in place for the NCIs, including IT Disaster Recovery<br>❋ Business critical systems securely available outside of network |
| **People**<br>Inability to recruit and/or retain high-quality staff with the requisite skills.<br><br>Poor diversity amongst leadership and trustees detracts from quality of decision making.<br><br>Looking after physical and mental welfare of staff. | ❋ Staff Engagement Survey completed November 2022. Action plan being developed and closely monitored by Chief Officers of the NCIs<br>❋ Pay & Reward offer for 2023 implemented December 2022<br>❋ Belonging & Inclusion phase 2 action plan 2022–25 launched<br>❋ Support offered to staff impacted by challenging and sensitive debates on matters of Church of England policy/doctrine<br>❋ Continued focus on staff wellbeing with Employee Assistance programme introduced, NCI Mental Health 'first-aid' support and additional resilience and mental health training provided<br>❋ All Managers given specific training and coaching in relation to managing organisational change and working in a hybrid environment |

| PRINCIPAL RISK AREA | KEY MANAGEMENT ACTIONS AND PLANS |
|---|---|
| **Health and Safety**<br>Risk to staff, tenants, or general public on Commissioners' owned land. | **See houses**<br>❀ Smartlog system at all properties with quarterly reporting to the NCIs' Health and Safety Committee<br>❀ Statutory checks are completed by a third-party provider<br>**Investment Assets**<br>❀ Robust contractual arrangements in place with third-party providers, including compliance with health and safety (H&S) legal requirements and insurance cover<br>❀ Quarterly reporting and monitoring of H&S actions, reviews and issues with agents<br>❀ Regular site visits to help identify H&S issues |
| **Climate Change**<br>Failure to understand and respond to the paradigm shifts caused by climate change. Heightened exposure and cost in relation to the Church Commissioners' property portfolio, with assets potentially damaged as a result of a major weather event. | ❀ Church Commissioners have agreed funding of £190m over the nine-year period 2023–31 in support of the Church of England's net zero carbon 2030 ambition<br>❀ Comprehensive Responsible Investment Framework in place Market-leading approach to climate change risks incorporating assertive engagement and assessment of companies through the Transition Pathway Initiative<br>❀ Assets Committee has a strong focus on Environmental, Social & Governance matters with periodic assessment of the investment portfolio's resilience to different climate scenarios<br>❀ Member of Asset Owner Alliance committed to net zero portfolio emissions, with a target for the investment portfolio to be net zero by 2050<br>❀ Natural capital and carbon baseline assessment completed across farmland, strategic land and timberland portfolios. Development of a strategy for environmentally positive change commenced in 2022 |

## EXTERNAL AUDITOR INDEPENDENCE AND PROVISION OF NON-AUDIT SERVICES

The Audit and Risk Committee reviews and monitors the external auditor's independence and objectivity in line with relevant regulations and directives. This includes oversight of the engagement of the external auditor to supply non-audit services in the limited number of cases where this might be appropriate. Any non-audit services are approved by the Audit and Risk Committee in advance, with due consideration given to the related fee levels, and the fee levels individually and in aggregate relative to the audit fee. The Committee also considers the nature of the work undertaken, to ensure that it is of a permitted nature, and that they are satisfied about the safeguards in place to ensure auditor independence.

The Church Commissioners became a UK Public Interest Entity (PIE) in July 2022, as a result of issuing two listed bonds on the London Stock Exchange. As a result, the length of time that the Audit Engagement partner may serve in that capacity would be restricted to five years under paragraph 3.10 of the FRC Ethical Standard (2019). However, in line with paragraphs 3.14-15 of the Ethical Standard, the Audit and Risk Committee considered that, in order to safeguard the quality of the engagement, it was appropriate for the Audit Engagement partner to continue in the role for one final year in order to complete the external audit of the Annual Report & Accounts for the year ended 31 December 2022, taking his period of engagement to the maximum of seven years permitted. They are satisfied that appropriate safeguards have been applied by Grant Thornton to ensure that the integrity, objectivity and independence of the external audit are not compromised as a result.

# GOVERNANCE

*Working with the other National Church Institutions (NCIs), the Church Commissioners serve and support the wider Church, ensuring effective use of the Church's money.*



# HOW THE CHARITY IS CONSTITUTED

## STRUCTURE AND SUBSIDIARIES

The Church Commissioners for England ("the Church Commissioners") are a statutory body created by the Church Commissioners Measure 1947 and a registered charity (number 1140097) under the Charities Act 2011.

The Church Commissioners have a number of subsidiaries for investment purposes and the principal subsidiaries are set out in note 2 to the financial statements. A number of joint ventures are also held as part of their investment portfolio. The Church Commissioners, together with the Archbishops' Council and the Church of England Pensions Board, are equal partners in Church of England Central Services (ChECS), a joint venture providing cost-effective shared financial, legal and other services.

## PUBLIC BENEFIT

As trustees, the Church Commissioners are mindful of the Charity Commission's guidance, Charities and Public Benefit, and, in particular, the supplementary guidance for charities whose aims include advancing religion, The Advancement of Religion for the Public Benefit, and have regard to both guidance documents when reviewing the Commissioners' aims and objectives and in planning future activities.

We are confident that the financial resources provided to parishes, dioceses, bishops and cathedrals help to promote the Church's whole mission (pastoral, evangelistic, social and ecumenical) more effectively, at a national level, in the dioceses and in individual parishes. In doing so, the Church provides a benefit to the public by:

- providing facilities for public worship, pastoral care and spiritual, moral and intellectual development both for its members and for anyone who wishes to benefit from the Church's offering;
- promoting Christian values, and service by members of the Church in and to their communities, to individuals and society as a whole. The report outlines examples of this public benefit in action.

# ORGANISATIONAL STRUCTURE AND STAFFING

*Working with the other National Church Institutions (NCIs), the Church Commissioners serve and support the wider Church, ensuring effective use of the Church's resources. We are proud of our excellent staff, and their expertise and commitment in enabling the support given to the Church.*

## OUR PEOPLE

The day-to-day management of the Church Commissioners is delegated to Gareth Mostyn. He is supported in his role by a senior management group and the wider staff team:

Chief Executive and Secretary:
**Gareth Mostyn**

Chief Investment Officer:
**Tom Joy**

Chief Operating Officer (Investments):
**Nicola Dymond**

Head of Bishoprics and Cathedrals:
**Michael Minta**

Head of Mission, Pastoral and Church Property:
**Wendy Matthews**

Director of Churches and Cathedrals:
**Becky Clark (left 22 July 2022)**

Director for Planning and Engagement:
**Georgia Boon (joined 12 December 2022)**

Chief Operating Officer:
**Rosie Slater-Carr**

Director of Finance:
**Joanna Woolcock**

People Director:
**Christine Hewitt-Dyer**

Head of Financial Communications:
**Juliana Wheeler**

Official Solicitor:
**Alexander McGregor**

Deputy Official Solicitor:
**Paul Stevenson**

During 2022 we have worked hard to align our staff resources to key areas underpinning the Church's priorities. Our people have continued to seek to build an affirming, high performing culture, through work on our NCI values, our Belonging and Inclusion strategy, our rhythm of communication, our training and leadership support, and a continued focus on wellbeing.

## A PLACE WHERE EVERYONE FEELS THEY BELONG

Our second Belonging and Inclusion action plan was launched in July 2022 following extensive consultation with staff, rigorous evaluation of our first programme, and key learnings from the Covid-19 pandemic. The new plan outlines the actions we are taking to become a workforce which represents the diversity of the communities we serve at all levels and enable everyone in the NCIs to feel valued in their roles and be supported to develop and flourish. We believe that a good balance of diversity in its broadest sense will result in better problem-solving, decision making, governance and creativity; and that it creates a virtuous circle of attracting and retaining the most talented people from all walks of life.

As part of our 'Mentoring and Learning' action theme, refreshed inclusion training is being rolled out to all staff, line managers, and senior leaders. A total of 55 people took part in our third round of mentoring.

Our Coffee Connect initiative helps new staff – of whom there are many – and longer-standing staff to develop professional and personal relationships across the NCIs with a particular emphasis on helping younger people and new colleagues. Over 90 people participated in events during 2022, with the programme set to continue into 2023 with a new format.

**"Coffee Connect has helped me to get to know colleagues in parts of the NCIs that I wouldn't normally have any contact with, and to understand what they do. As someone who works away from Church House, Westminster, it really helps me to feel much more connected to the NCIs and build relationships for the future."** Feedback from one participant



Management team meeting at Missenden Abbey

Our staff-led support networks continued to grow and engage people across the NCIs – both online and in-person. Networks and trade unions were also consulted on various policies and communications affecting all staff. As part of our 'Celebration and Stories' theme, a regular programme of webinars and events, personal stories and reflections, blogs, podcasts, and interviews – linked to national and international initiatives – ran throughout the year, enabling colleagues to share their perspectives and experiences.

In 2022 we revised our Dignity at Work and Whistleblowing policies and introduced a new NCI Safeguarding policy. We also produced a detailed diversity data report which included a focus on our gender and ethnicity pay gaps.

A recently appointed member of our NCIs shared HR team provides additional capacity to manage projects which will help us to meet recommendations in the *From Lament to Action* report, including an end-to-end review of our recruitment processes, and establishing a targeted programme that offers career development opportunities to UKME and disabled colleagues.

## LEARNING AND WELLBEING

We are focusing attention on strengthening both management and leadership capability and have now piloted and launched a Confident Manager development programme. This includes modules based around our management framework including building a high performing team, coaching, managing a hybrid team, and leading change. We are currently piloting a Confident Leadership programme in partnership with Windsor Leadership. There is also a range of NCI 'basics' training for all staff, including safeguarding, project management, and IT skills. In 2022, we also raised awareness of key issues such as whistleblowing and fraud and hosted a number of training webinars on topics such as good performance management and wellbeing.

## EMPLOYEE ENGAGEMENT

We continued to hold virtual town hall meetings and single-topic webinars to keep staff up to date on news from across the NCIs and the wider Church, including the report into historic links to transatlantic chattel slavery and the Church Commissioners' Bond Issue.

Our latest in-depth employee engagement survey in Autumn 2022 was the largest survey of staff opinion carried out by the NCIs (545 responses). Our engagement score – five questions measuring motivation, advocacy, and commitment – came in at a high 80% favourability (the percentage of people who responded positively), on par with our previous survey in March 2021.

Overall, the NCIs compare favourably to the benchmark for the UK not-for-profit sector for questions about engagement, purpose, values, an individual's role, teamwork, senior leaders, line managers and wellbeing.

Teamwork and collaboration, trust in and support for one another, and the positive impact of line managers continue to be highly valued and our highest scoring themes. Teams have adapted well to hybrid working, and on an individual basis people understand how their work supports the Church of England. Partnership working across the NCIs remains an area of focus, and whilst scores for questions about inclusion improved overall, this theme is lower than the not-for-profit benchmark.

The senior management team for the Church Commissioners will work together and with their teams to build on the positive results from the survey and address areas where there is room for improvement.

## HYBRID WORKING

The adoption of hybrid working post pandemic has enabled more roles to be offered on a national basis (i.e., not required to be in London). This has enabled a near 50% reduction in office space leased by the NCIs at Church House, Westminster, targeting savings of around £1m per annum in accommodation costs. This also released space for The Corporation of Church House to let to other tenants, bringing in income to support its charitable donations, potentially further benefitting the whole Church economy. Recent staff survey responses (see above) demonstrate the positive impact of hybrid working, with 84% of respondents reporting their teams have adapted effectively.

## TRANSFORMING OUR EFFECTIVENESS

Preparatory work ahead of moving the payroll for Clergy and the NCIs' staff to the new People System continued throughout the year. This project is part of a bigger piece of work to establish a common approach to how the Church of England holds, and enables access to, people data for stipendiary clergy, other ministers, and staff of the NCIs.

## CONTRIBUTING TO THE CHURCH'S GOAL OF NET CARBON ZERO

Church House Westminster has been awarded an Eco Church Bronze Award for steps taken to help achieve net zero carbon. Staff working for the NCIs at Church House played their part in securing the award for the building which is owned and managed by the Corporation of Church House, with environmental themes forming part of the regular pattern of prayer and worship, and eco-news updates included in staff newsletters and webinars.

## SUMMARY OF OUR PEOPLE

At the end of 2022, a total of 152 staff were employed or funded directly by the Commissioners, a 7% increase from 2021 (141 staff). As with many employers, the NCIs have seen significant recruitment activity coming out of the pandemic, as turnover rose and some restructuring took place. The Commissioners make up 22% of the overall staff at the NCIs. The Church Commissioners made a number of key senior appointments during 2022 including new Directors for Cathedral and Church Buildings, the Net Zero Programme, and Planning and Engagement.

The Church Commissioners is a joint employer with the other NCIs. It receives services from Church of England Central Services (ChECS), which is also a joint employer.

The NCIs ended 2022 with 679 employed staff, an increase of 11% in the headcount compared to 2021. This includes 18 additional staff in the education team (due to the expansion of leadership training provision through government contracts) and 15 additional staff in the safeguarding team, as well as the impact of a lower vacancy rate following the conclusion of the Transforming Effectiveness programme during which there had been a recruitment freeze in place for many functions.

Overall turnover in 2022 was 19% compared to 16% in 2021, however this was still slightly below the average prior to the pandemic (2019: 19%).

Across the NCIs, the ratio of female to male employees increased from 56% : 44% respectively in 2021, to 58% : 42% respectively in 2022. The percentage of women in senior positions fell by one percentage point to 41% in 2022.

The percentage of people who classed themselves as black or minority ethnic within the Commissioners was 13.2% (2021: 11.2%) compared with overall representation of 18.3% (2021: 15.6%) across the NCIs.

The percentage of people who classed themselves as having a disability within the Commissioners was 6.5% compared to 4.1% for the NCIs overall.

## STAFF REMUNERATION AND EXECUTIVE PAY

The staff of the Church Commissioners, excluding asset management (Investments) staff, are covered by a unified

pay policy that operates across all the NCIs. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value based on eight bands.

For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to benchmarks for the lower quartile and median of market-related salaries and is subject to annual review.

In response to the cost-of-living crisis, and following discussions with trustees, we carried out a 'deep dive' into our approach to pay and reward alongside in-depth research into how other organisations were responding. The outcome of this work was the development of some broad reward principles based on our NCI Values of excellence, respect, integrity, compassion, and collaboration. This project led to a move to a single national pay scale, irrespective of work location; a pay award weighted towards our lower paid colleagues; a one-off scheme to allow our people to sell some of their accrued leave (which had built up during the pandemic) and the simplification of our pay scales. Some of these changes will help us address our gender pay gap. The annual pay negotiations were brought forward to enable the pay award to be applied earlier than usual – with effect from 1 October 2022.

The NCIs are an accredited Living Wage employer and ensure all staff – including apprentices, interns and those on training schemes – receive the appropriate living wage for their location.

A number of senior roles, including those of the Chief Executives, sit outside the banding system, as the skill sets required to fulfil the roles are not readily measured within the NCIs' standard job evaluation system. Salaries for these roles are set individually with reference to the wider marketplace. This process is overseen by the Remuneration Committee, comprising senior trustees from each of the main NCIs as part of the Joint Employment and Common Services Board (JECSB). In general, these staff can expect the same percentage annual uplift for cost of living as those on the NCI bands.

## ASSET MANAGEMENT STAFF

Staff engaged directly in the management of the Church Commissioners' investment portfolio are on separate contracts of employment and sit outside the general NCI pay arrangements described above. The Church Commissioners is a large and sophisticated institutional investor, investing in a broad range of asset classes, including significant property holdings, and as such seek to attract and retain high-calibre investment professionals.

Accordingly, salaries are designed to reflect the market for investment specialists and incorporate an element of long-term incentive which encourages consistent outperformance of the Commissioners' target investment return over a sustained period of five years.

The level of pay and the value of incentive awards are overseen by a Church Commissioners' Remuneration Committee, comprising trustees on the Assets Committee supported by independent benchmarking data. The scheme is reviewed for consistency with the executive remuneration policy adopted by the Church's National Investing Bodies (NIBs) on the recommendation of the Ethical Investment Advisory Group (EIAG).

Amounts payable under the incentive scheme are spread over up to five years, and the full amounts are only payable if the recipient remains in post during that time. By this method the Commissioners ensure incentives are directly aligned with their objectives and are also long term in nature. In the year to 31 December 2022, payments under the scheme, including deferred payments that became due, totalled £2,297,338 (2021: £2,050,400). The highest paid member of staff received a payment of £318,916 (2021: £301,130). The Secretary to the Church Commissioners does not participate in the scheme. During 2022 the total remuneration (salary and incentive payment) for the highest paid member of Commissioners' staff was 20.5 times (2021: 24.3) the total remuneration received by the lowest paid member of Commissioners' staff and 10.0 times (2021: 13.7) the median total remuneration.

This is consistent with the recommendations on company remuneration adopted by the NIBs on the advice of the EIAG in 2013.

## STAFF PENSIONS

The staff of the Church Commissioners are either members of the Church Administrators Pension Fund defined benefit section (if employed before July 2006), or a separate defined contribution arrangement if employed subsequently. Employer contribution rates range from 8% to 18% depending on age and additional voluntary contributions made. As part of the pay project, we agreed to encourage new staff to take advantage of our matched additional voluntary contributions scheme and to offer further ethical pension scheme choices in 2023.

Some members
of our Board of
Governors



# TRUSTEES AND THE BOARD OF GOVERNORS

*There are 33 Church Commissioners and six of these hold offices of State while the other 27 constitute the Board of Governors and have trustee responsibility.*

Thirteen Board members are elected, either by the General Synod or the cathedral deans, and others are appointed, by the Crown or the archbishops, for various kinds of professional expertise. Board members also generally serve on one or more of our committees – the Assets Committee, the Audit and Risk Committee, the Bishoprics and Cathedrals Committee and the Mission, Pastoral and Church Property Committee. Except for the Assets Committee, they all contain non-Commissioner as well as Commissioner members. All are supported by an executive team led by Chief Executive and Secretary, Gareth Mostyn. All new Commissioners receive a welcome pack containing information about governance in the charity sector and in the Church, and all are offered an induction programme and other relevant training from time to time.

Since the publication of the 2021 Annual Report, we have said farewell to Poppy Allonby (who stepped down on 30 September 2022), Duncan Owen (31 December 2022), Mark Woolley (31 March 2023) and the Rt Revd David Urquhart (who ceased to be a Commissioner when he retired as Bishop of Birmingham on 18 October 2022). All four served with distinction on the Board and the Assets Committee and we express our deep gratitude to them as well as wishing them well for the future. In addition, the former Dean of Gloucester Stephen Lake ceased to be a Commissioner on becoming the Bishop of Salisbury on 1 April 2022 and the Deans elected the Very Revd Rogers Govender, Dean of Manchester, to succeed him from 1 May 2022. Stephen was then re-elected as a Commissioner by the House of Bishops to fill the aforementioned vacancy left by Bishop David Urquhart from 19 October 2022.

While we were sad to say farewell to such highly experienced and knowledgeable trustees, we were delighted to welcome to the Board and Assets Committee: Remi Olu-Pitan (from 1 October 2022), Jenny Buck and Kif Hancock (both from 1 January 2023) and Kate Barker (1 April 2023). Along with Bishop Stephen and Dean Rogers, they are already bringing their outstanding expertise to bear on our work and we are excited about working with them in the years ahead.

The last year has also seen some change in non-Commissioner committee members. We welcomed George Stylianides and Dave Jennings to the Audit and Risk Committee from 28 April 2022 and Kathryn Blacker stepped down as the Cathedral Administrators' representative on our Bishoprics and Cathedrals Committee, with Anna Pitt appointed to be her successor from 1 January 2023. We extend our sincere thanks to Kathryn for her excellent contribution and, again, we are deeply grateful for the insights of our new members, Anna, Dave and George.

The Commissioners take trustee recruitment very seriously and invest time and resources in finding, inducting and developing the highest calibre people. Vacancies are advertised in a range of publications depending on the specialisms of the roles and search consultants are often employed to assist us. We place particular emphasis on diversity and inclusion, at trustee and staff level.

## SECOND CHURCH ESTATES COMMISSIONER

The Second Church Estates Commissioner, Andrew Selous MP, maintains the statutory accountability of the Church Commissioners to Parliament, including engaging with the Government, answering parliamentary questions and managing the passage of Church Measures through the House of Commons.

## THE CHURCH COMMISSIONERS AND BOARD OF GOVERNORS AT APRIL 2023

The Board of Governors transacts the functions and business of the Commissioners except where, by statute or through delegation by the Board, these are exercised by committees. Except State office-holders, all Church Commissioners are members of the Board of Governors.

**Archbishop of Canterbury, Justin Welby, Chair**
**Archbishop of York, Stephen Cottrell**

## CHURCH ESTATES COMMISSIONERS APPOINTED BY HIS MAJESTY

**Alan Smith, First Church Estates Commissioner**
**Andrew Selous MP, Second Church Estates Commissioner**

## CHURCH ESTATES COMMISSIONER APPOINTED BY THE ARCHBISHOP OF CANTERBURY

**The Revd Canon Dr Flora Winfield, Third Church Estates Commissioner**

## ELECTED BY THE GENERAL SYNOD

### HOUSE OF BISHOPS

**Bishop of Manchester, David Walker, Deputy Chair**
**Bishop of Birmingham, David Urquhart** (to 18 October 2022)
**Bishop of Bristol, Vivienne Faull**
**Bishop of Norwich, Graham Usher**
**Bishop of Salisbury, Stephen Lake** (from 19 October 2022)

### HOUSE OF CLERGY

**The Revd Anne Stevens**
**The Revd Christopher Smith**
**The Revd Stephen Trott**

### HOUSE OF LAITY

**Canon Peter Bruinvels**
**Jay Greene**
**Canon Elizabeth (Betty) Renshaw MBE**
**Jacob Vince**

### ELECTED BY THE DEANS

**Dean of Ely, Mark Bonney**
**Dean of Gloucester, Stephen Lake** (up to 31 March 2022)
**Dean of Manchester, Rogers Govender** (from 1 May 2022)

### NOMINATED BY HIS MAJESTY

**Duncan Owen**(up to 31 December 2022)
**Kif Hancock** (from 1 January 2023)
**Suzanne Avery**
**Nigel Timmins**

### NOMINATED BY THE ARCHBISHOPS OF CANTERBURY AND YORK

**Morag Ellis KC**
**Busola Sodeinde**
**Mark Woolley** (up to 31 March 2023)
**Dame Kate Barker** (from 1 April 2023)

### NOMINATED BY THE ARCHBISHOPS OF CANTERBURY AND YORK

After consultation with others including the Lord Mayors of the Cities of London and York and the Vice Chancellors of Oxford and Cambridge Universities

**Poppy Allonby** (up to 30 September 2022)
**Remi Olu-Pitan** (from 1 October 2022)
**Helen Steers**
**Jenny Buck** (from 1 January 2023)

### State office-holders

**First Lord of the Treasury**
**Lord President of the Council**
**Lord Chancellor**
**Secretary of State for Digital, Culture, Media & Sport**
**Speaker of the House of Commons**
**Speaker of the House of Lords**

*Parliament remains highly engaged with the work of the Church of England. This year the areas relating to the Church Commissioners which Members of Parliament have most frequently asked questions about related to the stewardship of the rural estate, management of the strategic land portfolio, forestry management and the sustainability of parishes and Cathedrals.*



**ANDREW SELOUS MP, SECOND CHURCH ESTATES COMMISSIONER**

Secretary to the Church Commissioners' Board of Governors:
Gareth Mostyn

### Assets Committee

Subject to any general rules made by the Board, has an exclusive power and duty to act in all matters relating to the management of the Commissioners' assets

Alan Smith, Chair
The Revd Christopher Smith
Bishop of Salisbury, Stephen Lake (from 24 November 2022)
Canon Peter Bruinvels
Poppy Allonby (up to 30 September 2022)
Remi Olu-Pitan (from 1 October 2022)
Suzanne Avery
Helen Steers
Duncan Owen (up to 31 December 2022)
Kif Hanock (from 1 January 2023)
Mark Woolley (up to 31 March 2023)
Dame Kate Barker (from 1 April 2023)
Gareth Mostyn (Committee Secretary)

### Audit and Risk Committee

Acts in matters relating to the external auditors, the annual accounts and internal control systems

Hilary Wild, Chair
Busola Sodeinde
George Stylianides (from 28 April 2022)
Dave Jennings (from 28 April 2022)
Jay Greene
Emma Upstone
Muir Laurie (Committee Secretary)

### Bishoprics and Cathedrals Committee

Acts for the Board in matters relating to episcopal and cathedral support

The Revd Canon Flora Winfield, Chair
Bishop of Bristol, Vivienne Faull
Bishop of Manchester, David Walker
Dean of Ely, Mark Bonney*
Dean of Gloucester, Stephen Lake (up to 31 March 2022)
Dean of Manchester, Rogers Govender (from 1 May 2022)
Dean of Guernsey, Tim Barker
The Revd Canon Jennifer Thomas
Jacob Vince
Canon Elizabeth (Betty) Renshaw MBE
Ruth Mounstephen – Representative of Bishops' spouses
Kathryn Blacker – Representative for Association of English Cathedrals and Cathedral Administration and Finance Association (up to 31 December 2022)
Anna Pitt – Representative for Association of English Cathedrals and Cathedrals Administration and Finance Association (from 1 January 2023)
Michael Minta (Committee Secretary)
* Deputy Chair

### Mission, Pastoral and Church Property Committee

Acts for the Board in matters relating to pastoral reorganisation, parsonages and diocesan glebe, and matters relating to the future of church buildings closed for regular public worship

The Revd Canon Dr Flora Winfield, Chair
Bishop of Jarrow, Sarah Clark (from 20 September 2022)
Bishop of Norwich, Graham Usher
The Ven Simon Fisher
The Revd Canon Clare MacLaren
The Revd Christopher Smith
The Revd Anne Stevens
The Ven Amatu Christian-Iwuagwu
The Revd Stephen Trott
Canon Peter Bruinvels*
Morag Ellis KC
Jay Greene
Canon Shane Waddle
Garth Watkins
Mark Beard
Wendy Matthews (Committee Secretary)
* Deputy Chair

## PROFESSIONAL ADVISERS

**Bankers:**
Lloyds Bank plc
39 Threadneedle Street
London EC2R 8AU

**Custodians:**
JP Morgan Chase Bank N.A.
25 Bank Street
Canary Wharf London E14 5JP

**Auditor:**
Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

**Actuaries:**
Hymans Robertson LLP
One London Wall
London EC2Y 5EA

# ATTENDANCE AT MEETINGS

*The table below gives details of the meetings attended by governors and non-Commissioner committee members.*

| | BOARD | ASSETS | AUDIT AND RISK | BISHOPRICS AND CATHEDRALS | MISSION, PASTORAL AND CHURCH PROPERTY |
|---|---|---|---|---|---|
| Number of Meetings | 5 | 5 | 4 | 7 | 8 |
| Archbishop of Canterbury, **Justin Welby** | The Archbishop of Canterbury chairs the Annual General Meeting. By arrangement he does not typically attend meetings of the Board of Governors. The Bishop of Manchester is the Archbishop's appointed deputy | | | | |
| Archbishop of York, **Stephen Cottrell** | 3 | | | | |
| First Church Estates Commissioner, **Alan Smith** | 5 | 5 | | | |
| Second Church Estates Commissioner, **Andrew Selous** | 5 | 3 | | | |
| Third Church Estates Commissioner, **Flora Winfield** | 5 | | | 6 | 6 |
| Bishop of Birmingham, **David Urquhart** (Until 18 October 2022) | 4 | 4 | | | |
| Bishop of Bristol, **Vivienne Faull** | 3 | | | 6 | |
| Bishop of Liverpool, **Paul Bayes** | | | | | 1 |
| Bishop of Manchester, **David Walker** | 4 | | | 5 | |
| Bishop of Norwich, **Graham Usher** | 5 | | | | 5 |
| Dean of Gloucester, **Stephen Lake** (up to 31 March 2022) | 1 | | | | |
| Dean of Ely, **Mark Bonney** | 4 | | | 7 | |
| Dean of Guernsey, **Tim Barker** | | | | 7 | |
| Dean of Manchester, **Rogers Govender** (from 1 May 2022) | 2 | | | 4 | |

| | BOARD | ASSETS | AUDIT AND RISK | BISHOPRICS AND CATHEDRALS | MISSION, PASTORAL AND CHURCH PROPERTY |
|---|---|---|---|---|---|
| The Revd **Christopher Smith** | 5 | 5 | | | 8 |
| The Revd **Stephen Trott** | 4 | | | | 5 |
| Canon **Peter Bruinvels** | 5 | 5 | | | 7 |
| Canon **Elizabeth (Betty) Renshaw** | 3 | | | 5 | |
| **Poppy Allonby** (Until 30 September 2022) | 4 | 3 | | | |
| **Suzanne Avery** | 5 | 3 | | | |
| **Kathryn Blacker** | | | | 6 | |
| **Mark Beard** | | | | | 7 |
| **Morag Ellis** KC | 3 | | | | 5 |
| **Jay Greene** | 5 | | 4 | | 6 |
| Canon **Amatu Christian-Iwuagwu** | | | | | 5 |
| **Dave Jennings** | | | 3 | | |
| The Revd Canon **Clare MacLaren** | | | | | 4 |
| **Ruth Mounstephen** | 5 | | | 6 | |
| **Remi Olu-Pitan** (from 1 October 2022) | 1 | 1 | | | |
| **Duncan Owen** | 5 | 4 | | | |
| **Busola Sodeinde** | 4 | | 4 | | |
| **Helen Steers** | 4 | 4 | | | |
| **The Revd Anne Stevens** | 3 | | | | 8 |
| **George Stylianides** | | | 3 | | |
| **Jennifer Thomas** | | | | 7 | |
| **Nigel Timmins** | 5 | | | | |
| **Emma Upstone** | | | 4 | | |
| **Jacob Vince** | 3 | | | 6 | |
| **Canon Shane Waddle** | | | | | 7 |
| **Garth Watkins** | | | | | 8 |
| **Hilary Wild*** | 5 | | 4 | | |
| **Mark Woolley** | 5 | 5 | | | |

**Chair of Audit and Risk Committee; attends Board meetings but is not a member of the Board. A member of the Audit Committee attends every Assets Committee as an observer.*

# TRUSTEE RESPONSIBILITIES

*The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.*

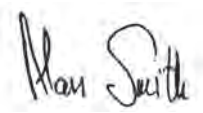
## TRUSTEE RESPONSIBILITY STATEMENT

The Charities Act 2011 requires the trustees to prepare financial statements for each financial year. The trustees have to prepare the financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The trustees must not approve the financial statements unless they are satisfied that they 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, including the income and expenditure, 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 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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 group will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity and the group's transactions and disclose with reasonable accuracy at any time the financial position of the charity and the group; and enable them to ensure that the financial statements comply with the Charities Act 2011, the Church Commissioners Measure 1947, and the Charity (Accounts and Reports) Regulations 2008. 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.

Signed on behalf of the Board by:



**Alan Smith**
First Church Estates Commissioner
28 April 2023

# MONEY AVAILABLE RESOLUTION

*Money available resolution and summary of the independent actuaries' report*

## INTRODUCTION

As required by the Church Commissioners Measure 1947 (as amended), at the 2023 Annual General Meeting of the Commissioners, the Board of Governors will recommend that the meeting: (i) receives the Annual Report and Financial Statements; (ii) considers a revised recommendation on the planned allocation of money available for distribution in 2023–25, based on the forecast of sums that can be made available for distribution in each year of that triennium; and (iii) provides a forecast of the sums that it is hoped can be made available in each year of the following two triennia 2026–31, subject to the outcome of future triennial reviews.

## MONEY AVAILABLE RESOLUTION

At its meeting on 23 March 2023 the Assets Committee, having received updated advice from its actuarial advisors Hymans Robertson LLP (as required by the Church of England Pensions Measure 2018) which is summarised below, resolved to inform the Board that the Commissioners' expenditure plans can be made on the assumption that the following revised sums can be made available for distribution in total across 2023–25:

- Up to £440m for historical distributions.
- Up to £426m for core (in-perpetuity) distributions.
- Up to £177m for transformational time limited distributions.
- Up to £226m for strategic on-going distributions.

## SUMMARY OF THE REPORT FROM THE INDEPENDENT ACTUARIES

The Commissioners hold assets ("the assets") from which they pay pensions to retired clergy and other licensed ministers ("the pensions obligation") and staff ("the pensions liability"), and provide money to support the mission and ministry of bishops, cathedrals and parishes and for other purposes ("the distribution").

The distribution is affected by the extent of the pensions obligation and pensions liability. In order to assist the Commissioners in formulating the distribution policy, we carry out a detailed review from time to time.

Our most recent detailed review was carried out as at 31 December 2021 and we carried out an annual update of this review as at 31 December 2022. The review involved calculating the capital value (also known as the present value) of the following areas of future expenditure from the assets, according to their term:

- Historical distributions mainly comprising an allowance to enable the Commissioners to meet their historical pensions obligation and pensions liability. As the pensions are payable throughout the lifetimes of the pensioners, the term of this area of expenditure is longevity related and not known in advance. We therefore make assumptions of future life expectancy to calculate the capital value of the pensions obligation and pensions liability.
- Planned core (in-perpetuity) distributions, for example the grants to support bishops' and cathedrals' ministry, sub-divided into separate elements with appropriate rates of planned annual increases.
- Planned or previously agreed distributions which have a fixed term.

Having calculated the capital values of the areas of expenditure, we compare the total with the value of the assets held, to assess if the planned distributions are sustainable. If the assets exceed the aggregate of the above distributions, as they did in our most recent full review, we also calculate the level of on-going distributions that could be afforded in perpetuity on our central assumptions. This is reflected in the numbers set out above.

Many occupational pension schemes have actuarial valuations performed using significant margins for prudence. This is done so that the scheme has a funding buffer should future events prove unfavourable, in particular if the pension scheme's sponsoring employer becomes insolvent. In contrast, our calculations for the Commissioners are made on a "best estimate basis" and do not include such margins of prudence. We consider that such margins are not required, as the assets are significantly larger than the pensions obligation and pensions liability, and no further margin is necessary. Moreover, if margins were to be included, this would restrict the level of other distributions, with the expectation that they are likely to be increased at some point in the future by more than the planned increases. This would lead to inter-generational inequity, with the future recipients of the distribution receiving more in real terms at the expense of current recipients.

It should be noted that the distribution which the assets can support – and in particular the fund's capacity for strategic on-going distributions – is extremely sensitive to a number of factors. These include the actual investment returns on the assets, the assumed average future investment return, actual increases in the national minimum stipend (on which the starting level of clergy pension is based) and inflation (which determines increases in pensions in payment) and the actual and prospective longevity of pensioners.

In summary, the overall conclusion of our calculations was that the package of distributions proposed for the 2023-25 triennium are deemed affordable on our best estimate assumptions. The affordability of this package of distributions should be re-examined in detail at the next triennial review as at 31 December 2024 and also on an approximate basis at the interim assessment as at 31 December 2023.

Recognising the high level of volatility in the sum available for strategic ongoing distributions, we continue to advise that the Commissioners should pay a significant proportion of such distributions in a form that will automatically cease, or can be stopped within a reasonably short timescale, if any future actuarial review determines that such distributions are no longer affordable.

**Alec Day FIA**
**Peter Carver FIA CERA**
For and on behalf of Hymans Robertson LLP
April 2023

# INDEPENDENT AUDITOR'S REPORT



St Hubert's, Finchdean, Diocese of Portsmouth

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

## OPINION

**Our opinion on the financial statements is unmodified**

We have audited the financial statements of The Church Commissioners for England (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2022, which comprise the consolidated and Commissioners statements of financial activities, the consolidated and Commissioners balance sheets, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent charity's affairs as at 31 December 2022 and of the group's and the parent charity's incoming resources and application of resources, including the group's and the parent charity's income and expenditure 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 Act 2011.

## BASIS FOR OPINION

We have been appointed as auditor under sections 151 of the Charities Act 2011. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the parent charity and group in accordance with the ethical requirements that are relevant to our audit of the parent charity and group financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## CONCLUSIONS RELATING TO GOING CONCERN

We are responsible for concluding on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent charity and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the parent charity and group to cease to continue as a going concern.

Our evaluation of the trustees' assessment of the parent charity's and the group's ability to continue to adopt the going concern basis of accounting included:

- Evaluation and challenge of the independent actuarial report provided by Hymans Robertson LLP on the affordability in perpetuity of the parent charity's planned distributions. The report covers the spending plans for the next three-year period (the "triennium") and updated annually to ensure that the spending plans for the current and next triennium remain affordable;
- Evaluation of the liquidity of the parent charity and the group by assessing the cash and liquid assets held by and the group to meet obligations in the 12 months from the date of signing of the report;
- Assessment of management's outlook of the business in light of the current economic climate;
- Assessment of the associated sensitivity analysis (including stress and scenario testing);
- Assessment of the accuracy of management forecasts prepared for prior periods against actual results.

In our evaluation of the trustees' conclusions, we considered the inherent risks associated with the parent charity and the group's business model including effects arising from macro-economic uncertainties such as the cost-of-living crisis and high cost of energy, we assessed and challenged the reasonableness of estimates made by the trustees and the related disclosures and analysed how those risks might affect the parent charity's and the group's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## OUR APPROACH TO THE AUDIT

**Overview of our audit approach**

***Overall materiality:***

**Group:** £135.8 million, which represents 1.5% of the group's net assets.

**Parent Charity:** £135.7 million, which represents 1.5% of the parent charity's net assets.

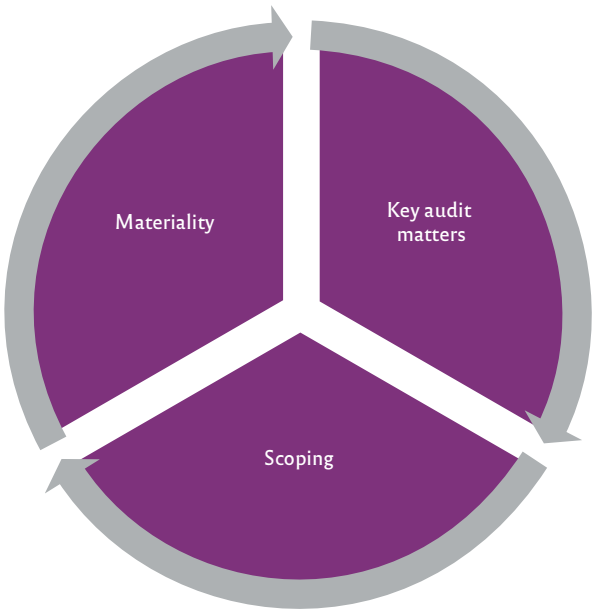
***Key audit matters for the parent charity and group were identified as:***

- Valuation and existence of unlisted Investment Securities (same as previous year); and
- Valuation and existence of Investment Properties (same as previous year).

We performed an audit of the financial information of the component using component materiality of the financial statements of the parent charity and all non-dormant UK subsidiaries.

Changes were made to the scope of the audit in the current year following a change in risk factors associated with each financial statement line item. The engagement team increased the inherent risk of the following line items from normal, in the prior year, to elevated with significant risk of material misstatement due to error in the current year:

- Valuation of Investments – Timberland investment;
- Completeness, Accuracy and Valuation of Defined benefit pension schemes; and
- Completeness, Accuracy and Valuation of Clergy pension obligation.

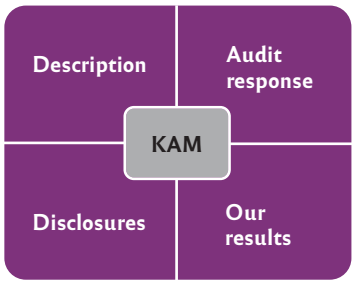


# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

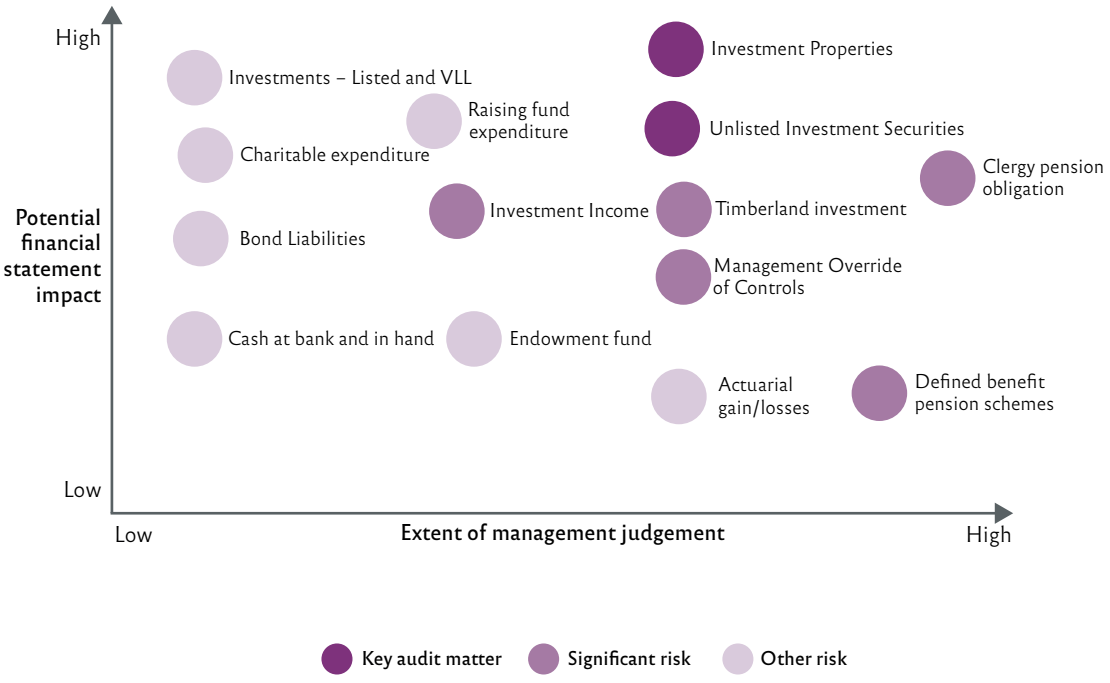
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## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the parent charity and group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.




In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



| Key Audit Matter | How our scope addressed the matter |
|---|---|
| **Valuation and existence of unlisted Investment Securities**<br><br>We identified valuation and existence of unlisted Investment Securities as one of the most significant assessed risks of material misstatement due to error.<br><br>The investment security portfolio consists of different types of securities, including listed and unlisted investments.<br><br>The Group has a number of unlisted securities which include private equity, private credit and venture capital, whereby management rely on valuations by third-party investment managers. There is a risk that these valuations may be materially misstated given these funds are valued by reference to the estimated net asset values or final net asset values received from the fund managers at year end.<br><br>Unlisted investments including unlisted securities at £4,343.9 million (2021: £3,803.5 million), indirect property at £123.5 million (2021: £110.7 million), indirect timberland at £67.4 million (2021: £54.1 million), and infrastructure at £167 million (2021: £130.9 million). | **In responding to the key audit matter, we performed the following audit procedures:**<br><br>❋ Performed enquiries of management to understand the controls and procedures in place to ensure appropriate recording and valuation of unlisted investments, indirect property and indirect timberland.<br><br>❋ Evaluated the design and implementation of relevant controls and identified any significant control deficiencies that came to our attention during the review.<br><br>❋ Understood management's procedures for recording transactions relating to the unlisted investment and indirect property by:<br><br>– Obtaining the latest available audited financial statements for a sample of investment holdings and reviewing for any information which may affect the fair value.<br><br>– On a sample basis, assessed the appropriateness and completeness of valuation overrides.<br><br>– Establishing how management determines the relevance and accuracy of the statements.<br><br>– For the samples selected, we agreed the amounts recorded to the corresponding distribution notices.<br><br>❋ On a sample basis, obtained independent confirmations from the investment managers for investment holdings at the year end to confirm existence.<br><br>❋ On a sample basis, obtained direct confirmation of the year-end valuation from the investment manager and corroborated this to available financial information such as latest audited financial statements, adjusted for any cashflows, to assess the reasonableness of the year-end valuation.<br><br>❋ In the absence of a year-end valuation for a selected sample, we obtained the latest valuation and cash-flow movements since the last valuation date to the year-end date to establish an estimated valuation as at year end.<br><br>❋ Obtained the latest set of audited financial statements to verify the accuracy of the estimates by comparing the net asset value ('NAV') on the unaudited capital/ valuation statements to the audited financial statements net assets.<br><br>❋ Obtained capital valuation statements as at the time of the last financial statements.<br><br>❋ Obtained the outstanding commitments at year end and compared to the latest capital statement available.<br><br>❋ To ensure the appropriate classification of distribution as either income or capital, we have obtained confirmation on a sample basis. For the samples selected, we agreed the amount and the classification of the distribution from the investment confirmation to the recorded amounts and classifications. |
| **Relevant disclosures in the Trustees' Annual Report and Accounts 2022**<br><br>Financial statements: note 1, Accounting policies and note 2, Investments | **Our results**<br><br>Our testing did not identify material misstatements in the valuation and existence of unlisted Investment Securities as at the year-end date. |

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

continued

| Key Audit Matter | How our scope addressed the matter |
|---|---|
| **Valuation and existence of Investment Properties**<br>We identified valuation and existence of Investment Properties as one of the most significant assessed risks of material misstatement due to error.<br>The Investment Property portfolio consists of different types of property, including direct and indirect investment property.<br>The investment property portfolio (including strategic land, residential, commercial and rural) requires significant judgements applied in selecting appropriate valuation methods for the assets of the Commissioners which increases the risk that the valuation may be materially misstated.<br>Direct investment property amounts to £1,636.7 million (2021: £1,574.8 million) | **In responding to the key audit matter, we performed the following audit procedures:**<br>❋ Performed enquiries of management to understand the controls and procedures in place to ensure appropriate recording and valuation of investment properties.<br>❋ Evaluated the design and implementation of relevant controls and identified any significant control deficiencies that came to our attention during the review.<br>❋ We attended the investment properties valuation meetings to assess the operating effectiveness of management control and challenge of the valuation process. We placed reliance on the operating effectiveness of this control in our substantive testing<br>❋ Documented the attendance at property valuation meetings between the Commissioners and the valuation experts to ensure appropriate management challenge on the valuation of the properties. Judgements included in the valuations such as yields, projected income flows and hope value were challenged by management.<br>❋ Inspected either the external valuation reports or the cost model used in determining the valuation. We corroborated that the valuations had been prepared in line with the Royal Institution of Chartered Surveyors (RICS) guidelines.<br>❋ Assessed the external valuation experts' objectivity, competence and capability as management experts.<br>❋ Met with the external valuation experts to understand their methodologies and, where necessary, challenged their assumptions.<br>❋ Tested input data used in the valuations – for example, by reference to rental agreements (note this was separate to our rental income testing).<br>❋ Tested the mathematical accuracy of the valuations by performing a recalculation.<br>❋ Used the expertise of our internal valuation experts to assess the valuation methodologies used and the reasonableness of the assumed yields.<br>❋ Tested existence by obtaining trust deed confirmations.<br>❋ Where necessary obtained further comfort by comparing property sales prices against previous values reported by management valuation experts. |
| **Relevant disclosures in the Trustees' Annual Report**<br>Financial statements: Note 1, Accounting policies and Note 2, Investments | **Our results**<br>Our testing did not identify material misstatements in the valuation and existence of Investment Properties as at the year-end date. |

## OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

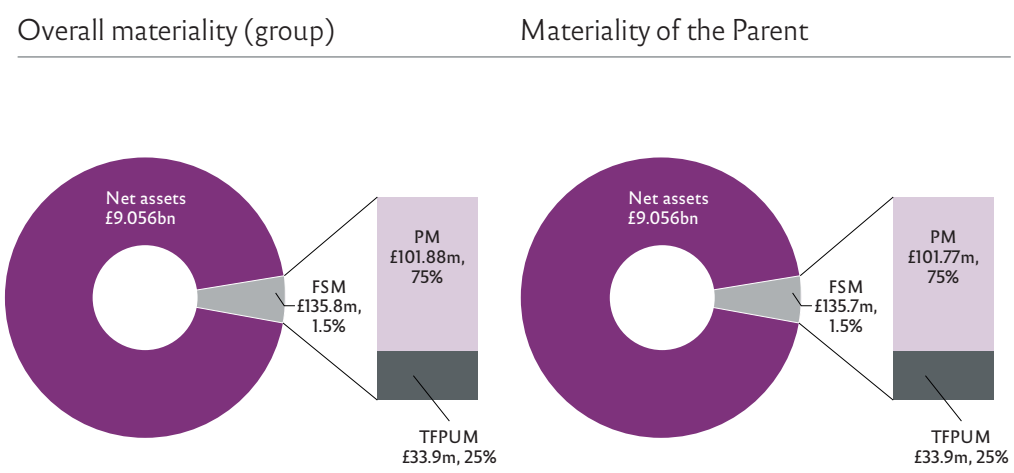
Materiality was determined as follows:

| Materiality measure | Parent charity and group |
|---|---|
| **Materiality for financial statements as a whole** | We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work. |
| Materiality threshold | Group: £135.8 million, which represents 1.5% of the group's net assets.<br>Parent charity: £135.7 million which represents 1.5% of the parent charity's net assets. |
| Significant judgements made by auditor in determining the materiality | In determining materiality, we made the following significant judgements:<br>Net assets are considered to be the key driver for the parent charity's and the group's performance; specifically, in terms of the need to maintain a critical mass for the charity to continue to meet its ongoing obligations.<br>We consider that a misstatement of 1.5% of the value of the parent charity's and group's NAV would have an impact on the investment and other decisions of management and Trustees and therefore using the same percentage for determining materiality is considered appropriate.<br>Parent charity and group materiality at 1.5% of net assets for the current year is lower than the 2% of net assets we determined for the year ended 31 December 2021. During the current year, the Church Commissioners became a public interest entity (PIE) following a bond issue on the London Stock Exchange and the reduction in determined materiality responds to the higher risk associated with the new PIE status. |
| **Performance materiality used to drive the extent of our testing** | We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. |
| Performance materiality threshold | Group: £101.88 million, which is 75% of financial statement materiality for the group.<br>Parent charity: £101.77 million which is 75% of financial statement materiality for the parent charity. |
| Significant judgements made by auditor in determining the performance materiality | In determining performance materiality, we made the following significant judgements:<br>We consider a threshold of 75% for performance materiality to be appropriate due to the low volume of unadjusted misstatements identified in the prior period audit, and the year-on-year consistency as regards the accounting system and associated controls. |
| **Specific materiality** | We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. |
| Specific materiality | We determined a lower level of specific materiality for the following areas:<br>❋ Charitable expenditure<br>❋ Raising funds expenditure<br>❋ Investment Income<br>❋ Related party transactions |
| **Communication of misstatements to the audit and risk committee** | We determine a threshold for reporting unadjusted differences to the audit and risk committee. |
| Threshold for communication | £6.8 million (group), £6.7 million (parent charity) and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. |

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

continued

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.




FSM: Financial statements materiality
PM: Performance materiality
TFPUM: Tolerance for potential uncorrected misstatements

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We performed a risk-based audit that requires an understanding of the parent charity and group's business and in particular matters related to:

**Understanding the group, its components, and their environments, including group-wide controls**

- Discussions held with management to understand key changes to the business and reinforce our understanding of the group's control environment and key risk areas;
- Obtaining an understanding of the design effectiveness of relevant controls related to the investment accounting and administration services by performing a review of the type I service auditor's report;
- Obtaining an understanding of relevant internal controls linked to the investment property valuation, including assessment of the design and operating effectiveness of one identified control;
- Obtaining an understanding of relevant controls associated with the listed/ unlisted investment securities, charitable expenditure, raising funds expenditure, cash at bank, related party transactions, journal entries and bond liabilities, including assessing the design effectiveness of identified relevant controls for each business process; and
- Obtaining an understanding of and evaluating controls concerning the day-to-day management of the group's investment portfolio and the custody of its investments, including where relevant the outsourced third-party service providers. This included performing walkthrough tests of each investment stream and, where appropriate, obtaining and reviewing internal controls reports prepared by third-party auditors.

**Identifying significant components**

The group audit team evaluated the identified components to assess their significance and determined the planned audit response based on a measure of materiality. Significance was determined as a percentage of the group's total assets and revenue.

**Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)**

- For each significant component of the audit, (the parent charity and its significant subsidiaries) the following approach was undertaken:
  - Performing substantive audit procedures on specific transactions, which included the existence and valuation of the unlisted investment securities and investment properties as described in the key audit matters section above, journal entries and individual material balances and disclosures. The extent of this was based on various factors such as our overall assessment of the control environment and our evaluation of the design and implementation of controls that address significant risk.
- For non-significant components, analytical procedures were performed at group level.

**Performance of our audit**

- We performed an audit of the financial information of the component using component materiality ('full-scope audit') for the parent charity and six subsidiaries, and analytical procedures for eleven subsidiaries with a percentage coverage of total net assets of 99%, as set out below.

| Audit approach | No. of components | % coverage Total assets | % coverage Total net assets |
|---|---|---|---|
| Full-scope audit | 7 | 100% | 99% |
| Analytical procedures | 11 | 0% | 1% |

- All the UK subsidiaries are in the same location as the parent charity, and we visited that location as part of our audit. Overseas subsidiaries are in USA and Australia and no visits were deemed necessary given no full scope audit performed.

**Changes in approach from previous period**

- Key significant changes were made to the scope of the audit in the current year following a change in risk factors associated with each financial statement line item. The engagement team increased the inherent risk of the following line items from normal, in the prior year, to elevated with significant risk of material misstatement due to error in the current year:
  - Valuation and existence of Timberland Investment – the inherent risk factors observed increased the risk due to the level of estimation uncertainty arising from the judgemental element of the valuation of the Investment in Timberland
  - Completeness, Accuracy and Valuation of Defined benefit pension schemes and the Completeness, Accuracy and Valuation of Clergy pension obligation – the inherent risk factors observed increased the risk due to the level of estimation uncertainty arising from the judgemental element of the measurement of the pension liabilities.
  - Completeness and accuracy of the bond liabilities, which was a new significant class of transactions in the year following the listing of bonds on the London Stock Exchange. This was not considered a significant risk.

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

continued

## OTHER INFORMATION

The other information comprises the information included in the Trustees' Annual Report and Accounts 2022 as set out on pages 1-66, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained with the Trustees' Annual Report and Accounts 2022. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report and Accounts 2022 is inconsistent in any material respect with the financial statements; or
- the parent charity has not kept sufficient accounting records; or
- the parent charity's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Trustee Responsibilities Statement on page 66, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent charity and group and industry in which it operates. We determined that the following laws and regulations were the most significant: the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008, 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland' (Charities SORP (FRS 102) (second edition – October 2019)), and Financial Reporting Standard 102.
- We enquired of management and the Audit and Risk Committee, concerning the Group's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit and Risk Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We corroborated the results of our enquiries to relevant supporting documentation such as minutes of the Audit and Risk committee and board meetings.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the group's operations, including the nature of its revenue sources, and of its objective and strategy to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
  - the group's control environment, including the policies and procedures implemented to comply with annual and financial reporting requirements.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the group engagement team included:
  - Determining completeness of journal entries and identifying and testing high-risk journal entries, in particular manual journal entries processed at the year end for financial statements preparation;
  - As per our risk assessment we maintained the presumed fraudulent revenue recognition risk defined by International Standard on Auditing (UK) 240 "The auditor's responsibilities relating to fraud in an audit of financial statements", because it is a significant balance in the financial statements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the group and parent charity operates; and
  - understanding of the legal and regulatory requirements specific to the parent charity and group including:
    - the provisions of the applicable legislation;
    - the regulators' rules and related guidance, including guidance issued by relevant authorities that interprets those rules;
    - the applicable statutory provisions.

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

continued

- The engagement team was not made aware of potential non-compliance with laws and regulations and fraud during internal meetings, which included the potential for fraud in revenue recognition, comprising the potential for fraud in charitable expenditure where grant making is incorrectly captured and the potential for the endowment fund recalculation not complying with the Order of Total Return.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the Audit and Risk committee, we were appointed by the trustees on 4 November 2022 to audit the financial statements for the year ending 31 December 2022. Our total uninterrupted period of engagement is 7 years, covering the years ending 31 December 2016 to 31 December 2022.

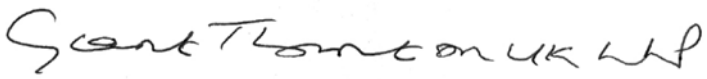
The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent charity and group and we remain independent of the group and the parent charity in conducting our audit.

We have been engaged by the parent charity to perform non-audit transaction related services in relation to the International Capital Market Association (ICMA) comfort letter on the two bonds issued in July 2022.

Our audit opinion is consistent with the additional report to the Audit and Risk committee.

## USE OF OUR REPORT

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008 and section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.



**Grant Thornton UK LLP**
Senior Statutory Auditor
Statutory Auditor, Chartered Accountants
London
28 April 2023

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006



Leicester
Cathedral

# CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2022

| | Notes | 2022 Other funds £m | 2022 Endowment £m | 2022 Total £m | 2021 Other funds £m | 2021 Endowment £m | 2021 Total £m |
|---|---|---|---|---|---|---|---|
| **Income from:** | | | | | | | |
| Donations and legacies | | 1.2 | – | 1.2 | 1.2 | – | 1.2 |
| Investments | 2 | – | 143.3 | 143.3 | – | 144.8 | 144.8 |
| Other income | | 3.9 | – | 3.9 | 2.1 | – | 2.1 |
| Transfer to income | 18 | 185.5 | (185.5) | – | 145.8 | (145.8) | – |
| **Total income** | | 190.6 | (42.2) | 148.4 | 149.1 | (1.0) | 148.1 |
| **Expenditure on:** | | | | | | | |
| Raising funds | 3 | (2.2) | (57.2) | (59.4) | (0.5) | (83.7) | (84.2) |
| Charitable activities | | | | | | | |
| Supporting dioceses and the local church | 4 | (117.2) | – | (117.2) | (86.8) | – | (86.8) |
| Bishops' and archbishops' ministry | 4 | (44.9) | – | (44.9) | (42.2) | – | (42.2) |
| Cathedrals' ministry | 4 | (14.3) | – | (14.3) | (12.3) | – | (12.3) |
| Other activities | 4 | (10.4) | – | (10.4) | (6.0) | – | (6.0) |
| Pre-1998 clergy pensions | 4, 16 | (1.4) | 70.7 | 69.3 | (1.3) | 6.4 | 5.1 |
| **Total charitable expenditure** | | (188.2) | 70.7 | (117.5) | (148.6) | 6.4 | (142.2) |
| **Total expenditure** | | (190.4) | 13.5 | (176.9) | (149.1) | (77.3) | (226.4) |
| **Total net income (expenditure) before investment gains** | | 0.2 | (28.7) | (28.5) | – | (78.3) | (78.3) |
| Gains on investment assets | 2(a) | – | 249.4 | 249.4 | – | 1,144.6 | 1,144.6 |
| Gains / (losses) on derivatives | | – | 139.2 | 139.2 | – | (1.9) | (1.9) |
| Gains / (losses) on foreign currency | | – | 24.5 | 24.5 | – | (0.2) | (0.2) |
| **Total net income before taxation** | | 0.2 | 384.4 | 384.6 | – | 1,064.2 | 1,064.2 |
| Current taxation | 10 | – | (2.8) | (2.8) | – | – | – |
| Deferred taxation | 10 | – | (0.7) | (0.7) | – | (0.5) | (0.5) |
| **Total net income after taxation** | | 0.2 | 380.9 | 381.1 | – | 1,063.7 | 1,063.7 |
| **Other recognised gains and losses** | | | | | | | |
| Actuarial gains on defined benefit pension schemes (staff pre 2000) | 17 | – | 30.0 | 30.0 | – | 9.4 | 9.4 |
| **Total other recognised gains and losses** | | – | 30.0 | 30.0 | – | 9.4 | 9.4 |
| **Net movement in funds** | | 0.2 | 410.9 | 411.1 | – | 1,073.1 | 1,073.1 |
| **Reconciliation of funds:** | | | | | | | |
| Total funds brought forward | | 0.1 | 8,645.6 | 8,645.7 | 0.1 | 7,572.5 | 7,572.6 |
| **Total funds carried forward** | | 0.3 | 9,056.5 | 9,056.8 | 0.1 | 8,645.6 | 8,645.7 |

The income, expenditure and other recognised gains and losses all relate to continuing operations, none of which were acquired during the year.

The breakdown of other funds are shown in note 18.

# COMMISSIONERS' STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2022

| | Notes | 2022 Other funds £m | 2022 Endowment £m | 2022 Total £m | 2021 Other funds £m | 2021 Endowment £m | 2021 Total £m |
|---|---|---|---|---|---|---|---|
| **Income from:** | | | | | | | |
| Donations and legacies | | 1.2 | 118.1 | 119.3 | 1.2 | 84.1 | 85.3 |
| Investments | | – | 110.0 | 110.0 | – | 130.2 | 130.2 |
| Other income | | 1.7 | – | 1.7 | 1.6 | – | 1.6 |
| Transfer to income | 18 | 185.5 | (185.5) | – | 145.8 | (145.8) | – |
| **Total income** | | 188.4 | 42.6 | 231.0 | 148.6 | 68.5 | 217.1 |
| **Expenditure on:** | | | | | | | |
| Raising funds | | – | (54.0) | (54.0) | – | (81.0) | (81.0) |
| Charitable activities | | | | | | | |
| Supporting dioceses and the local church | 4 | (117.2) | – | (117.2) | (86.8) | – | (86.8) |
| Bishops' and archbishops' ministry | 4 | (44.9) | – | (44.9) | (42.2) | – | (42.2) |
| Cathedrals' ministry | 4 | (14.3) | – | (14.3) | (12.3) | – | (12.3) |
| Other activities | 4 | (10.4) | – | (10.4) | (6.0) | – | (6.0) |
| Pre-1998 clergy pensions | 4, 16 | (1.4) | 70.7 | 69.3 | (1.3) | 6.4 | 5.1 |
| **Total charitable expenditure** | | (188.2) | 70.7 | (117.5) | (148.6) | 6.4 | (142.2) |
| **Total expenditure** | | (188.2) | 16.7 | (171.5) | (148.6) | (74.6) | (223.2) |
| **Total net income (expenditure) before investment gains** | | 0.2 | 59.3 | 59.5 | – | (6.1) | (6.1) |
| Gains on investment assets | 2(a) | – | 147.5 | 147.5 | – | 1,075.3 | 1,075.3 |
| Gains / (losses) on derivatives | 10 | – | 139.2 | 139.2 | – | (1.9) | (1.9) |
| Gains / (losses) on foreign currency | 10 | – | 35.3 | 35.3 | – | (3.1) | (3.1) |
| **Total net income before taxation** | | 0.2 | 381.3 | 381.5 | – | 1,064.2 | 1,064.2 |
| Current taxation | | – | 0.2 | 0.2 | – | – | – |
| Deferred taxation | | – | (0.6) | (0.6) | – | (0.5) | (0.5) |
| **Total net income after taxation** | | 0.2 | 380.9 | 381.1 | – | 1,063.7 | 1,063.7 |
| **Other recognised gains and losses** | | | | | | | |
| Actuarial gains on defined benefit pension schemes (staff pre 2000) | 17 | – | 30.0 | 30.0 | – | 9.4 | 9.4 |
| **Total other recognised gains and losses** | | – | 30.0 | 30.0 | – | 9.4 | 9.4 |
| **Net movement in funds** | | 0.2 | 410.9 | 411.1 | – | 1,073.1 | 1,073.1 |
| **Reconciliation of funds:** | | | | | | | |
| Total funds brought forward | | 0.1 | 8,645.6 | 8,645.7 | 0.1 | 7,572.5 | 7,572.6 |
| **Total funds carried forward** | | 0.3 | 9,056.5 | 9,056.8 | 0.1 | 8,645.6 | 8,645.7 |

The income, expenditure and other recognised gains and losses all relate to continuing operations, none of which were acquired during the year.

The breakdown of other funds are shown in note 18.

# BALANCE SHEETS
As at 31 December 2022

| | Notes | Consolidated 2022 £m | Consolidated 2021 £m | Commissioners 2022 £m | Commissioners 2021 £m |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 11 | **120.5** | 121.6 | **119.8** | 120.9 |
| Heritage assets | 12 | **3.5** | 3.5 | **3.5** | 3.5 |
| Investments | 2 | **9,671.9** | 9,152.4 | **8,950.0** | 8,541.2 |
| **Total fixed assets** | | **9,795.9** | 9,277.5 | **9,073.3** | 8,665.6 |
| **Current assets** | | | | | |
| Debtors | 13 | **264.1** | 84.0 | **1,007.7** | 714.3 |
| Current asset investments | | **590.3** | 307.5 | **590.3** | 307.5 |
| Cash and cash equivalents | | **422.2** | 683.4 | **418.3** | 679.3 |
| **Total current assets** | | **1,276.6** | 1,074.9 | **2,016.3** | 1,701.1 |
| **Liabilities** | | | | | |
| Creditors: amounts falling due within one year | 14 | **(132.7)** | (132.7) | **(149.8)** | (147.0) |
| **Net current assets** | | **1,143.9** | 942.2 | **1,866.5** | 1,554.1 |
| **Total assets less current liabilities** | | **10,939.8** | 10,219.7 | **10,939.8** | 10,219.7 |
| Creditors: amounts falling due after one year | 15 | **(629.5)** | (98.5) | **(629.5)** | (98.5) |
| **Provisions** | | | | | |
| Deferred tax liability | | **(2.7)** | (2.0) | **(2.7)** | (2.0) |
| Clergy pre-1998 pension obligation: | | | | | |
| Expected to fall due within one year | | **(83.9)** | (118.4) | **(83.9)** | (118.4) |
| Expected to fall due after one year | | **(1,083.0)** | (1,236.3) | **(1,083.0)** | (1,236.3) |
| **Total clergy pre-1998 pension obligation** | 16 | **(1,166.9)** | (1,354.7) | **(1,166.9)** | (1,354.7) |
| **Net assets excluding pension scheme liabilities** | | **9,140.7** | 8,764.5 | **9,140.7** | 8,764.5 |
| Defined benefit pension scheme liabilities | 17 | **(83.9)** | (118.8) | **(83.9)** | (118.8) |
| **Total net assets** | | **9,056.8** | 8,645.7 | **9,056.8** | 8,645.7 |
| **Funds of the charity** | | | | | |
| Endowment funds | | **9,140.4** | 8,764.4 | **9,140.4** | 8,764.4 |
| Pension reserves | 17 | **(83.9)** | (118.8) | **(83.9)** | (118.8) |
| Unrestricted funds: | | | | | |
| Designated funds | | **–** | – | **–** | – |
| General funds | | **–** | – | **–** | – |
| Restricted funds | | **0.3** | 0.1 | **0.3** | 0.1 |
| **Total charity funds** | 18 | **9,056.8** | 8,645.7 | **9,056.8** | 8,645.7 |

By order of the Board



**Alan Smith**
First Church Estates Commissioner

28 April 2023

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

## Cash flow statement

| | Notes | 2022 £m | 2021 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | **(526.9)** | (271.0) |
| Cash paid from endowment capital for pre-1998 clergy pensions | 16 | **(117.1)** | (116.1) |
| **Net cash used in operating activities** | | **(644.0)** | (387.1) |
| **Cash flows from investing activities** | | | |
| Income from investments | | **144.3** | 139.6 |
| Expenditure on raising funds paid from endowment capital | 3 | **(57.2)** | (83.7) |
| Tangible assets: proceeds from sale | 11 | **0.2** | 0.4 |
| Investments: additions | 2 | **(3,673.8)** | (3,790.5) |
| Investments: sale proceeds | 2 | **3,403.7** | 3,809.9 |
| **Net cash used in investing activities** | | **(182.8)** | 75.7 |
| **Cash flows from financing activities** | | | |
| 3.250% Sustainability Bonds (2032) – proceeds from issue | | **249.2** | – |
| 3.250% Sustainability Bonds (2032) – Bond Issue costs | | **(1.3)** | – |
| 3.625% Bonds (2052) – proceeds from issue | | **295.0** | – |
| 3.625% Bonds (2052) – Bond Issue costs | | **(1.8)** | – |
| **Net cash provided by financing activities** | | **541.1** | – |
| **Change in cash and cash equivalents in the year** | | **(285.7)** | (311.4) |
| **Reconciliation of cash and cash equivalents** | | | |
| Cash and cash equivalents at the start of the year | | **683.4** | 995.0 |
| Change in cash and cash equivalents in the year | | **(285.7)** | (311.4) |
| Change in cash due to exchange rate movements | | **24.5** | (0.2) |
| **Cash and cash equivalents at the end of the year** | | **422.2** | 683.4 |
| **Cash and cash equivalents consist of:** | | | |
| Cash at bank | | **98.2** | 65.9 |
| Money Market Funds | | **324.0** | 617.5 |
| **Cash and cash equivalents at the end of the year** | | **422.2** | 683.4 |

## Analysis of changes in net debt

| | At 1 January £m | Cashflows £m | Non-cash changes £m | At 31 December £m |
|---|---|---|---|---|
| Cash and cash equivalents | 683.4 | (261.2) | – | **422.2** |
| **Total cash and cash equivalents** | 683.4 | (261.2) | – | **422.2** |
| 3.250% Sustainability Bonds (2032) | – | (247.9) | (0.1) | **(248.0)** |
| 3.625% Bonds (2052) | – | (293.2) | (0.1) | **(293.3)** |
| **Total net debt** | – | (802.3) | (0.2) | **(119.1)** |

Non-cash movements represent adjustments in relation to the amortisation of bond issue costs and discount on issuance. See note 15 for further details.

# CONSOLIDATED CASH FLOW STATEMENT continued

**For the year ended 31 December 2022**

## Reconciliation of net income to net cash flows from operating activities

| | Notes | 2022 £m | 2021 £m |
|---|---|---|---|
| Net income for the year | | **381.1** | 1,063.7 |
| Adjustments for: | | | |
| Depreciation | 11 | **0.9** | 0.9 |
| Expenditure on raising funds paid from endowment capital | 3 | **57.2** | 83.7 |
| Expenditure on charitable activities paid from endowment capital | 6 | **(70.7)** | (6.4) |
| Income from investments | 2 | **(143.3)** | (144.8) |
| Gains on investments | 2 | **(249.4)** | (1,144.6) |
| (Gains) / losses on foreign currency | | **(24.5)** | 0.2 |
| Amortisation of bond issue costs | 15 | **0.2** | – |
| Movement in current asset investments | | **(282.8)** | (181.2) |
| Movement in debtors, excluding accrued investment income | 13 | **(181.1)** | 58.9 |
| Movement in creditors | 14,15 | **(10.3)** | 3.7 |
| Movement in deferred tax provision | | **0.7** | 0.5 |
| Pension reserve adjustment to net income | 17 | **(4.9)** | (5.6) |
| Net cash used in operating activities | | **(526.9)** | (271.0) |

# NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 31 December 2022**

## 1. ACCOUNTING POLICIES

### (a) Legal status
The Church Commissioners for England ("the Commissioners") are a statutory body established by the Church Commissioners Measure 1947 (as amended) and has been regulated by the Charity Commission since registration on 27 January 2011.

### (b) Basis of preparation
The consolidated and charity financial information has been prepared in accordance with:
- Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102");
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ("the SORP"); and
- the Charities Act 2011.

The Commissioners meet the definition of a Public Benefit Entity ("PBE") and therefore apply the PBE prefixed paragraphs in FRS 102. The financial information has been prepared on the historical cost basis (except for the revaluation of investments) and on the accruals basis. A summary of the accounting policies, which have been applied consistently across the group, is set out below. The Commissioners adopt a total return approach to investments. Note 18 explains how the unapplied total return and the use thereof is calculated. The Commissioners have presented a consolidated cash flow statement and have taken advantage of the exemption within FRS 102 from presenting a cash flow statement for the Commissioners only.

The functional currency of the Commissioners is considered to be pounds sterling because that is the currency of the primary economic environment in which the Commissioners operate. The consolidated Financial Statements are presented in pounds sterling. The numbers included within the Financial Statements are presented in millions, rounded to one decimal point.

### (c) Significant judgements and estimates
***Key judgements in applying the accounting policies***
The preparation of the financial statements includes the following key judgements in applying the accounting policies which would have the most significant effect on the amounts recognised:
- **Carrying value of investment assets and tangible fixed assets** – judgement is applied in selecting appropriate valuation methods for the assets of the Commissioners. The carrying values for each class of fixed asset are set out below. The accounting policies describe the valuation method applied for each class of asset, and the further disclosure notes provide breakdowns of the relevant asset classes.

| | Accounting policy | Further details | Consolidated 2022 £m | Consolidated 2021 £m | Commissioners 2022 £m | Commissioners 2021 £m |
|---|---|---|---|---|---|---|
| Fixed assets | | | | | | |
| Tangible assets | 1(j) | 11 | **120.5** | 121.6 | **119.8** | 120.9 |
| Heritage assets | 1(k) | 12 | **3.5** | 3.5 | **3.5** | 3.5 |
| Investments | 1(l) | 2 | **9,671.9** | 9,152.4 | **8,950.0** | 8,541.2 |
| Total fixed assets | | | **9,795.9** | 9,277.5 | **9,073.3** | 8,665.6 |

# NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

## 1. ACCOUNTING POLICIES continued
### (c) Significant judgements and estimates continued
*Key judgements in applying the accounting policies continued*

- **Value of creditors due after more than one year** – a judgement is made in respect of the appropriate discount rate to use when discounting long-term grant creditor balances to present value. The discount rate used is derived from the Bank of England's base rate spot curve data over the forecast maturity profile of the grants. The rates applied at the end of 2022 were between 4.0% and 4.4%, compared to 0.787% and 1.1% at the end of 2021. The resulting carrying values are set out below. If the discount rate were to increase by 0.25%, the value of creditors would decrease by £708,000.

| | Accounting policy | Further details | Consolidated 2022 £m | Consolidated 2021 £m | Commissioners 2022 £m | Commissioners 2021 £m |
|---|---|---|---|---|---|---|
| Grants payable | 1(g) | 15 | 99.5 | 101.7 | 99.5 | 101.7 |
| Discounting adjustment | 1(g) | 15 | (11.3) | (3.2) | (11.3) | (3.2) |
| **Total Grants payable** | | | 88.2 | 98.5 | 88.2 | 98.5 |

*Key accounting estimates and assumptions*

The preparation of the financial statements includes the use of estimates and assumptions. The accounting estimates which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:

- **Clergy pension obligation** – estimations are made in the valuation of the pre-1998 Clergy pensions obligation which is based on an actuarial assessment carried out by independent qualified actuaries. The carrying value is set out below, and the assumptions and estimates employed in the valuation are set out in note 16.

| | Accounting policy | Further details | Consolidated and Commissioners 2022 £m | Consolidated and Commissioners 2021 £m |
|---|---|---|---|---|
| Expected to fall due within one year | 1(h) | 16 | (83.9) | (118.4) |
| Expected to fall due after one year | 1(h) | 16 | (1,083.0) | (1,236.3) |
| **Clergy pre-1998 pension obligation:** | | | 1,166.9 | 1,354.7 |

- **Pension liabilities** – estimations are made in the valuation of the Commissioners' defined benefit pension liabilities, which are undertaken by independent qualified actuaries. The carrying value is set out below, and the assumptions and estimates employed in the valuation are set out in note 17.

| | Accounting policy | Further details | Consolidated and Commissioners 2022 £m | Consolidated and Commissioners 2021 £m |
|---|---|---|---|---|
| Defined benefit pension scheme liabilities | 1(i) | 17 | (83.9) | (118.8) |
| **Defined benefit pension scheme liabilities** | | | (83.9) | (118.8) |

### (d) Going concern

The Commissioners' role in funding the Church's ministry comprises certain legal obligations and discretionary funding. In assessing the going concern status of the Commissioners, the trustees have considered the Commissioners' role in funding the Church's ministry, the spending strategy, the application of total return and the legislation to allow endowment to be spent for specific pension purposes. In addition, the trustees take account of independent actuarial advice provided by Hymans Robertson LLP on the affordability in perpetuity of their planned distributions. This advice is provided every three years when setting the spending plans for the next three-year period (the "triennium"), and this is updated annually to ensure that the spending plans for the current and next triennium remain affordable. The approach adopted includes a smoothing mechanism which aims to give a full triennium's notice of any reduction in distributions unless there has been a significant deterioration in the balance between the Commissioners' assets and their spending plans. This means that while events such as Covid-19 and the current geopolitical context are factors for consideration, the Commissioners have a clear framework for assessing whether the events are sufficiently significant that they would change the amounts available for distribution to beneficiaries in the short term.

The annual actuarial update for the year ended 31 December 2022 includes stress testing scenario analysis which models the impact on distributions in the event of different levels of reduction in asset values. This includes consideration of the impact of changes in the performance of the asset portfolio, expected future returns or inflation on the affordability of distributions. In light of this analysis there was no reason to consider that any changes were required to the planned distributions for the 2023 to 2025 triennium and so the trustees have concluded that the Commissioners are able to sustainably meet both their legal obligations and planned discretionary funding for at least the period to 31 December 2025. In addition the trustees have given consideration to the availability of liquidity in light of market turbulence arising from continuing geopolitical instability and a challenging economic environment, the post-pandemic context and other external factors. Under the Investment Risk Framework the Commissioners seek to hold at least 18 months' planned expenditure in cash and near cash, and are satisfied that they have sufficient cash to meet their obligations in the short term. Therefore, the Commissioners continue to adopt the going concern basis of accounting in the preparation of these financial statements.

**(e) Basis of consolidation and subsidiary undertakings**
The consolidated statement of financial activities ("SOFA") and balance sheet include the financial statements of the Commissioners and all their subsidiary undertakings made up to 31 December each year. The subsidiaries have been consolidated on a line by line basis. Intra-group transactions are eliminated on consolidation. Further details about the Commissioners' significant subsidiaries are given in note 2(b).

The Commissioners, together with the Archbishops' Council and the Church of England Pensions Board are equal partners in Church of England Central Services ("ChECS"), a joint venture. Further details are given in note 2(c) and note 21. This jointly controlled entity is included in the Commissioners' consolidated financial statements using the equity method. The Commissioners' share of profits or losses from ChECS is included in the SOFA and its share of net assets is included in the balance sheet.

The Commissioners have a number of joint ventures that are held as part of their investment portfolio for investment purposes. These jointly controlled entities are held at fair value. Changes in fair value are recognised in the consolidated SOFA.

**(f) Income**
All income is recognised when the Commissioners are legally entitled to the income, it is probable the income will be received, and the amount can be quantified with reasonable accuracy.

*Donations and legacies*
Items donated to the Commissioners for the Lambeth Palace Library are recognised at the market value of the gift at the time of donation. Legacies are recognised as receivable once the Commissioners are notified of the gift, probate has been granted, the executors have established that there are sufficient assets in the estate to pay the legacy after settlement of liabilities and there are no conditions outside the control of the Commissioners that are not yet met.

Gift aid payments from subsidiaries are recognised in the Commissioners financial statements when the gift aid payment is payable under Deeds of Covenant. The income is accrued in the year in which the associated profits arise in the subsidiary company with the payment being made to the Commissioners in the following financial year.

*Investment income*
Dividends are recognised when the Commissioners' right to receive payment is established, which is on the ex-dividend date of the underlying holdings. All other investment income is recognised on the accruals basis.

**(g) Expenditure**
The SOFA has been presented on an activity basis. Costs have been distinguished between charitable activities and those incurred to raise funds. Expenditure and liabilities are recognised when a legal or constructive obligation exists to make payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2022**

## 1. ACCOUNTING POLICIES continued

**(g) Expenditure continued**

Direct costs and grants are allocated directly to activities and are described in more detail in notes 5 and 6. Grants are recognised when a firm commitment to provide funding is made and there is evidence of a constructive obligation to the beneficiary. Support costs are apportioned to the activity to which they relate as shown in note 7. The long-term debtor and creditor balances are discounted to present value, where material. The discount rate used is based on the expected future yield on the assets earmarked for making these grant payments.

Cars for the use of bishops are normally obtained under four-year operating leases, the full cost of which is paid at commencement. The cost of such leases is spread on a straight line basis over the period of the lease. The balance of the lease payments not yet charged to expenditure is included in prepayments.

**(h) Provisions**

Under the Pensions Measure 1997 the Commissioners have an obligation to meet the costs of clergy pensions for service up to 31 December 1997. Since the beneficiaries of the past service are not employees of the Church Commissioners this obligation does not fall within scope of section 28 of FRS 102 'Employee Benefits' and is therefore accounted for under section 21 – 'Provisions & Contingencies'. The liability for the pre-1998 pension obligation for Church of England clergy under the Church of England Pensions Scheme is recognised at the actuarial valuation provided by Hymans Robertson LLP. This is the best estimate of the total value of future discounted cash flows. The assumptions and methodology behind the cash flow projections are disclosed in note 16.

**(i) Pensions**

Pensions are described in note 17.

The Church Commissioners Superannuation Scheme is accounted for as a defined benefit scheme. The liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. Interest costs are charged to expenditure, with actuarial movements shown in other gains and losses.

The other defined benefit schemes of which the Commissioners are an employer or a 'responsible body' are considered to be multi-employer schemes, but the Commissioners are unable to identify its share of assets and liabilities of the schemes. Consequently, the contributions to these schemes are accounted for as if they were defined contribution schemes, where employer contributions payable in the year are charged to expenditure.

Where these other defined benefit schemes have deficit recovery contribution plans in place, the present value of these agreed payments are recognised as a liability at each balance sheet date. Amounts paid during the year are charged against this liability.

**(j) Fixed assets: tangible assets**

Costs incurred on acquiring, improving or adding to assets are capitalised if the cost is greater than £1,000. Repair and maintenance costs are charged to the SOFA in the period they are incurred.

Green energy generation assets are initially recognised at cost and are revalued at each balance sheet date.

Operational see house properties are recognised at their market value at 1 January 2014, being the date of transition to FRS 102. This was deemed to be their cost under the transitional provisions of FRS 102. An impairment review is carried out annually and where the recoverable amount is materially less than the historic cost, the assets are impaired to the lower amount.

Depreciation is charged on a straight line basis over the estimated useful life of the asset, calculated on the opening balance sheet value, on the following fixed assets:

| Fixed asset | Estimated useful life |
|---|---|
| Buildings and improvements | 50 years |
| Structural glazing | 25 years |
| Internal plant and equipment | 20 years |
| Leasehold office improvements | 10 years |
| Audio-visual equipment and IT systems | 5 years |

No depreciation is charged on see houses and their historic content due to the anticipated high residual value, which would result in immaterial depreciation for each asset and in aggregate.

**(k) Fixed assets: heritage assets**
The Commissioners own a number of assets that they consider to be heritage assets, which are held on an ongoing basis for their contribution to knowledge and culture, in particular relating to the history of the wider Church of England. The Commissioners' heritage assets have been grouped together in the following categories:

*Lambeth Palace*
Lambeth Palace is recognised at its deemed historic cost of £1. The Commissioners have chosen to recognise this class of heritage asset at cost. They have chosen to adopt this policy as whilst it is believed that the market value, both at the time of acquisition and at the balance sheet date, was significantly in excess of the deemed cost, it is not possible to obtain a reliable estimate of the market value at either date, as conventional valuation techniques are inappropriate for the unique and historical nature of the building.

Any developments or improvements to the building are capitalised at cost and depreciated over the improvements' useful economic life. Maintenance costs are charged to the SOFA in the period they are incurred.

*Historic contents of Lambeth Palace*
Historic items are recognised at cost. On transition to FRS 102, the Commissioners deemed the cost of these assets to be their carrying value at 1 January 2014, based on the value attributed to them in a valuation carried out in 2007. The collection is not depreciated as the amount of depreciation is regarded as immaterial due to the high residual value, however the collection is reviewed for impairment at each accounting date.

Any additional items purchased or donated since 1 January 2014 are capitalised if the cost is greater than £1,000. Maintenance costs are charged to the SOFA in the period they are incurred.

*Contents of Lambeth Palace Library*
The trustees consider that the vast majority of items in the Lambeth Palace Library would be difficult, if not impossible, to value. The library contains a number of historical books and records with no obvious market value and no comparable sale records to use as the basis for valuation. As a result, no value is reported for these assets in the Charity's balance sheet.

The exception is for books, manuscripts and other items purchased or donated since 1 January 2014, which are capitalised if the cost is greater than £1,000. Items in the collection that are capitalised are stated at cost but are not depreciated as the amount of depreciation is regarded as immaterial due to their anticipated high residual value. The collection is reviewed for impairment at each accounting date.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2022**

## 1. ACCOUNTING POLICIES continued
**(k) Fixed assets: Heritage assets continued**

***Historic contents of former see houses***

Historic items, including the Hurd Library which is on loan to the Hartlebury Castle Preservation Trust, are recognised at cost. On transition to FRS 102, the Commissioners deemed the cost of these assets to be their carrying value at 1 January 2014, based on the value attributed to them in a valuation carried out in 2007. The collection is not depreciated as the amount of depreciation is regarded as immaterial due to the high residual value, however the collection is reviewed for impairment at each accounting date.

Any additional items purchased or donated since 1 January 2014 are capitalised if the cost is greater than £1,000. Maintenance costs are charged to the SOFA in the period they are incurred.

**(l) Fixed assets: non-financial instrument investments**

***Investment properties***

All directly owned properties are located in the United Kingdom. The portfolio consists of rural and strategic land, residential and commercial properties. Rural land also includes mineral interests. Investment properties are recognised at cost upon acquisition and then recognised at fair value at each balance sheet date. Changes in fair value are recognised in the SOFA. Fair value is determined through reference to each property's market value in accordance with the Appraisal & Valuation Manual issued by the Royal Institution of Chartered Surveyors ("RICS"). All properties are valued by an external valuer with recognised and relevant skills and experience. The valuation methods adopted take into account appropriate comparable evidence and market indices. The most appropriate method of valuation is selected for each property type.

The valuers of the properties are shown below.
Rural: Savills (UK) Limited
Strategic land: Savills (UK) Limited
Commercial: C&W (U.K.) LLP
Residential: C&W (U.K.) LLP
Minerals: Wardell Armstrong LLP

***Timberland (including biological assets)***

Timberland includes land, its standing timber and other assets. Land is measured as investment property. Standing timber is measured as a biological asset. The Commissioners do not hold any timber as stock as they only sell standing timber.

Land and other assets are valued annually by an external valuer at fair value determined through reference to each property's market value in accordance with the Appraisal & Valuation Manual issued by the Royal Institution of Chartered Surveyors ("RICS").

The value of standing timber is calculated on the timber maturity profile, the species, the geographic location and other environmental considerations. Changes in fair value in the year resulting from both net growth and change in the market value of standing timber are reported in the gains and losses on investments in the SOFA.

At point of sale, the carrying value of forestry assets is valued at fair value less estimated point-of-sale costs. The revenue from the sale of standing timber is recognised as income.

UK timberland (including biological assets) was valued by Bidwells LLP and CBRE. Overseas timberland was valued by local qualified valuers.

***Subsidiary undertakings***

The Commissioners' principal subsidiary companies are wholly owned and are held to undertake property purchase, development and management and hold certain property, unlisted securities, infrastructure and timberland investments.

The subsidiaries are recognised at their net asset values in the Commissioners' balance sheet. This is considered to represent the fair value of the subsidiary, with changes in fair value being recognised in profit or loss.

(m) Financial instruments
The Commissioners have chosen to adopt sections 11 and 12 of FRS 102 in respect of recognition and measurement of financial instruments which are not public benefit entity concessionary loans.

All changes in fair value and gains or losses on disposal of investment assets, including related foreign currency transactions, are shown in gains or losses in endowment capital in the SOFA.

*Basic financial instruments*
**Basic financial assets,** including **cash at bank** and **trade and other receivables** are recognised and held at transaction price. They are de-recognised when the rights to the cash flows from the financial assets expire or are settled.

**Cash at bank and in hand** includes cash at bank and cash equivalents. Cash equivalents include money market funds which are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

**Financial liabilities,** including trade and other payables and inter-group balances are initially recognised at transaction price. Bank loans are subsequently measures at the amortised cost, using the effective interest rate. Financial liabilities are derecognised, when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Bond liabilities** are basic financial instruments measured initially at the proceeds of issue less bond issue costs. The costs of issue are initially capitalised and then amortised over the length of the bond term using effective interest method. After initial recognition the liabilities are measured at amortised cost using the effective interest method.

**Current asset investments** include treasury bills, gilts and supranational bonds. Movements in the value of these instruments are recognised in income under the effective interest method. Together with the cash at bank and in hand, these holdings make up the cash and near cash fund allocation which is available for investment, short-term commitment and for distribution purposes.

**Listed and unlisted securities** are a form of basic financial instrument and are initially measured at fair value. Such assets are subsequently held at fair value at each balance sheet date, with changes in fair value recognised in the SOFA. Listed securities comprise of listed public equities and fixed income instruments. The fair value of these investments is determined using bid price.

Unlisted securities comprise: a) closed-end unlisted funds which are invested in private equity, private credit and venture capital assets; and b) open-end unlisted funds invested in listed securities of various types. These funds are valued by reference to the estimated net asset values or final net asset values received from the fund managers at year end.

*Non-basic financial instruments*
All non-basic financial instruments are measured at fair value. Any changes to fair value are recognised in the SOFA.

Value linked loans
Value linked loans are granted for the purchase of residential properties. On disposal of the property, the Commissioners are entitled to a share of the proceeds corresponding to the proportion of the original purchase price which was financed by the loan.

Value linked loans are valued annually at portfolio level taking into account indexed values of the properties, estimated future house prices growth and income flows and the anticipated dates of repayment. All value linked loans were valued by Cushman & Wakefield LLP.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2022**

## 1. ACCOUNTING POLICIES continued
**(m) Financial Instruments continued**

**Indirect property, Timberland and Infrastructure funds**

Indirect property, timberland and infrastructure funds are closed end unlisted funds where the Commissioners and its subsidiaries hold minority interests in partnerships managed by a third party investing in properties, timberland or infrastructure projects.

These funds are fair valued annually using the estimated net asset value or final asset value provided by the fund manager.

**Stock lending programme**

The Commissioners' global custodian is authorised to enter into stock lending arrangements, whereby securities are loaned to external counterparties for a set period of time. The Commissioners receive cash collateral of greater value than the securities loaned from each counterparty for the duration of the loan period.

Interest is received on the reinvestment of the cash collateral held and is disclosed in note 2.

Where securities are loaned at the balance sheet date, the securities loaned are included in the balance sheet as the Commissioners retain the risks and rewards of ownership of the securities and also retain the contractual rights to any cash flows relating to the securities. The market value of listed investments includes stock on loan of £74.2m (2021: £93.5m).

**Derivatives**

The Commissioners use foreign currency forwards and options contracts and equity and interest rate derivatives to facilitate portfolio hedging, risk management and efficient portfolio management . The currency derivatives reduce the impact of changes in foreign currency rates in relation to investments priced in certain currencies other than Sterling. The equity and interest rate derivatives are used to manage equity market risks, hedge portfolio biases and to provide efficient implementation for certain allocation decisions. In accordance with the Commissioners' investment policy, derivatives are not entered into for trading purposes. Derivatives are also used by some external fund managers to implement their investment strategy.

Derivatives are initially recognised at their fair value, which is equivalent to any transaction price paid. Derivative contracts outstanding at the balance sheet date are stated at fair value at the balance sheet date, which is derived from exchange prices if the derivative is listed or from third party valuations if unlisted. If the fair value of the derivative is in a gain position, the contract is shown within debtors. If the fair value of the contract is in a loss position, it is shown within creditors. Hedge accounting is not applied by the Commissioners. Realised and unrealised gains and losses arising from these contracts are charged to the endowment fund in the SOFA. Cash delivered as collateral for derivative contracts continue to be reflected as an asset within cash at bank and in hand. At 31 December 2022, £nil cash was delivered as collateral (2021: £nil).

**(n) Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Profits and losses on sales of overseas investments are translated at the rate ruling on the date of the transaction. Unrealised gains and losses on overseas investments arising on translation are included in the net gains and losses on realisation and on revaluation in endowment capital in gains and losses on investment assets in the SOFA.

Income received in foreign currencies is converted into sterling and recorded at the rate ruling on the date of the conversion. If retained in foreign currencies, amounts are translated at the rate ruling on the date of the transaction. Subsequent gains or losses on conversion into sterling are included in gains and losses on foreign currency in the SOFA.

(o) Taxation
The Commissioners, as a registered charity, are exempt from taxation on their income and gains falling within Part 11 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to their charitable purposes.

The Commissioners' subsidiary undertakings are non-charitable subsidiaries and are subject to taxation, but do not generally pay UK Corporation Tax because their policy is to pay taxable profits as Gift Aid to the Commissioners. Foreign tax incurred by subsidiaries operating overseas is charged as it is incurred.

Deferred taxation is recognised in the Commissioners' subsidiary undertakings on timing differences that have arisen between the recognition of gains and losses in the Financial Statements and recognition in the tax computation. A deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable tax profits from which future reversals can be deducted. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to be reversed.

In common with many other charities, the Commissioners are unable to recover the majority of Value Added Tax ("VAT") incurred on expenditure. The amount of VAT that cannot be recovered is included within the underlying cost to which it relates.

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

The Commissioners are related to their subsidiaries. Details are given in note 2(b). Transactions between the Commissioners and their subsidiaries are disclosed in note 21.

The Commissioners are related to Church of England Central Services (ChECS), as they are a partner in this joint venture. Details are given in note 2(c) and note 21. The Commissioners are also related to the following pension funds, administered by the Church of England Pensions Board: Church of England Funded Pensions Scheme; Church Administrators Pension Fund; and Church Workers Pension Fund. Details about the pension funds, including contributions paid, are given in notes 4, 8 and 17.

# NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

## 2. INVESTMENTS
### (a) Summary of movement on investments

*Consolidated*

| | At 1 January 2022 £m | Additions £m | Sale proceeds £m | Change in market value £m | At 31 December 2022 £m | 2022 investment income £m |
|---|---|---|---|---|---|---|
| Securities portfolio: | | | | | | |
| Listed securities* | 2,899.7 | 2,637.6 | (2,303.7) | (441.1) | 2,792.5 | 63.9 |
| Unlisted securities | 3,803.5 | 858.3 | (812.7) | 494.8 | 4,343.9 | 16.6 |
| **Total securities** | 6,703.2 | 3,495.9 | (3,116.4) | 53.7 | 7,136.4 | 80.5 |
| Properties: | | | | | | |
| Direct property | 1,574.9 | 84.2 | (121.4) | 99.0 | 1,636.7 | 40.9 |
| Indirect property | 110.7 | 33.8 | (24.9) | 3.9 | 123.5 | 0.5 |
| **Total properties** | 1,685.6 | 118.0 | (146.3) | 102.9 | 1,760.2 | 41.4 |
| **Value linked loans** | 89.5 | 0.5 | (5.7) | (10.4) | 73.9 | 3.0 |
| Timberland: | | | | | | |
| Land | 132.2 | – | (17.2) | 35.9 | 150.9 | – |
| Standing timber** | 356.9 | 4.6 | (49.5) | 4.1 | 316.1 | 7.8 |
| Indirect timberland | 54.1 | – | – | 13.3 | 67.4 | 4.9 |
| **Total timberland** | 543.2 | 4.6 | (66.7) | 53.3 | 534.4 | 12.7 |
| **Infrastructure** | 130.9 | 54.8 | (68.6) | 49.9 | 167.0 | 5.7 |
| **Total** | 9,152.4 | 3,673.8 | (3,403.7) | 249.4 | 9,671.9 | 143.3 |

| | At 1 January 2021 £m | Additions £m | Sale proceeds £m | Change in market value £m | At 31 December 2021 £m | 2021 investment income £m |
|---|---|---|---|---|---|---|
| Securities portfolio: | | | | | | |
| Listed securities* | 2,739.3 | 2,512.9 | (2,776.7) | 424.2 | 2,899.7 | 45.1 |
| Unlisted securities | 2,964.7 | 1,111.3 | (769.1) | 496.6 | 3,803.5 | 23.2 |
| **Total securities** | 5,704.0 | 3,624.2 | (3,545.8) | 920.8 | 6,703.2 | 68.3 |
| Properties: | | | | | | |
| Direct property | 1,609.3 | 59.8 | (180.5) | 86.2 | 1,574.8 | 40.3 |
| Indirect property | 105.9 | 28.5 | (17.4) | (6.2) | 110.8 | 3.8 |
| **Total properties** | 1,715.2 | 88.3 | (197.9) | 80.0 | 1,685.6 | 44.1 |
| **Value linked loans** | 85.6 | – | (8.1) | 12.0 | 89.5 | 2.9 |
| Timberland: | | | | | | |
| Land | 95.5 | 9.4 | (10.3) | 37.6 | 132.2 | – |
| Standing timber** | 285.1 | 14.3 | (31.2) | 88.7 | 356.9 | 20.4 |
| Indirect timberland | 55.1 | – | – | (1.0) | 54.1 | 4.3 |
| **Total timberland** | 435.7 | 23.7 | (41.5) | 125.3 | 543.2 | 24.7 |
| **Infrastructure** | 86.7 | 54.3 | (16.6) | 6.5 | 130.9 | 4.8 |
| **Total** | 8,027.2 | 3,790.5 | (3,809.9) | 1,144.6 | 9,152.4 | 144.8 |

*Investment income includes £3.2m (2021: £2.2m) of income relating to interest on cash and interest on current asset investments, and £0.4m (2021: £0.4m) stock lending income.

**Change in market value of standing timber mainly comprises revaluation gains of £9.3m (2021: gains of £99.8m) and a reduction of £5.2m (2021: £11.1m) due to sale of standing timber. Standing timber represents the biological assets held by the Commissioners.

*Commissioners*

| | At 1 January 2022 £m | Additions £m | Sale proceeds £m | Change in market value £m | At 31 December 2022 £m |
|---|---|---|---|---|---|
| Securities portfolio: | | | | | |
| Listed securities | 2,899.7 | 2,637.4 | (2,303.6) | (441.0) | **2,792.5** |
| Unlisted securities | 3,315.6 | 753.7 | (711.2) | 403.1 | **3,761.2** |
| **Total securities** | 6,215.3 | 3,391.1 | (3,014.8) | (37.9) | **6,553.7** |
| Properties: | | | | | |
| Direct property | 1,422.8 | 38.0 | (98.6) | 100.6 | **1,462.8** |
| Indirect property | 81.4 | 33.8 | (24.9) | 6.0 | **96.3** |
| **Total properties** | 1,504.2 | 71.8 | (123.5) | 106.6 | **1,559.1** |
| **Value linked loans** | 89.5 | 0.5 | (5.7) | (10.4) | **73.9** |
| Timberland: | | | | | |
| Land | 84.5 | – | (14.0) | 20.2 | **90.7** |
| Standing timber* | 295.8 | 2.1 | (48.7) | (4.7) | **244.5** |
| **Total timberland** | 380.3 | 2.1 | (62.7) | 15.5 | **335.2** |
| **Infrastructure** | 24.4 | 27.9 | (27.0) | 23.7 | **49.0** |
| **Subsidiaries** | 327.5 | 1.6 | – | 50.0 | **379.1** |
| **Total** | 8,541.2 | 3,495.0 | (3,233.7) | 147.5 | **8,950.0** |

| | At 1 January 2021 £m | Additions £m | Sale proceeds £m | Change in market value £m | At 31 December 2021 £m |
|---|---|---|---|---|---|
| Securities portfolio: | | | | | |
| Listed securities | 2,739.3 | 2,510.6 | (2,774.7) | 424.4 | 2,899.6 |
| Unlisted securities | 2,594.8 | 974.8 | (684.8) | 430.9 | 3,315.7 |
| **Total securities** | 5,334.1 | 3,485.4 | (3,459.5) | 855.3 | 6,215.3 |
| Properties: | | | | | |
| Direct property | 1,458.6 | 48.6 | (146.1) | 61.7 | 1,422.8 |
| Indirect property | 75.8 | 28.5 | (17.4) | (5.5) | 81.4 |
| **Total properties** | 1,534.4 | 77.1 | (163.5) | 56.2 | 1,504.2 |
| **Value linked loans** | 85.6 | – | (8.1) | 12.0 | 89.5 |
| Timberland: | | | | | |
| Land | 59.9 | 0.9 | (6.6) | 30.3 | 84.5 |
| Standing timber* | 229.1 | 2.0 | (30.0) | 94.7 | 295.8 |
| **Total timberland** | 289.0 | 2.9 | (36.6) | 125.0 | 380.3 |
| **Infrastructure** | 6.4 | 17.5 | – | 0.5 | 24.4 |
| **Subsidiaries** | 298.8 | 2.4 | – | 26.3 | 327.5 |
| **Total** | 7,548.3 | 3,585.3 | (3,667.7) | 1,075.3 | 8,541.2 |

* Change in market value mainly comprises revaluation losses of £0.4m (2021: gain of £103.6m) and a reduction of £4.3m (2021: £8.9m) due to sale of standing timber. Standing timber represents the biological assets held by the Commissioners.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2022**

## 2. INVESTMENTS continued
### (a) Summary of movement on investments continued
The original cost of investments is not disclosed given the historic nature of many of the property investments.

FRS 102 requires investments values to be shown for the Charity as well as consolidated. There is no similar requirement for income and expenditure.

Unlisted securities includes £0.2m (2021: £0.2m) invested in shares in the Churches Mutual Credit Union Limited, which is a mixed motive investment.

The significance of financial instruments to the on-going financial sustainability of the Commissioners is considered in the Investment Policy and Performance section of the Trustees' Annual Report

Church Commissioners' Net Assets of the Investment Fund excludes Tangible assets, Heritage assets, Grants liability, Clergy pre-1998 pension obligation & Defined benefit pension scheme liabilities from the Commissioners' Total Net Assets.

Commissioners' Asset Allocation within Investment Policy and Objectives of the Annual Report represents Commissioners' investment portfolio reported by investment strategy for management purposes and excludes debtor and creditor balances associated with charitable expenditures, cash used for payment of costs and distribution, and Commissioners' Bond and other tax related liabilities.

The Commissioners have investments denominated in foreign currencies and are impacted by changes in foreign currency exchange rates. Non-sterling assets exposed to currency risk represented 46.5 % (2021: 52.3%) of the investment portfolio. A currency overlay programme is used to hedge back into sterling a proportion of foreign currency exposure. At 31 December 2022, 31.2% (2021: 18.7%) of non-sterling assets were hedged to sterling. The net loss from operating the currency overlay programme was £68.1m before deducting fees of £1.2m (2021: loss of £12.2m before deducting fees of £1.9m). Net additions and sale proceeds during the year exclude the purchase and sale of foreign currency for the purposes of conversion and currency hedging. In addition, some fund managers may enter into foreign currency contracts to hedge the non-sterling assets they manage. The loss on these contracts was £2.9m (2021: loss £0.5m).

The Commissioners also hold equity and interest rate derivatives to manage equity market risk and for efficient portfolio management. The net profit from operating this programme was £204.8m (2021: profit of £10.8m).

### (b) Subsidiaries
The Commissioners' principal subsidiary companies are wholly owned and are held to undertake property purchase, development and management and hold certain property, securities, indirect property, infrastructure and timberland investments. The Ashford Great Park Partnership, held through intermediary companies, has its principal offices at 29 Great Smith Street, London SW1P 3PS

| Registered in | Subsidiary (company number) |
|---|---|
| England and Wales | CC Trading Ltd (2080054), CC Lincoln Ltd (3687102), CC Projects(*) (1765782), Cedarvale* (2220037), CC Licensing* (2245961), Quivercourt* (1807330), and Weston Tree Ltd (7859221) |
| US (Delaware) | Cherry Tree Timber LLC (W-115255), Arbol Tree (5423402), Manty Tree LLC (7553982) |
| Australia | Jahr Tree Co Pty Ltd (600392667) |

* Unlimited companies.

Summary results for the material subsidiaries are shown below. Subsidiaries are material if there is a significant net funds total or if it is expected that revenue or expenditure may be significant.

| | CC Licensing | | CC Projects | | CC Trading Ltd | | Cedarvale | | Quivercourt | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Revenue | 127.3 | 101.6 | 27.4 | 20.7 | 0.9 | 11.9 | 0.7 | 5.7 | – | – |
| Expenditure* | (106.4) | (81.5) | (19.9) | (16.7) | (0.3) | (11.9) | – | – | (1.5) | (0.6) |
| Profit/(loss) | 20.9 | 20.1 | 7.5 | 4.0 | 0.6 | – | 0.7 | 5.7 | (1.5) | (0.6) |
| Assets | 767.8 | 648.5 | 103.7 | 65.7 | 6.7 | 6.1 | 39.2 | 38.6 | 27.2 | 29.3 |
| Liabilities | (543.2) | (474.6) | (57.8) | (27.3) | – | – | – | – | (10.7) | (10.9) |
| Net funds | 224.6 | 173.9 | 45.9 | 38.4 | 6.7 | 6.1 | 39.2 | 38.6 | 16.5 | 18.4 |

* Includes Gift Aid payments to the Commissioners.

The Commissioners also own 80% interests in Lone Rock Timber Investments MBD-Landco Limited Partnership and Lone Rock Timber Investments MBD-Logco Limited Partnership, both of which are registered in the US. These entities are joint ventures, however the Commissioners hold them as part of their investment portfolio and so they are held at fair value through profit or loss in the financial statements.

### (c) Joint ventures

Church of England Central Services (ChECS) is a charitable company limited by guarantee and is a joint venture between the Commissioners, the Archbishops' Council and the Church of England Pensions Board, who are equal partners. The purpose of ChECS is to enhance the efficiency and effectiveness of the charitable national and diocesan institutions of the Church of England and of other charities with a church ethos, by facilitating the provision of cost-effective shared financial, legal and other services. The Commissioners' share of net assets of ChECS was £nil (2021: £nil). As at 31 December 2022, other than the amounts disclosed in debtors in note 13, £46,000 was owed by the Commissioners to ChECS (2021: £37,000).

The Commissioners have no associated undertakings.

### (d) Future commitments

The Commissioners have outstanding commitments to invest in private equity, private credit, venture capital, indirect property and infrastructure funds totalling £1.5bn as at 31 December 2022 (see table below). The drawdown and cashflow impact of these commitments will be over several years and is dependent on the fund managers acquiring underlying assets during the investment periods of the funds. The commitments are offset against distributions received from funds and other cashflows, and are managed as a whole within the total liquidity requirements of the Commissioners' fund.

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Securities portfolio | 1,240.3 | 1,057.7 | 778.5 | 597.2 |
| Indirect property | 70.9 | 122.8 | 68.9 | 120.7 |
| Infrastructure | 152.8 | 129.5 | 89.0 | 60.2 |
| Total capital commitments | 1,464.0 | 1,310.0 | 936.4 | 778.1 |

# NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

## 3. EXPENDITURE ON RAISING FUNDS

| | Direct costs £m | Internal management costs £m | Support costs (note 7) £m | 2022 Total £m | Direct costs £m | Internal management costs £m | Support costs (note 7) £m | 2021 Total £m |
|---|---|---|---|---|---|---|---|---|
| Securities | 7.7 | 9.1 | 3.9 | 20.7 | 46.5 | 9.2 | 4.0 | 59.7 |
| Properties | 18.3 | 3.5 | 0.9 | 22.7 | 13.6 | 3.0 | 0.9 | 17.5 |
| Indirect property | – | 0.3 | 0.1 | 0.4 | – | 0.2 | 0.1 | 0.3 |
| Value linked loans | – | 0.2 | – | 0.2 | – | 0.2 | 0.1 | 0.3 |
| Timberland | 3.3 | 0.3 | 0.1 | 3.7 | 4.4 | 1.0 | 0.3 | 5.7 |
| Infrastructure | - | 0.5 | 0.3 | 0.8 | – | 0.1 | 0.1 | 0.2 |
| **Total investment management costs** | 29.3 | 13.9 | 5.3 | 48.5 | 64.5 | 13.7 | 5.5 | 83.7 |
| Bond interest costs | 8.7 | – | – | 8.7 | – | – | – | – |
| Costs of managing events at Lambeth Palace | 2.2 | – | – | 2.2 | 0.5 | – | – | 0.5 |
| **Total cost of raising funds** | 40.2 | 13.9 | 5.3 | 59.4 | 65.0 | 13.7 | 5.5 | 84.2 |

Direct costs include investment management fees, performance fees, property and timberland running costs and other fees.

Internal management costs include costs of employing in-house investment managers, operational support staff costs and associated department running costs.

Detail of support costs, including the methodology for allocating costs between activities, is shown in note 7 where the method of allocating these costs is described.

Bond interest costs reflect semi-annual interest accrued on the on the Sustainability Bonds due 2032 at 3.250% and on the Conventional Bonds due 2052 at 3.625%.

Costs of managing events at Lambeth Palace comprises expenditure incurred by Palace Public Occasions Limited, a subsidiary of the Commissioners, which provides conferences and other events at Lambeth Palace.

## 4. EXPENDITURE ON CHARITABLE ACTIVITIES

| | Grant funding £m Note 5 | Direct funding £m Note 6 | Support costs £m Note 7 | 2022 Total £m | Grant funding £m Note 5 | Direct funding £m Note 6 | Support costs £m Note 7 | 2021 Total £m |
|---|---|---|---|---|---|---|---|---|
| Supporting dioceses and the local church | 115.0 | 1.3 | 0.9 | 117.2 | 85.6 | – | 1.2 | 86.8 |
| Bishops' and archbishops' ministry | 19.2 | 22.7 | 3.0 | 44.9 | 21.5 | 18.7 | 2.0 | 42.2 |
| Cathedrals' ministry | 13.8 | 0.2 | 0.3 | 14.3 | 11.8 | 0.2 | 0.3 | 12.3 |
| Other activities | 6.6 | 2.6 | 1.2 | 10.4 | 2.2 | 2.4 | 1.4 | 6.0 |
| **Total charitable expenditure excluding clergy pensions obligation** | 154.6 | 26.8 | 5.4 | 186.8 | 121.1 | 21.3 | 4.9 | 147.3 |
| Pre-1998 clergy pensions | – | (69.5) | 0.2 | (69.3) | – | (5.2) | 0.1 | (5.1) |
| **Total costs of charitable activities** | 154.6 | (42.7) | 5.6 | 117.5 | 121.1 | 16.1 | 5.0 | 142.2 |

### Supporting dioceses and the local church

The Commissioners support dioceses and the local church through providing grants to the Archbishops' Council. A breakdown of grant making activity can be found in note 5. The individual grant streams in this category are explained below:

- **Strategic development funding** is for new growth opportunities which aim to support major change projects which fit with dioceses' strategic plans.
- **Lowest income communities funding** and **Transition funding** are to provide funding for mission in communities with the lowest incomes.
- **Sustainability Funding** provides extra help to dioceses in the face of loss of income caused by the Covid-19 pandemic.
- **Strategic Transformation Funding** is for those dioceses wishing to undertake major restructuring programmes in order to better align with their strategic plans and make a significant difference to their mission and financial strength, in turn supporting the Church's sustainable growth.
- **Strategic Ministry Funding** provides financial support for growth in the number of clergy, including support for pensions and housing, in a tailored manner so that it is proportionately higher for those dioceses that need it most.
- **Additional Ordinands Funding** is intended to meet costs of training the incremental increase in ordinands, supporting dioceses to deliver the Church-wide goal of providing for future ordained ministry through increasing the number of ordinands by 50%.
- **National Giving Strategy Funding** is provided to support a new strategy over five years to encourage giving and generosity in churches. This includes grants to dioceses to help them implement this strategy.
- **Innovation Funding** is aimed at helping parishes explore new ways of sharing the Christian message, alongside tried and tested approaches. It supports limited-scale projects which will innovate and generate learning about growth which increases the number of new disciples, strengthens discipleship, grows social engagement or increases or diversifies leaders in the Church.
- **Energy Cost Grants** are awarded to dioceses to enable them to help Parochial Church Councils (PCCs) cover the increased cost of heating and lighting church buildings; and to provide targeted hardship support to clergy and other employed ministers to contribute towards household bills, in particular energy costs.
- **Funding for Posts of First Responsibility** is given to dioceses to support them in funding posts of first responsibility to enable finishing curates to move into roles of incumbent status.
- **Clergy Hardship Support Grants** are given to dioceses to enable them to provide targeted hardship support to clergy in greatest need, in light of significantly increased costs of living.
- **Growing Faith Foundation Funding** supports an initiative which aims to put children and young people at the heart of the mission and ministry of the Church, by getting churches, schools and households to work together.
- **People & Partnerships Funding** supplements the direct investment provided to dioceses by funding the pipelines of people (lay and ordained), the capacity and research which will be needed to deliver the Church of England Vision and Strategy across the whole country.
- **Theological Education Institutions Fee Support** is provided to support TEIs through a period of low ordination candidate numbers. It is envisaged as a one-off arrangement required pending the implementation of new Resourcing Ministerial Formation funding arrangements.
- Funding for **National services and support provided by the Council** enables the Council to undertake its work in a range of areas including Ministry, Faith & Public Life, Digital Communications, etc.
- **Safeguarding** funding provides financial support for the core work of the National Safeguarding Team and the Safeguarding Programme, through which a range of improvement initiatives are being implemented in response to the Independent Inquiry into Child Sexual Abuse (IICSA).

### Bishops' and archbishops' ministry

The Commissioners are responsible for stipends, providing housing and office space for the diocesan bishops and archbishops and for the maintenance of those buildings including Lambeth Palace. They provide diocesan bishops and archbishops with an annual block grant to cover their stipend and working costs and that of their suffragan bishops. Pension contributions are paid from this grant to the Church of England Funded Pensions Scheme for bishops and their chaplains, and the Church Administrators Pension Fund for bishops' support staff (see note 17).

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2022**

## 4. EXPENDITURE ON CHARITABLE ACTIVITIES continued

**Cathedrals' ministry**

The Cathedrals Measure 1999 enables the Commissioners to make grants to cathedrals: section 21 and 22 grants are made towards the stipend and other costs of a dean and two residentiary canons of each cathedral; section 23 grants are made towards the stipend of any other clerk or salary of any lay person employed in connection with the cathedral; section 25 grants are made towards the repair of any chancel, other than that of the cathedral, which the cathedral is liable to repair.

Cathedrals Sustainability Funding enables the Commissioners to give discretionary section 23 grants to cathedrals to provide seed funding for projects aiming to help them become more financially sustainable.

**Pre-1998 clergy pensions**

The Commissioners meet the costs of clergy pensions for service up to 31 December 1997. This amount is the movement in the provision for clergy pensions until 31 December 1997 in the year to 31 December 2022 (with associated administration costs). The cash paid under the pre-1998 scheme was £117.1m (2021: £116.1m). Further details are provided in note 16.

**Other activities**

The Commissioners have a legal and advisory role in the reorganisation of parishes, sales and other transactions relating to clergy housing and glebe land, and settling the future of church buildings that have been closed for public worship. The Commissioners also contribute to their share of the liability for chancel repairs arising from their former and current ownership of rectorial property.

The Commissioners makes a grant to the Churches Conservation Trust to support its work in preserving church buildings closed for regular worship which are of historic and archaeological interest and architectural quality. During the year, the Commissioners paid the statutory grant to the Churches Conservation Trust of £1.4m (2021: £1.6m). The Commissioners also applied income of £0.7m (2021: £0.4m) from its share of proceeds on the sale of closed churches to these grants. Therefore, net expenditure on the annual grant to the Churches Conservation Trust was £0.7m (2021: £1.1m).

The Church Commissioners are responsible for running the national payroll for most serving and retired clergy on behalf of dioceses, cathedrals and other Church bodies. This is a statutory responsibility of the Commissioners and one of its charitable objectives, with the cost of providing this service paid for by the Commissioners and not passed on to the Church bodies.

## 5. GRANT MAKING

All grants are made to institutions.

| | 2022 £m | 2021 £m |
|---|---|---|
| **Supporting dioceses and the local church** | | |
| Grants to the Archbishops' Council for: | | |
| Strategic Development Funding | 17.8 | 14.1 |
| Lowest Income Communities Funding | 28.3 | 27.5 |
| Transition Funding | 5.3 | 6.7 |
| Sustainability Funding | 4.3 | 9.3 |
| Strategic Transformation Funding | 11.1 | 9.0 |
| Strategic Ministry Funding | 10.4 | 11.3 |
| Additional Ordinands Funding | 1.9 | 3.2 |
| National Giving Strategy | 1.5 | 2.5 |
| Innovation Funding | 4.5 | 0.3 |
| Energy Costs Grants | 15.0 | – |
| Funding for posts of first responsibility | 4.3 | – |
| Clergy Hardship Support | 3.0 | – |
| Growing Faith Foundation Funding | 1.3 | – |
| People and Partnerships Funding | 1.5 | – |
| Theological Educational Institutions Fee Support | 1.2 | – |
| National services and support provided by the Council | 8.5 | 4.0 |
| Safeguarding | 3.1 | 0.8 |
| Discounting adjustment (see note 15) | (8.0) | (3.1) |
| **Total grants to support dioceses and the local church** | 115.0 | 85.6 |
| **Bishops' and archbishops' ministry** | | |
| 114 (2021: 114) grants to bishops in 42 (2021: 42) dioceses | 21.8 | 21.5 |
| Return of unspent grants from bishops | (2.6) | - |
| **Total grants for bishops' and archbishops' ministry** | 19.2 | 21.5 |
| **Cathedrals' ministry** | | |
| 49 (2021: 13) grants to 33(2021: 11) cathedrals – Cathedral Sustainability Fund | 3.8 | 1.9 |
| 84 (2021: 83) grants to 42 (2021: 42) cathedrals – other grants | 10.1 | 9.9 |
| Discounting adjustment (see note 15) | (0.1) | – |
| **Total grants to pay for cathedrals' ministry** | 13.8 | 11.8 |
| **Other activities** | | |
| Statutory grant to Churches Conservation Trust | 1.4 | 1.6 |
| Social Impact Investment Funding | 5.2 | 0.6 |
| **Total grants for other activities** | 6.6 | 2.2 |
| **Total grant funding** | 154.6 | 121.1 |

Long-term grant funding is, where material, discounted to reflect the net present value of future payments. The discount rate used varies based on the time until the grant award is due to be paid.

# NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

## 6. DIRECT FUNDING

| | 2022 £m | 2021 £m |
|---|---|---|
| **Supporting dioceses and the local church** | | |
| Cathedrals and Church Buildings Team | 1.3 | – |
| **Total supporting dioceses and the local church** | 1.3 | – |
| **Bishops' and archbishops' ministry** | | |
| Bishops' and archbishops' housing and office premises | 4.7 | 3.5 |
| Lambeth Palace major refurbishment | 6.1 | 2.2 |
| Lambeth Palace Library depreciation | 0.9 | 0.9 |
| Lambeth Palace Library running costs | 2.2 | 1.8 |
| Lambeth Palace Library project costs | 0.2 | 1.2 |
| Archbishops' office and working costs and stipends | 6.9 | 5.9 |
| Other national costs | 0.9 | 2.3 |
| Archbishops' advisers | 0.4 | 0.5 |
| Direct costs of administering bishops' and archbishops' ministry | 0.4 | 0.4 |
| **Total bishops' and archbishops' ministry costs** | 22.7 | 18.7 |
| **Cathedrals' ministry** | | |
| Direct costs of administering cathedrals' ministry | 0.2 | 0.2 |
| **Total cathedrals' ministry** | 0.2 | 0.2 |
| **Pre-1998 clergy pensions** | | |
| Payments made to clergy | 117.1 | 116.1 |
| Actuarial adjustments | (187.8) | (122.5) |
| Other pre-1998 clergy pensions expenditure | 1.2 | 1.2 |
| **Total clergy pension obligation** | (69.5) | (5.2) |
| **Other activities** | | |
| National payroll for clergy | 0.5 | 0.6 |
| Chancel repair liability | 0.6 | 0.5 |
| Managing pastoral reorganisations and closed church buildings | 1.5 | 1.3 |
| **Total other activities** | 2.6 | 2.4 |
| **Total direct costs** | (42.7) | 16.1 |

## 7. SUPPORT COSTS

| | Raising funds £m Note 3 | Charitable activities £m Note 4 | 2022 Total £m | Raising funds £m Note 3 | Charitable activities £m Note 4 | 2021 Total £m |
|---|---|---|---|---|---|---|
| Shared services | 3.2 | 3.3 | 6.5 | 3.1 | 2.7 | 5.8 |
| Accommodation costs | 0.3 | 0.2 | 0.5 | 0.5 | 0.7 | 1.2 |
| Governance costs | 0.9 | 0.9 | 1.8 | 0.9 | 0.9 | 1.8 |
| **Total support costs before staff pension costs** | 4.4 | 4.4 | 8.8 | 4.5 | 4.3 | 8.8 |
| Staff pension costs (note 17): | | | | | | |
| Interest on staff pension scheme liabilities | 0.9 | 1.2 | 2.1 | 1.0 | 0.7 | 1.7 |
| **Total support costs** | 5.3 | 5.6 | 10.9 | 5.5 | 5.0 | 10.5 |

Overheads are apportioned according to an activity based time split. Shared services include the Commissioners' share of the costs incurred by Church of England Central Services (ChECS). Accommodation costs include rent and service charges payable on the office space used by the Commissioners. Governance costs comprise staff and non-staff costs relating to the general running of the Commissioners including supporting the work of their Board and committees and audit costs paid to Grant Thornton UK LLP.

**Allocation of costs**
Most of the Commissioners' expenditure can be directly attributed to its various activities, however some costs are not directly attributable and need to be allocated across the Commissioners' investment and charitable activities.

Support costs are allocated to either charitable activities or raising funds based on the most appropriate apportionment method. Costs are also allocated to specific charitable activities or investment types using the same method. Apportionment methods used are estimated time spent on each activity, headcount, or expenditure incurred.

Fees paid to Grant Thornton UK LLP, excluding VAT, are shown in the table below:

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Audit of Church Commissioners: | | |
| Current year | 231 | 185 |
| Audit of subsidiary undertakings | 44 | 44 |
| **Total audit fees** | 275 | 229 |
| Non-audit fees | 168 | 210 |
| **Total fees paid to Grant Thornton UK LLP** | 443 | 439 |

Non-audit fees include fees of £97,500 (2021: £210,000) relating to forensic accounting services provided to support a research project into the fund of Queen Anne's Bounty , one of the Commissioners' predecessor bodies, and fees of £70,000 (2021: £nil) for work associated with a Bond issue carried out by Church Commissioners in 2022 – a £250 million sustainability Bond with a 10-year maturity (2032) and a £300 million conventional bond with a 30-year maturity (2052).

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2022**

## 8. STAFF NUMBERS AND REMUNERATION
The Secretary and staff employed to manage the Commissioners' investment assets and other functions are employed directly by the Commissioners.

In addition to staff employed directly, the work of the Commissioners is supported by staff in shared service departments provided by Church of England Central Services (ChECS) which provides finance, HR, technology, communications, legal, internal audit and other services to the NCIs. The costs of all ChECS staff are shown in aggregate in the tables below – the Commissioners' share of which was £4,586,000 (2021: £5,068,000).

The cost of staff for which the Commissioners are the managing employer and for ChECS (in aggregate) was:

| | Commissioners' own staff | | | | ChECS | |
|---|---|---|---|---|---|---|
| | Asset management | | Church functions and secretariat | | Shared services | |
| | **2022 Number** | 2021 Number | **2022 Number** | 2021 Number | **2022 Number** | 2021 Number |
| Average number employed | **62** | 56 | **51** | 32 | **157** | 177 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| Salaries | **8.7** | 7.9 | **2.5** | 1.6 | **7.6** | 8.5 |
| National Insurance costs | **0.7** | 0.6 | **0.3** | 0.2 | **0.9** | 0.9 |
| Pension contributions | **0.8** | 0.7 | **0.4** | 0.3 | **1.5** | 1.1 |
| Total cost of staff | **10.2** | 9.2 | **3.2** | 2.1 | **10.0** | 10.5 |

Salaries of the Commissioners' own staff include £48,000 (2021: £3,000) paid by way of termination costs to one person due to redundancy of a post (2021: one person).

The Commissioners are obliged to pay pension benefits to staff, former First and Third Church Estates Commissioners, bishops' staff and staff of the Church of England Pensions Board who accrued years of pensionable service until 31 December 1999 as members of the Church Commissioners Superannuation Scheme ("CCSS").

Pension benefits earned on or after 1 January 2000 are provided by the Church Administrators Pension Fund ("CAPF"), administered by the Church of England Pensions Board. The Pensions Board publishes the Scheme's financial statements, and is its custodian trustee. From 1 April 2019, defined contribution pension arrangements for some staff transferred from the CAPF to a separate pension arrangement on the same terms.

Pensions are described in more detail in note 17.

Average number of employed in Church functions and secretariat increased by 19, largely driven by the transfer in of the Cathedrals and Church Buildings division, previously employed by the Archbishops' Council.

**Asset management and national Church functions**
The cost of the management of the Commissioners' assets is included in internal management costs (note 3) and the cost of the administration of national Church functions is included in the direct costs of those activities (note 5). Secretariat costs are included in support costs (note 7).

**Staff emoluments**
The numbers of staff whose employee benefits for the year fell in the following bands:

| | Commissioners' own staff | | | | ChECS | |
|---|---|---|---|---|---|---|
| | Asset management | | Church functions and secretariat | | Shared services | |
| | 2022 Number | 2021 Number | 2022 Number | 2021 Number | 2022 Number | 2021 Number |
| £60,001 to £70,000 | 4 | 5 | 8 | – | 13 | 17 |
| £70,001 to £80,000 | 3 | 9 | – | 1 | 6 | 4 |
| £80,001 to £90,000 | 7 | 1 | 3 | 3 | 3 | 3 |
| £90,001 to £100,000 | 2 | 4 | 1 | – | 2 | 2 |
| £100,001 to £110,000 | 2 | 3 | – | – | 5 | 7 |
| £110,001 to £120,000 | 1 | 2 | – | – | 1 | – |
| £120,001 to £130,000 | 6 | – | – | – | 2 | 1 |
| £130,001 to £140,000 | 1 | – | – | – | – | 1 |
| £140,001 to £150,000 | 1 | 1 | – | – | – | – |
| £150,001 to £160,000 | 1* | 1* | – | – | – | – |
| £160,001 to £170,000 | – | – | – | – | – | – |
| £170,001 to £180,000 | 1 | 1 | – | 1** | – | – |
| £180,001 to £190,000 | 1* | 1* | 1** | – | – | – |
| £190,001 to £200,000 | – | 1 | – | – | – | – |
| £200,001 to £210,000 | 1* | 2* | – | – | – | – |
| £210,001 to £220,000 | 1* | 1* | – | – | – | – |
| £220,001 to £230,000 | 2* | 1* | – | – | – | – |
| £230,001 to £240,000 | 2* | 3* | – | – | – | – |
| £240,001 to £250,000 | 1* | – | – | – | – | – |
| £250,001 to £260,000 | 1* | – | – | – | – | – |
| £270,001 to £280,000 | – | 1* | – | – | – | – |
| £280,001 to £290,000 | 1* | – | – | – | – | – |
| £320,001 to £330,000 | – | 1* | – | – | – | – |
| £330,001 to £340,000 | – | 1* | – | – | – | – |
| £350,001 to £360,000 | 1* | – | – | – | – | – |
| £360,001 to £370,000 | 1* | – | – | – | – | – |
| £480,001 to £490,000 | – | 1* | – | – | – | |
| £540,001 to £550,000 | 1* | – | – | – | – | |
| £600,001 to £610,000 | – | 1* | – | – | – | |
| £640,001 to £650,000 | 1* | – | – | – | – | |

* Including LTIP payment

** Secretary to the Church Commissioners (Chief Executive)

Employee benefits include gross salaries and termination payments but do not include employer pension contributions.

Of those staff managed directly by the Commissioners, 47 (2021: 40) accrue benefits under a defined contribution scheme for which contributions for the year were £592,000 (2021: £510,000). The remaining 9 (2021: 5) staff accrue benefits under a defined benefit scheme. Of those managed by ChECS, 29 (2021: 30) accrue benefits under a defined contribution scheme for which contributions for the year were £328,000 (2021: £330,000). The remaining 3 (2021: 5) staff accrue benefits under a defined benefit scheme.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2022**

## 8. STAFF NUMBERS AND REMUNERATION continued
**Staff emoluments continued**

The highest paid member of staff was the Chief Investment Officer who earned £323,000 (2021: £305,000) and a Long Term Incentive Payment (LTIP) of £319,000 (2021: £301,000) based on the long-term performance of the fund. Including the Chief Investment Officer, 15 (2021: 15) members of staff received LTIPs in the year totalling £1,823,000 (2021: £1,673,000). Further details of the Commissioners' remuneration policy are included in the Governance Section of the Board's report on page 58.

The Commissioners' senior executive leadership team comprise five posts, four of whom are employed directly by the Commissioners and one by ChECS. Their aggregate remuneration, including LTIPs, national insurance and pension contributions, is £1,390,000 (2021: £1,433,000).

## 9. TRUSTEES' EMOLUMENTS AND EXPENSES

The First and Third Church Estates Commissioners are paid a salary in accordance with the Ecclesiastical Commissioners Act 1850, as amended by the Ecclesiastical Commissioners (Powers) Measure 1938. Other trustees have no entitlement to a salary or pension in their capacity as trustees.

| | 2022 £000 | 2021 £000 |
|---|---|---|
| First Church Estates Commissioner | | |
| Salary | 122 | 118 |
| National Insurance costs | 16 | 15 |
| Pension | 16 | 8 |
| Third Church Estates Commissioner | | |
| Salary | 74 | 73 |
| National Insurance costs | 10 | 8 |
| Pension | 3 | 5 |
| Total Church Estates Commissioners' costs | 241 | 227 |

Alan Smith was appointed First Church Estates Commissioner on 1 October 2021 but waived his remuneration for 2021.

Pensions paid to former First and Third Church Estates Commissioners of £28,000 (2021: £27,000) were charged to the staff pension provision.

The Commissioners meet the expenses incurred by the trustees in carrying out their duties. During the year, 17 (2021: 11) trustees claimed expenses or had their expenses met by the Charity totalling £13,098 (2021: £2,702) in respect of travel and subsistence. The Commissioners meet the expenses of Committee members in carrying out their duties. During the year, 4 (2021: 1) Committee members claimed expenses or had their expenses met by the Charity totalling £1,059 (2021: £272) in respect of their travel and subsistence.

## 10. TAXATION

| | Overseas (including Australian) Withholding Tax £m | 2022 £m | Overseas (including Australian) Withholding Tax £m | 2021 £m |
|---|---|---|---|---|
| Consolidated | | | | |
| Current tax | 2.8 | 2.8 | – | – |
| Deferred tax | 0.7 | 0.7 | 0.5 | 0.5 |
| **Total taxation charge** | 3.5 | 3.5 | 0.5 | 0.5 |
| Commissioners | | | | |
| Current tax | (0.2) | (0.2) | – | – |
| Deferred tax | 0.6 | 0.6 | 0.5 | 0.5 |
| **Total taxation charge** | 0.4 | 0.4 | 0.5 | 0.5 |

The Church Commissioners are a registered charity. As such, under UK tax law, they are exempt from Corporation Tax on all their Investment Income and Chargeable Gains. The UK resident subsidiaries of the Church Commissioners are, prima facie, subject to Corporation Tax on their income. However, all these subsidiaries have Deeds of Covenants to distribute all taxable profits to the Church Commissioners. As such distributions are tax deductible, no tax liability arises in the subsidiaries.

## 11. TANGIBLE ASSETS

*Consolidated*

| | Freehold buildings | Green energy generation £m | IT systems £m | Leasehold improvements £m | Operational properties and contents £m | Total £m |
|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | |
| Balance at 1 January | 30.5 | 0.7 | 1.9 | 2.1 | 91.3 | 126.5 |
| Additions | – | – | – | – | – | – |
| Transfers/disposal | – | – | – | – | (0.2) | (0.2) |
| **Balance at 31 December** | 30.5 | 0.7 | 1.9 | 2.1 | 91.1 | 126.3 |
| **Accumulated depreciation** | | | | | | |
| Balance at 1 January | (0.9) | – | (1.9) | (2.1) | – | (4.9) |
| Charge for the year | (0.9) | – | – | – | – | (0.9) |
| **Balance at 31 December** | (1.8) | – | (1.9) | (2.1) | – | (5.8) |
| **Net book value** | | | | | | |
| Balance at 1 January | 29.6 | 0.7 | – | – | 91.3 | 121.6 |
| **Balance at 31 December** | 28.7 | 0.7 | – | – | 91.1 | 120.5 |

# NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

## 11. TANGIBLE ASSETS continued
*Commissioners*

| | Freehold buildings | IT systems £m | Leasehold improvements £m | Operational properties and contents £m | Total £m |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| Balance at 1 January | 30.5 | 1.9 | 2.1 | 91.3 | 125.8 |
| Additions | – | – | – | – | – |
| Transfers/disposal | – | – | – | (0.2) | (0.2) |
| **Balance at 31 December** | 30.5 | 1.9 | 2.1 | 91.1 | 125.6 |
| **Accumulated depreciation** | | | | | |
| Balance at 1 January | (0.9) | (1.9) | (2.1) | – | (4.9) |
| Charge for the year | (0.9) | – | – | – | (0.9) |
| **Balance at 31 December** | (1.8) | (1.9) | (2.1) | – | (5.8) |
| **Net book value** | | | | | |
| Balance at 1 January | 29.6 | – | – | 91.3 | 120.9 |
| **Balance at 31 December** | 28.7 | – | – | 91.1 | 119.8 |

The original cost of tangible fixed assets is not disclosed given the historic nature of many of the assets owned.

The deemed cost of operational see house properties was the valuation at the FRS 102 transition date. This valuation was carried out by Knight Frank LLP as at 31 December 2013.

Operational properties includes the contents of see houses, which were valued by Gurr Johns as at 31 December 2007.

All tangible fixed assets are located in the United Kingdom.

## 12. HERITAGE ASSETS
**Analysis of heritage assets**

| | Lambeth Palace £m | Contents of Lambeth Palace Library £m | Historic contents of Lambeth Palace £m | Historic contents of former see houses £m | Total £m |
|---|---|---|---|---|---|
| Balance at 1 January | – | 0.3 | 1.0 | 2.2 | 3.5 |
| **Balance at 31 December** | – | 0.3 | 1.0 | 2.2 | 3.5 |

**Lambeth Palace**
Lambeth Palace has been the historic London residence of the Archbishops of Canterbury since the 13th Century. It was acquired by the Commissioners as a result of an Order in Council given in 1946 in accordance with the Episcopal Endowments and Stipends Measure 1943 and was transferred to the Commissioners at its original deemed cost. At the time of acquisition, the Commissioners' best estimate of the historic deemed cost was £1. Any developments or improvements to the building are capitalised at cost (within tangible fixed assets note 11) and depreciated over the improvements' useful economic life. Whilst the building continues to have operational use, being used as the Archbishop's London residence and including a team of staff employed to support him in his work, it continues to be maintained by the Commissioners as a result of its significant historical and cultural importance as an important exhibit to the public of the history of the work of the Archbishops of Canterbury and the Church of England. The grounds of Lambeth Palace are also home to the Lambeth Palace Library. The Commissioners are responsible for the ongoing upkeep and maintenance of the building. Maintenance costs are charged to the SOFA in the period they are incurred.

**Contents of Lambeth Palace Library**
Lambeth Palace Library was founded in 1610 when Archbishop Richard Bancroft bequeathed to his successors as Archbishops of Canterbury his extensive collection of books and manuscripts. Ownership of the building and contents became vested in the Ecclesiastical Commissioners in 1946 and passed subsequently to the Commissioners. Responsibility for the maintenance of Lambeth Palace Library lies with the Commissioners. The collections of Lambeth Palace Library were designated by the Museums, Libraries and Archives Council in 2005 as outstanding in their national and international importance. The Library exists to preserve this unique heritage of the Church and the nation and to make it freely available for all to study and enjoy.

**Historic contents of Lambeth Palace**
Included within heritage assets are the historical contents of Lambeth Palace. These items are held primarily for their historical and artistic value. The contents' fair value has been calculated based on the market value last calculated at 31 December 2007. The Commissioners have performed a review of the historic contents of Lambeth Palace, which includes works of art, and are satisfied that there is no material difference between the fair value at 31 December 2022 and the full professional valuation obtained as at 31 December 2007.

**Historic contents of former see houses**
Included within heritage assets are the historical contents of former see houses that are on loan to various bodies. This includes the Hurd Library and other heirlooms at Hartlebury Castle and various objects at Fulham Palace. These items are held primarily for their historical and artistic value.

The contents' fair value has been calculated based on the market value last calculated at 31 December 2007. The Commissioners have performed a review of the historic contents, which includes works of art, and are satisfied that there is no material difference between the fair value at 31 December 2022 and the full professional valuation obtained as at 31 December 2007. There have been no additions since 2017.

## 13. DEBTORS

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Trade debtors | 23.5 | 19.7 | 3.4 | 6.3 |
| Subsidiary undertakings | – | – | 737.6 | 630.2 |
| Joint venture (ChECS) | 1.1 | 1.7 | 1.1 | 1.7 |
| Dioceses (Clergy Stipends and Diocesan Debtors Accounts) | 2.0 | 0.3 | 2.0 | 0.3 |
| Loans | 2.2 | 2.7 | 2.2 | 2.7 |
| Other debtors | 0.9 | 1.1 | 0.7 | 1.0 |
| Prepayments | 2.5 | 2.5 | 2.2 | 2.2 |
| Taxation and National Insurance contributions | 3.9 | – | 3.9 | – |
| Accrued income | 11.0 | 12.0 | 37.6 | 25.9 |
| Outstanding investment trades | 142.9 | 9.1 | 142.9 | 9.1 |
| Derivative open contracts | 74.1 | 34.9 | 74.1 | 34.9 |
| Total debtors | 264.1 | 84.0 | 1,007.7 | 714.3 |

Balances with subsidiaries are included in Note 21.

Loans are interest bearing and consist of mortgages and loans to Church bodies, cathedrals and staff, and car loans to clergy.

Derivative open contracts are used for risk management and efficient portfolio management purposes. The value above represents those derivative contracts that have a positive value at 31 December. There are also derivatives which have a negative value disclosed in creditors within note 14. The total gains or losses on derivatives for the year is shown on the Statement of Financial Activities, which when used for hedging purposes are offset by movements in the fair value of the investment portfolio. For further details on foreign currency hedging, see note 2(a).

# NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

## 14. CREDITORS FALLING DUE WITHIN ONE YEAR

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Trade creditors | 5.8 | 4.7 | 5.4 | 4.5 |
| Subsidiary undertakings | – | – | 25.0 | 26.2 |
| Dioceses and other Church bodies | 7.5 | 4.9 | 7.5 | 4.9 |
| Other creditors | 3.7 | 4.8 | 3.3 | 4.3 |
| Taxation and National Insurance contributions | 8.6 | 10.3 | 3.9 | 7.5 |
| Accruals and deferred income | 22.9 | 49.0 | 20.5 | 40.6 |
| Grants payable | 67.0 | 43.3 | 67.0 | 43.3 |
| Outstanding trades payable | 9.8 | 4.8 | 9.8 | 4.8 |
| Derivative open contracts | 7.4 | 10.9 | 7.4 | 10.9 |
| **Total creditors: amounts falling due within one year** | 132.7 | 132.7 | 149.8 | 147.0 |

Derivative open contracts are used for risk management and efficient portfolio management purposes. The value above represents those derivative contracts that have a negative value at 31 December. There are also derivatives which have a positive value disclosed in debtors within note 13. The total gains or losses on derivatives for the year is shown on the Statement of Financial Activities, which when used for hedging purposes are offset by movements in the fair value of the investment portfolio. For further details on foreign currency hedging, see note 2(a).

Unrealised gain on derivative financial instruments are described in note 2.

## 15. CREDITORS FALLING DUE AFTER ONE YEAR

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Grants payable | 99.5 | 101.7 | 99.5 | 101.7 |
| Discounting adjustment | (11.3) | (3.2) | (11.3) | (3.2) |
| **Total Grants payable** | 88.2 | 98.5 | 88.2 | 98.5 |
| 3.250% Sustainability Bonds due 2032 | 250.0 | – | 250.0 | – |
| 3.250% Sustainability Bonds – Bond issue costs | (1.2) | – | (1.2) | – |
| 3.250% Sustainability Bonds – discount on issuance | (0.8) | – | (0.8) | – |
| 3.625% Bonds (2052) | 300.0 | – | 300.0 | – |
| 3.625% Bonds (2052) – Bond issue costs | (1.7) | – | (1.7) | – |
| 3.625% Bonds (2052) – discount on issuance | (5.0) | – | (5.0) | – |
| **Total Bond Liabilities** | 541.3 | – | 541.3 | – |
| **Total creditors: amounts falling due after one year** | 629.5 | 98.5 | 629.5 | 98.5 |

### Grants Payable

Grant making creditors can be analysed as follows:

| | Consolidated and Commissioners | |
|---|---|---|
| | 2022 £m | 2021 £m |
| As at 1 January | 141.8 | 137.3 |
| Changes in liability due to: | | |
| New grant commitments in the year | 165.3 | 124.2 |
| Return of unspent grants | (2.6) | – |
| Grant payments in the year | (141.2) | (116.6) |
| Changes in discounting adjustment | (8.1) | (3.1) |
| As at 31 December | 155.2 | 141.8 |
| Grants payable falling due within one year | 67.0 | 43.3 |
| Grants payable falling due after one year | 88.2 | 98.5 |
| As at 31 December | 155.2 | 148.1 |

For grants payable due in more than one year, the grant funding is expected to be settled in the following periods, though the drawn down of grants is dependent on the timing of expenditure incurred and claims made by the grant recipient:

| Grant stream | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 and beyond | Total |
|---|---|---|---|---|---|---|---|
| Strategic Development Funding | 27.3 | 20.1 | 10.6 | 4.5 | 0.6 | 0.2 | 63.3 |
| Strategic Ministry Funding | 6.2 | 2.7 | – | – | – | – | 8.9 |
| Strategic Transformation Funding | 6.9 | 5.9 | 3.3 | 1.8 | 0.3 | 0.1 | 18.3 |
| Social Impact Investment Funding | 0.7 | 0.6 | – | – | – | – | 1.3 |
| Cathedral Sustainability Funding | 1.3 | – | – | – | – | – | 1.3 |
| Other Grant Streams | 2.1 | 2.2 | 1.6 | 0.5 | 0.0 | – | 6.4 |
| Total before discounting adjustment | 44.5 | 31.5 | 15.5 | 6.8 | 0.9 | 0.3 | 99.5 |
| Discounting adjustment | (3.7) | (3.7) | (2.3) | (1.2) | (0.2) | (0.2) | (11.3) |
| Total | 40.8 | 27.8 | 13.2 | 5.6 | 0.7 | 0.1 | 88.2 |

Long-term grant funding is, where material, discounted to reflect the net present value of future payments. The discount rate used varies based on the time until the grant award is due to be paid.

At the balance sheet date the Archbishops' Council had made grant awards of £13.8m to five organisations, which did not meet the expenditure recognition criteria due to conditions attached to these awards. The Church Commissioners have therefore not recognised a corresponding grant to the Archbishops' Council in respect of these awards.

### Bond Liabilities

In 2022 the Church Commissioners issued two bonds – a £250 million Sustainability Bond with a 10-year maturity (2032) and a £300 million conventional bond with a 30-year maturity (2052). The proceeds from the two bond issues will be invested on a long-term basis, enhancing the fund's capital efficiency, and offering the potential to generate additional value for the fund. The proceeds will be invested according to the Church Commissioners' responsible investment approach, with the proceeds of the Sustainability Bond used to support existing and future eligible sustainable projects, as set out in the Church Commissioners' Sustainable Financing Framework.

Bond issue costs of £1.3m were incurred (predominantly legal and financial advice) in respect of the 2032 Sustainability Bond. At December 2022, the total of amortised bond issue costs and the amortised discount on issuance was £2.0m (2021: £nil). The applicable interest rate is 3.25%. Repayment of the bond is due on maturity in 2032.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2022**

## 15. CREDITORS FALLING DUE AFTER ONE YEAR continued
**Bond Liabilities continued**

Bond issue costs of £1.7m were incurred (predominantly legal and financial advice) in respect of the 2052 Bond. At December 2022, the total of the amortised bond issue costs and the amortised discount on issuance was £6.7m (2021: £nil). The applicable interest rate is 3.625%. Repayment of the bond is due on maturity in 2052.

The following table details the bond-related contractual payments as at 31 December 2022.

| | Sustainability Bonds (2032) | | Bond (2052) | |
|---|---|---|---|---|
| | Interest due £m | Capital repayment £m | Interest due £m | Capital repayment £m |
| **Period** | | | | |
| Due to end December 2022 | 3.8 | – | 5.0 | – |
| Due within one year | 8.1 | – | 10.9 | – |
| Due between one to five years | 32.5 | – | 43.5 | – |
| Due after five years | 36.9 | 250 | 266.9 | 300 |
| **Total** | 81.3 | 250 | 326.3 | 300 |

## 16. PROVISIONS
**Provision for clergy pre-1998 pension obligation under the Church of England Pensions Scheme**

| | Notes | Consolidated and Commissioners 2022 £m | 2021 £m |
|---|---|---|---|
| As at 1 January | | 1,354.7 | 1,477.2 |
| Amounts charged against provision: | | | |
| Pensions to clergy for service prior to 1998 | | (79.2) | (79.4) |
| Lump sum payments on retirement for service prior to 1998 | | (6.5) | (6.2) |
| Pensions to clergy widows and children for service prior to 1998 | | (30.7) | (30.3) |
| Benefits under the Deaconesses and Lay Workers (Pensions) Measure 1980 | | (0.1) | (0.1) |
| Transfers out of scheme | | (0.6) | (0.1) |
| | | (117.1) | (116.1) |
| Changes in provision for: | | | |
| Interest on provision | | 58.2 | 57.0 |
| Changes in assumptions and due to experience | | (128.9) | (63.4) |
| | 6 | (70.7) | (6.4) |
| **As at 31 December** | | 1,166.9 | 1,354.7 |

*History*

Prior to 1998, the Commissioners were responsible for paying the pensions benefits to clergy who accrued years of pensionable service as members of the Church of England Pensions Scheme. In 1997, legislation was enacted to provide for new pensions schemes to be established and administered by the Church of England Pensions Board, with contributions for future service to be paid by all responsible bodies and employers (dioceses, cathedrals, the NCIs, and other church organisations). This effectively capped the Commissioners' obligation for clergy pensions for clergy for which they are not the 'responsible body' to service up until 31 December 1997 only.

Details of the Commissioners financial responsibilities in respect of their role as 'responsible body' for bishops, cathedral clergy and certain other clergy for service since 1 January 1998 are described in note 17(a).

*Church of England Pensions Scheme*
The Commissioners are obliged to pay pension benefits to clergy who accrued years of pensionable service until 31 December 1997 as members of the Church of England Pensions Scheme. The Scheme is administered by the Church of England Pensions Board on behalf of the Commissioners. The obligation is recognised in full using the actuarial valuation carried out by Hymans Robertson LLP, independent qualified actuaries. A full valuation is carried out every three years and it is rolled forward in other years. A full valuation was carried out as at 31 December 2021.

The valuation uses the projected unit method and assumes all benefits including post retirement increases continue to be paid in accordance with current practice. It uses financial assumptions reflecting the term structure of interest rates and inflation. These assumptions include the prospective rate of investment returns, future increases in the RPI, the starting level of pensions and the rate of post retirement pension increases.

The principal assumptions used in deriving the Commissioners' obligation were:

| | 2022 % | 2021 % | 2020 % | 2019 % | 2018 % |
|---|---|---|---|---|---|
| Prospective annual rate of return on investments | 6.8 | 4.6 | 3.8 | 3.9 | 4.2 |
| Rate of increase of future stipend and increases in the starting pension | 2.3 | 2.9 | 3.3 | 3.2 | 3.2 |
| Rate of post retirement pension increases | 3.2 | 3.7 | 3.3 | 3.2 | 3.2 |
| Retail price inflation | 3.2 | 3.7 | 3.3 | 3.2 | 3.2 |

The assumptions were made on a best estimate basis over a time period reflecting the long-term nature of the fund and its objectives over 30 years. In their assessments of the pensions obligation, Hymans Robertson LLP have used bespoke Club Vita mortality tables. The life expectancy for beneficiaries aged 65 is 24.1 years (2018 valuation: 22.8 years) for men and 26.3 years (2018 valuation: 26.4 years) for women. In respect of future improvements in mortality rates, the projection model from the 2020 Continuous Mortality Investigation has been used.

## 17. PENSIONS

| | Clergy | Staff | | | Clergy | Staff | | |
|---|---|---|---|---|---|---|---|---|
| | Post-1997 service Note 17(a) £m | Pre-2000 service Note 17(b) £m | Post-1999 service Note 17(c) £m | 2022 £m | Post-1997 service Note 17(a) £m | Pre-2000 service Note 17(b) £m | Post-1999 service Note 17(c) £m | 2021 £m |
| **Pension reserves at 1 January** | 0.5 | 115.5 | 2.8 | 118.8 | 1.1 | 128.6 | 4.1 | 133.8 |
| Benefits/contributions paid | (0.3) | (5.4) | (1.4) | (7.1) | (0.6) | (5.2) | (1.5) | (7.3) |
| Interest on liability | – | 2.1 | – | 2.1 | – | 1.5 | – | 1.5 |
| Other movement | – | – | 0.1 | 0.1 | – | – | 0.2 | 0.2 |
| | (0.3) | (3.3) | (1.3) | (4.9) | (0.6) | (3.7) | (1.3) | (5.6) |
| Actuarial (Gain)/Losses | (0.2) | (29.8) | – | (30.0) | – | (9.4) | – | (9.4) |
| **Pension reserves at 31 December** | – | 82.4 | 1.5 | 83.9 | 0.5 | 115.5 | 2.8 | 118.8 |

The reduction in pensions reserves due to cash paid is £7.1m (2021: £7.3m) and the total amount shown in expenditure is £2.1m (2021: £1.5m). Actuarial gains of £30.0m (2021: gains of £9.4m) have been recognised in other gains or losses.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2022**

## 17. PENSIONS continued

**(a) Clergy pensions post-1997: Church of England Funded Pensions Scheme**

Pensions in respect of the service of Church of England clergy from 1 January 1998 are provided by the Church of England Funded Pensions Scheme, administered by the Church of England Pensions Board. The Church of England Pensions Board publishes the Scheme's financial statements and is its custodian trustee.

The Commissioners are one of the 'responsible bodies' in the Scheme, as they pay the stipends, National Insurance and pensions costs of bishops, archbishops, bishops' chaplains and most cathedral clergy.

The Scheme is considered to be a multi-employer scheme, and it is not possible to attribute the Scheme's assets and liabilities to specific employers. Therefore, contributions are accounted for as if the Scheme were a defined contribution scheme. The pension costs charged to the SOFA in the year are contributions payable plus any impact of deficit contributions.

A valuation of the Scheme was carried out by an independent qualified actuary using the projected unit method as at 31 December 2018. This revealed a deficit of £50 million, based on assets of £1,818 million and a funding target of £1,868 million.

Normal contributions relate to providing benefits in relation to ongoing pensionable service. Deficit contributions relate to recovery of the deficit until 31 December 2022. Following a review of the scheme's funding position a lower interim contribution rate was set with effect from 1 April 2022. The most recent full valuation of the scheme as at 31 December 2021 revealed a surplus of £560m, based on assets of £2,720m and a funding target of £2,160m. Administration expenses cover the day-to-day expenses of running the scheme.

The contribution rate of future pensionable stipends payable by the Commissioners is made up of the following components:

| | From 1 January 2022 % | From 1 April 2022 % | From 1 January 2023 % |
|---|---|---|---|
| Normal contributions | 31.3 | 31.3 | 26.5 |
| Deficit contributions | 7.1 | 3.2 | – |
| Contributions towards administration expenses | 1.2 | 1.2 | 1.2 |
| Total contribution | 39.6 | 35.7 | 27.7 |

The £nil reserve for 2022 (2021: liability of £0.5m) in the table above represents the present value of future deficit contributions and has been valued using assumptions set by reference to the duration of the deficit recovery payments (which ceased from 1 January 2023).

**(b) Staff pensions pre-2000: Church Commissioners Superannuation Scheme**

The Commissioners are obliged to pay pension benefits to staff, former First and Third Church Estates Commissioners, bishops' staff and staff of the Church of England Pensions Board who accrued years of pensionable service until 31 December 1999 as members of the Church Commissioners Superannuation Scheme ("CCSS").

This is a multi-employer scheme where each employer is able to ascertain their share of the scheme assets and liabilities. The Commissioners' share is therefore provided for in the balance sheet in full. The liability is estimated each year by Hymans Robertson LLP, independent qualified actuaries.

Using the projected unit method, and assuming all benefits including post retirement increases in pensions continue to be paid in accordance with current practice, the provision of £82.4m (2021: £115.5m) shown in the table above represents the Commissioners' share of the deficit on the CCSS.

Financial assumptions reflecting the term structure of interest rates and inflation have been used to estimate the value of the obligation. These assumptions include the prospective rate of investment returns, future increases in the RPI, the starting level of pensions and the rate of post retirement pension increases. The principal assumptions over the estimated duration of the obligation used in estimating the provision were:

| | **2022 %** | 2021 % | 2020 % | 2019 % | 2018 % |
|---|---|---|---|---|---|
| Discount rate (annual rate of return on AA rated corporate bonds) | **4.75** | 1.85 | 1.20 | 1.95 | 2.75 |
| Rate of salary increases | **3.95** | 4.25 | 3.80 | 3.70 | 4.45 |
| Rate of increase of pensions in payment: | | | | | |
| for service before 1 April 1997 (CPI) | **2.70** | 3.00 | 2.50 | 2.35 | 2.50 |
| for service since 1 April 1997 (RPI) | **3.25** | 3.55 | 3.05 | 3.25 | 3.45 |

In their assessments of the pensions liability, Hymans Robertson LLP used bespoke Club Vita mortality tables. In respect of future improvements in mortality rates, the projection model from the 2020 Continuous Mortality Investigation has been used.

History of experience gains and losses:

| | **2022 £m** | 2021 £m | 2020 £m | 2019 £m | 2018 £m |
|---|---|---|---|---|---|
| Actuarial loss (gain) | **(29.8)** | (9.4) | 12.2 | 6.7 | (18.3) |

**(c) Staff pensions post-1999: Church Administrators Pension Fund**

Pensions for staff in respect of service from 1 January 2000 are provided by the Church Administrators Pension Fund, administered by the Church of England Pensions Board. The Church of England Pensions Board publishes the Fund's financial statements and is its custodian trustee.

The Commissioners are one of the employers in the Fund. The Fund has two sections: the defined benefit and the defined contributions schemes. Staff who commenced service before 1 July 2006 are members of the defined benefit section of the scheme and staff who commenced service after 30 June 2006 are members of the defined contributions section.

The defined benefit section is considered to be a multi-employer, last man standing defined benefit pension scheme. This means that it is not possible to attribute the Fund's assets and liabilities to specific employers and that contributions are accounted for as if the Fund were a defined contribution scheme. The pension costs charged to the SOFA in the year are contributions payable for both defined contribution and defined benefit sections, plus any impact of defined benefit deficit contributions.

The most recent valuation of the Fund, completed on 29 January 2021, was carried out by an independent qualified actuary using the projected unit method at as 31 December 2019. This revealed a deficit of £9.1 million.

Following completion of the valuation in 2021, the employers have collectively entered into an agreement with CAPF to pay contributions of 27.6% of Pensionable Salaries. The employers have also agreed to make deficit payments of £2.4m per annum until December 2023 in respect of the shortfall in the Defined Benefit Section. In addition, the employers have agreed to pay £500,000 pa towards expenses, plus the full cost of any Pension Protection Fund levies. These contributions are made by each employer in proportion to Pensionable Salaries of those in the Defined Benefit Section. For comparison, the deficit recovery plan in force at 31 December 2020 was for deficit payments of £2.7m pa from 1 January 2018 until 30 June 2023 (increasing each 1 January by 3.3%). A full valuation as at 31 December 2022 is in progress.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2022**

## 18. FUNDS

An Order was made by the Charity Commission on 19 June 2012, at the request of the trustees, to enable them to account and report income and capital returns and charitable expenditure on a total return basis.

The Order requires the unapplied total return to be calculated at the point at which the Order is made, and subsequent movements are shown in the table below. The unapplied total return is the amount of the fund over and above the base level of endowment. The trustees agreed this base level should be the book value of assets of the Ecclesiastical Commissioners and the Queen Anne's Bounty when they were transferred to the Commissioners in April 1948 (£155.8m), inflated in line with RPI and deducting clergy pensions paid from capital, since the Pensions Measure 1997 became effective. The base level of the endowment at 1 January 2012 was £3,000.4m and the unapplied total return was £2,202.0m. The base value and unapplied total return together with the general fund reserve made up the total fund value of £5,237.6m at 1 January 2012.

The total return each year remains part of the endowment fund, until it is transferred to the general fund and becomes "applied total return". The transfer is shown in the table below and on the face of the SOFA. The trustees agreed the base value of the endowment should be recalculated each year to reflect the permanent diminution of the fund as clergy pensions are paid out under the Pensions Measure 1997, and inflated in line with RPI. In 2020, the trustees agreed to change the inflation rate to the Consumer Prices Index including Housing (CPIH).

The pre-1998 clergy pension obligation set out in note 16 has been allocated to unapplied total return as the Commissioners do not have indefinite power to spend endowment on clergy pensions, but only for a seven year period ending in 2025. At that point, it is expected, but not presumed, that this power will be extended for a further seven years. As such, the base value of endowment is reduced each year by the clergy pensions paid in that year with movement in the provision being taken against the unapplied total return.

| | Notes | Base value of endowment £m | Unapplied total return £m | Total endowment fund £m | Other funds £m | Total funds £m |
|---|---|---|---|---|---|---|
| At 1 January 2022 | | 2,468.2 | 6,177.4 | 8,645.6 | 0.1 | 8,645.7 |
| Add investment return for the year: | | | | | | |
| Income return – gross income | | – | 143.3 | 143.3 | 5.1 | 148.4 |
| Income return – cost of raising funds | 3 | – | (57.2) | (57.2) | (2.2) | (59.4) |
| Capital return and foreign exchange | | – | 413.1 | 413.1 | – | 413.1 |
| Taxation payable | 10 | – | (3.5) | (3.5) | – | (3.5) |
| Total investment return during the year | | – | 495.7 | 495.7 | 2.9 | 498.6 |
| Less | | | | | | |
| Clergy pensions paid | 16 | (117.1) | – | (117.1) | – | (117.1) |
| Release of clergy pensions paid | | – | 117.1 | 117.1 | – | 117.1 |
| Movement on clergy pensions provision | 16 | – | 70.7 | 70.7 | – | 70.7 |
| Gain on defined benefit pension schemes | 17 | 30.0 | – | 30.0 | – | 30.0 |
| Charitable expenditure: non-pensions | | – | – | – | (188.2) | (188.2) |
| Total other movements during the year | | (87.1) | 187.8 | 100.7 | (188.2) | (87.5) |
| Add indexation on base value of endowment | | 227.1 | (227.1) | – | – | – |
| Application of non-applied total return | | – | (185.5) | (185.5) | 185.5 | – |
| At 31 December 2022 | | 2,608.2 | 6,448.3 | 9,056.5 | 0.3 | 9,056.8 |

| | Notes | Base value of endowment £m | Unapplied total return £m | Total endowment fund £m | Other funds £m | Total funds £m |
|---|---|---|---|---|---|---|
| At 1 January 2021 | | 2,457.0 | 5,115.5 | 7,572.5 | 0.1 | 7,572.6 |
| Add investment return for the year: | | | | | | |
| Income return – gross income | | – | 144.8 | 144.8 | 3.3 | 148.1 |
| Income return – cost of raising funds | 3 | – | (83.7) | (83.7) | (0.5) | (84.2) |
| Capital return and foreign exchange | | – | 1,142.5 | 1,142.5 | – | 1,142.7 |
| Taxation payable | 10 | – | (0.5) | (0.5) | – | (0.5) |
| **Total investment return during the year** | | – | 1,203.1 | 1,203.1 | 2.8 | 1,205.9 |
| Less | | | | | | |
| Clergy pensions paid | 15 | (116.1) | – | (116.1) | – | (116.1) |
| Release of clergy pensions paid | | – | 116.1 | 116.1 | – | 116.1 |
| Movement on clergy pensions provision | 15 | – | 6.4 | 6.4 | – | 6.4 |
| Gain on defined benefit pension schemes | 16 | 9.4 | – | 9.4 | – | 9.4 |
| Charitable expenditure: non-pensions | | – | – | – | (148.6) | (148.6) |
| **Total other movements during the year** | | (106.7) | 122.5 | 15.8 | (148.6) | (132.8) |
| Add indexation on base value of endowment | | 117.9 | (117.9) | – | – | – |
| Application of non-applied total return | | – | (145.8) | (145.8) | 145.8 | – |
| **At 31 December 2021** | | 2,468.2 | 6,177.4 | 8,645.6 | 0.1 | 8,645.7 |

Other funds comprise the following balances:

| | At 1 January 2022 £m | Income £m | Expenditure £m | Transfers £m | At 31 December 2022 £m |
|---|---|---|---|---|---|
| *Restricted funds* | | | | | |
| Reconciliation | 0.1 | 0.1 | (0.1) | – | 0.1 |
| Closed churches | – | 0.7 | (0.7) | – | – |
| Centre for Cultural Witness | – | 0.3 | (0.1) | – | 0.2 |
| Other restricted funds individually below £0.1m | – | 0.1 | (0.1) | – | – |
| **Total restricted funds** | 0.1 | 1.2 | (1.0) | – | 0.3 |
| *Unrestricted funds (general)* | | | | | |
| General fund | – | 3.9 | (189.4) | 185.5 | – |
| **Total unrestricted funds** | – | 3.9 | (189.4) | 185.5 | – |
| **Total other funds** | 0.1 | 5.1 | (190.4) | 185.5 | 0.3 |

| | At 1 January 2021 £m | Income £m | Expenditure £m | Transfers £m | At 31 December 2021 £m |
|---|---|---|---|---|---|
| *Restricted funds* | | | | | |
| Reconciliation | – | 0.2 | (0.2) | – | – |
| Closed churches | – | 0.4 | (0.4) | – | – |
| Other restricted funds individually below £0.1m | 0.1 | 0.2 | (0.2) | – | 0.1 |
| **Total restricted funds** | 0.1 | 0.8 | (0.8) | – | 0.1 |
| *Unrestricted funds (general)* | | | | | |
| General fund | – | 2.5 | (148.3) | 145.8 | – |
| **Total unrestricted funds** | – | 2.5 | (148.3) | 145.8 | – |
| **Total other funds** | 0.1 | 3.3 | (149.1) | 145.8 | 0.1 |

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2022**

## 18. FUNDS continued
Details of the significant restricted and designated funds are given below.

**Reconciliation**
The Archbishop of Canterbury receives external funding for his Reconciliation Ministry which is now based at Lambeth Palace. The scope of the funding covers staffing, office & IT costs, conferences and hospitality, UK & overseas travel, training and other resources in relation to the Archbishop's Reconciliation Ministry.

**Closed churches**
This fund represents the Commissioners' share of income received from the sale of closed churches. For further details, see note 4.

**Cultural Witness**
The Archbishop of Canterbury has received external funding for the Centre for Cultural Witness, which has recently been established at Lambeth Palace as part of his Evangelism ministry. The scope of the funding covers staffing, office and IT costs, research, and publishing costs.

The net assets of the Commissioners split between its funds, on a consolidated basis, are as follows:

| | General fund £m | Designated fund £m | Restricted £m | Pension reserve £m | Endowment fund £m | 2022 £m |
|---|---|---|---|---|---|---|
| Fixed assets | 28.7 | – | – | – | 9,767.2 | 9,795.9 |
| Current assets | 601.4 | 0.8 | 0.3 | – | 674.1 | 1,276.6 |
| Creditors: amounts falling due within one year | (0.6) | (0.8) | – | – | (131.3) | (132.7) |
| Creditors: amounts falling due after one year | (629.5) | – | – | – | – | (629.5) |
| Provisions | – | – | – | – | (1,169.6) | (1,169.6) |
| Defined benefit pension scheme liabilities | – | – | – | (83.9) | – | (83.9) |
| **Total funds** | – | – | 0.3 | (83.9) | 9,140.4 | 9,056.8 |

| | General fund £m | Designated fund £m | Restricted £m | Pension reserve £m | Endowment fund £m | 2021 £m |
|---|---|---|---|---|---|---|
| Fixed assets | 29.6 | – | – | – | 9,247.9 | 9,277.5 |
| Current assets | 72.5 | 1.5 | 0.1 | – | 1,000.8 | 1,074.9 |
| Creditors: amounts falling due within one year | (4.2) | (0.9) | – | – | (127.6) | (132.7) |
| Creditors: amounts falling due after one year | (97.9) | (0.6) | – | – | – | (98.5) |
| Provisions | – | – | – | – | (1,356.7) | (1,356.7) |
| Defined benefit pension scheme liabilities | – | – | – | (118.8) | – | (118.8) |
| **Total funds** | – | – | 0.1 | (118.8) | 8,764.4 | 8,645.7 |

## 19. CONTINGENT LIABILITIES
The Commissioners, dioceses and other Church bodies are the bodies responsible for the contributions to the Church of England Funded Pensions Scheme for clergy. In the event of defaults by any of the responsible bodies, the remaining responsible bodies, including the Commissioners, would continue to be responsible for the entire liabilities of the Scheme.

The Commissioners are joint employer, together with the other National Church Institutions (NCIs), of most of the staff of the NCIs and, as such, have a contingent liability for salaries and other employment costs in the event of a default by any of the other joint employers.

It is not practicable to reliably estimate the quantum of the above contingent liabilities.

## 20. LEASES

The Commissioners have different types of leases in place for its investment properties, including:

| Tenancy | Break terms |
|---|---|
| **Residential** | |
| Assured shorthold tenancies (ASTs) | Minimum 6 months then 2 months' notice |
| Assured tenancies | 1 month's notice |
| Regulated tenancies | 1 month's notice |
| Ground rents | No break terms |
| Licence agreement | 1 month's notice by either party |
| **Rural** | |
| Farm business tenancies | In general, there are no breaks until lease end date |
| Agricultural Holdings Act | Minimum 12 months' notice period by the tenant |
| Licence agreement | Will range from 1 to 3 months' notice by either party |
| **Commercial** | |
| Full repair and insurance | No break term unless specifically requested |
| Internal repair and insurance | No break term unless specifically requested |
| Geared rents | No break terms |
| **UK forestry** | |
| Not applicable | |

Due to the nature of the Commissioners' leases, the vast majority of residential and rural property leases are cancellable within 12 months. Commercial property leases and residential ground rents are non-cancellable. The consolidated and Commissioners rents receivable under non-cancellable operating leases are:

| | 2022 £m | 2021 £m |
|---|---|---|
| Amounts due within one year | **14.3** | 8.9 |
| Amounts due after one year but not more than five years | **47.2** | 28.5 |
| Amounts due after five years | **241.9** | 230.2 |
| **Total rents receivable under non-cancellable operating leases** | **303.4** | 267.6 |

## 21. RELATED PARTY TRANSACTIONS

Church of England Central Services (ChECS) is a charitable company limited by guarantee and is a joint venture between the Commissioners, the Archbishops' Council and the Church of England Pensions Board, who are equal partners. The purpose of ChECS is to enhance the efficiency and effectiveness of the charitable national and diocesan institutions of the Church of England and of other charities with a church ethos, by facilitating the provision of cost-effective shared finance, HR, communications, legal, IT, internal audit and other services.

As at 31 December 2022, other than the amounts disclosed in debtors in note 13, £0.1m was owed by the Commissioners to ChECS (2021: £0.1m). The Commissioners' share of net assets of ChECS was £nil (2021: £nil). In addition, the Church Commissioners charged ChECS a total of £0.1m during 2022 (2021: £0.2m) for staffing costs in respect of Information management and governance activities undertaken by staff at Lambeth Palace Library and (in 2021 only) to rent a building for use in ChECS' charitable activities.

Like many charities, subsidiary companies carry out certain activities on behalf of the Commissioners. The transactions disclosed below are included in the Church Commissioners' stand-alone financial statements, but are eliminated on consolidation. All transactions disclosed below are made between the Commissioners and one or more of its wholly owned subsidiaries, and so any cash or other assets transferred to a subsidiary are included within the consolidated financial statements.

## 21. RELATED PARTY TRANSACTIONS continued

If taxable profits are generated by the subsidiaries, these are paid to the Commissioners as donations made under gift aid. The Commissioners have recognised income relating to gift aid payments of £87.2m (2021: £84.1m) from its subsidiaries in the year.

During the year, 2 (2021: two) properties were sold; 0 from CC Trading to Commissioners (2021: one, £10.5m) and 2 from the Commissioners to CC Projects £44.3m (2021: one, £8.0m); a total of £44.3m (2021: £18.5m).

As disclosed in notes 13 and 14, the Commissioners maintain inter-company accounts between itself and its subsidiaries. The total debtors and creditors relating to subsidiary undertakings, excluding loan notes in Jahr Tree Co Pty Ltd, are debtors of £705.8m (2021: £601.2m) and creditors of £25.0m (2021: £26.2m). The Commissioners use these accounts for efficient cash management across the group and charge or pay interest at 1% above Bank of England Base Rate on these balances. The balances are unsecured with no fixed repayment date. During the year, the Commissioners received £14.0m (2021: £4.3m ) and paid £0.5m (2021: £0.3m) interest in the year.

The Commissioners hold loan notes issued by its subsidiary Jahr Tree Co Pty in Australia totalling £31.8m (2021: £29.0m) at year end. The interest accrued on these loan notes in the year was £6.4m (2021: £5.2m). This transaction was made at open market value.

During the year, Palace Public Occasions Limited was charged less than £0.1m (2021: less than £0.1m) by the Commissioners for costs incurred by the Commissioners on behalf of the company. An additional amount of less than £0.1m (2021: less than £0.1m) was charged to the company by the Commissioners for the use of premises owned by the Commissioners.

## 22. FUNDS HELD ON BEHALF OF OTHERS

| | 2022 £m | 2021 £m |
|---|---|---|
| Residential service charges, sinking funds and tenants' deposits | 13.7 | 13.7 |
| Trust funds | 9.6 | 11.0 |
| Total funds held on behalf of others | 23.3 | 24.7 |

The Commissioners hold monies on behalf of others. The sums are not included in the Commissioners' balance sheets.

**Residential service charges, sinking funds and tenants' deposits**
The service charges and sinking funds are paid in advance by tenants of properties owned by the Commissioners in order that property repairs and maintenance works can be carried out.

**Trust funds**
The Commissioners is trustee of 36 funds, mainly restricted permanent endowment funds. Their income, £0.3m (2021: £0.4m), is applied in accordance with the terms of the trusts.

Certain other trustees are directed to pay some or all of their income to the Commissioners for specified purposes. The total amount received in the year was £nil (2021: £0.2m).

## 23. FINANCIAL RISK MANAGEMENT

In the ordinary course of its activities, the Commissioners manage a variety of investment risks including credit risk, liquidity risk and market risk. FRS 102 requires the disclosure of information in relation to certain investment risks. These risks, and how the Commissioners identifies, measures and monitors risk through various control mechanisms are set out below:

**a) Credit risk**
This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

*Credit risk exposure*

The Commissioners are subject to credit risk as they invest in fixed interest securities, Over The Counter (OTC) derivatives, have cash balances and undertake securities lending activities. Credit risk arising on derivatives depends on whether the derivative is listed on an exchange or is an OTC contract. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Commissioners are subject to risk of failure of the counterparty. The table below details the Commissioners' exposure to credit risk as at 31 December 2022.

| | Consolidated | |
|---|---|---|
| | 2022 £m | 2021 £m |
| Trade debtors | 23.5 | 19.7 |
| Outstanding investment trades | 142.9 | 9.1 |
| Dioceses (Clergy Stipends and Diocesan Debtors Accounts) | 2.0 | 0.3 |
| Joint venture (ChECS) | 1.1 | 1.7 |
| Loans | 2.2 | 2.7 |
| Other debtors | 0.9 | 1.1 |
| Accrued income | 11.0 | 12.0 |
| OTC Derivatives contract – Debtors | 44.9 | 4.2 |
| Securities exposed to credit risk | 173.5 | 37.8 |
| Current Asset Investments | 590.3 | 307.5 |
| Cash at bank and in hand | 422.2 | 683.4 |
| Securities under Stock Lending programme | 74.2 | 93.5 |
| Total Credit risk exposure | 1,488.7 | 1,173.0 |

Of the above financial assets, none of the Commissioners' financial assets subject to credit risk are past their due date or were impaired during the year.

*Risk management policies and procedures*

Credit risk arising on fixed interest securities included within current asset investment is mitigated by investing in high-quality government and supranational bonds where the credit risk is minimal. The Commissioners also invest in high yield and emerging market bonds, some of which are non-investment grade which are included in Securities exposed to credit risk. The Commissioners manage the associated credit risk by mandating the investment managers to diversify their portfolios to minimise the impact of default by any one issuer.

OTC derivative counterparties are selected (and retained) for trading a specific derivative instrument type, after an assessment of their credit quality, their competence with respect to trading a product, and subject to agreeing to the Commissioners' minimum standards within legal arrangements. For certain transactions, collateral may also be exchanged to minimise counterparty credit risk.

The Commissioners lend certain equity and fixed income securities under a securities' lending programme. The Commissioners manage the credit risk arising from securities' lending activities by restricting the amount of stock that may be lent, only lending to approved borrowers who are rated investment grade and through collateral arrangements.

Cash is held with financial institutions which are at least investment grade credit rated, with the maximum deposit limit for any one counterparty set by reference to its credit rating. Credit default swaps (CDS) spreads and rating notifications are monitored to ensure exposures remain within the approved limits. Money market liquidity funds must have a AAA rating to be eligible for investment, and limits are in place on the maximum allowable exposure to any single fund.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2022**

## 23. FINANCIAL RISK MANAGEMENT continued
### b) Liquidity Risk
Liquidity risk is the risk that the Commissioners will encounter difficulties raising cash to meet their obligations when they fall due.

*Liquidity risk exposure*
This is a risk to the Commissioners, given the value of the Commissioners' commitments to charitable and investment activities.

The following table details the Commissioners' financial liabilities as at 31 December 2022:

| | Consolidated | |
|---|---|---|
| | 2022 £m | 2021 £m |
| **Creditors falling due within one year** | | |
| Trade creditors | 9.7 | 4.7 |
| Dioceses and other Church bodies | 7.5 | 4.9 |
| Other creditors | 3.7 | 4.8 |
| Taxation and National Insurance contributions | 4.7 | 10.3 |
| Accruals and deferred income | 22.9 | 49.0 |
| Grants payable | 67.0 | 43.3 |
| Outstanding investment trades | 9.8 | 4.8 |
| Derivative open contracts | 7.4 | 11.0 |
| **Total Liquidity Risk Exposure within one year (Note 14)** | 132.7 | 132.8 |

| | Consolidated | |
|---|---|---|
| | 2022 £m | 2021 £m |
| **Creditors falling due after one year** | | |
| Grants Payable | 88.2 | 98.5 |
| Bond Liabilities | 541.3 | – |
| **Total Liquidity Risk Exposure after one year (Note 15)** | 629.5 | 98.5 |

For private market commitments which are not part of the financial liabilities as of 31 December 2022, please refer to Note 2(d).

*Risk management policies and procedures*
The Commissioners forecast asset and liability cashflows across the portfolio, to ensure that there are no liquidity mismatches in terms of the size or timing of expected cashflows. In order to further mitigate liquidity risks, the Commissioners hold appropriate levels of liquid assets, including holding cash at bank and current asset investments sufficient to fund the next 18 months' planned expenditure.

### c) Market Risk
This comprises currency risk, interest rate risk and other price risk.

### i) Currency Risk
This is the risk that the fair value or future cash flows arising in respect of a financial asset or liability will fluctuate because of changes in foreign currency exchange rates.

*Currency risk exposure*
The functional currency and currency of the majority of the Commissioners' expenditure is Sterling. However, the Commissioners hold financial assets denominated in currencies other than sterling and are impacted in fluctuations by foreign currency exchange rates.

The following table details the asset value exposed to currency risk as at 31 December 2022:

| | 2022 £m | 2021 £m |
|---|---|---|
| **Investment Assets excluding foreign currency contracts** | | |
| USD | 3,807.7 | 4002.6 |
| EUR | 629.0 | 563.5 |
| CNY | 173.5 | 217.6 |
| Other Currencies | 414.7 | 521.9 |
| **Foreign Currency Contracts** | | |
| USD | (1,614.5) | (989.8) |
| EUR | – | – |
| CNY | – | – |
| Other Currencies | – | – |
| **Net Exposure** | | |
| USD | 2,193.2 | 3,012.8 |
| EUR | 629.0 | 563.5 |
| CNY | 173.5 | 217.6 |
| Other Currencies | 414.7 | 521.9 |

| | Impact on gain for the financial year 2022 £m | Impact on gain for the financial year 2021 £m |
|---|---|---|
| 10% US dollar appreciation | 219.32 | 301.28 |
| 10% Euro appreciation | 62.90 | 56.35 |
| 10% CNY appreciation | 17.35 | 21.76 |

*Risk management policies and procedures*
Currency exposures are monitored and reported on at least a monthly basis. The Commissioners use foreign currency forwards and options contracts to reduce the impact of changes in foreign currency exchange rates in relation to investments priced in certain currencies other than Sterling.

In addition, the Commissioners have an investment policy to hold a minimum 25% of total assets which are denominated in sterling.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2022**

## 23. FINANCIAL RISK MANAGEMENT continued
### ii) Interest Rate Risk
This is the risk that the value of an asset or liability will fluctuate because of changes in market interest rates (i.e. for fixed interest rate assets or liabilities) or that future cashflows will fluctuate due to changes in interest rates (i.e. for floating rate assets or liabilities).

*Interest Rate risk exposure*
The Commissioners' hold cash at bank which includes money market fund instruments as detailed on the Balance Sheet. These are floating rate interest bearing assets, so the future interest cash flows from these assets will fluctuate with changes in market interest rates. However, these are not a significant component of the overall return of the Investment Fund.

The Commissioners are also exposed to interest rate risk due to investments in public and private credit markets. These investment strategies are implemented by external investments managers, who consider the impact of changes in interest rates as part of their credit assessment. As at 31 December 2022, £563m was allocated to credit strategies.

As stated in the accounting policies, the Commissioners' fixed interest bond liabilities are measured at amortised cost using the effective interest rate method, rather than at fair value.

*Risk management policies and procedures*
The Commissioners take into account the possible effects of a change in interest rates on the fair value and cash flows of the interest-bearing financial assets and liabilities when making investment decisions. The Commissioners have limited risk exposure to interest rates and there is regular monitoring of the allocations made to fixed interest.

### iii) Other price risk
This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

This is a risk for the Commissioners because its ability to support the Church over the long term is dependent on maintaining in real terms the purchasing power of the asset base. The Commissioners' expenditure is predominantly discretionary and the Assets Committee monitors cash expenditure, commitments and the asset performance throughout the year to manage the balance between funding sustainable distributions and maintaining the purchase power of the asset base in order to provide ongoing financial distributions to the Church in the future.

*Other price risk exposure*
The following table details the asset value exposed to other price risk as at 31 December 2022:

| | Consolidated | |
|---|---|---|
| | 2022 £m | 2021 £m |
| Listed Securities | 2,792.5 | 2,899.7 |
| Unlisted Securities | 4,343.9 | 3,803.5 |
| Direct Property | 1,636.7 | 1,574.8 |
| Indirect Property | 123.5 | 110.8 |
| Value Linked Loans | 73.9 | 89.5 |
| Timberland | 150.9 | 132.2 |
| Standing Timber | 316.1 | 356.9 |
| Indirect Timberland | 67.4 | 54.1 |
| Infrastructure | 167.0 | 130.9 |
| Total Investments (Note 2(a)) | 9,671.9 | 9,152.4 |
| Derivatives open currency contracts debtors | 44.9 | 4.2 |
| Derivatives open currency contract creditors | 7.4 | 10.6 |
| Total Price risk exposure | 9,724.2 | 9,167.2 |




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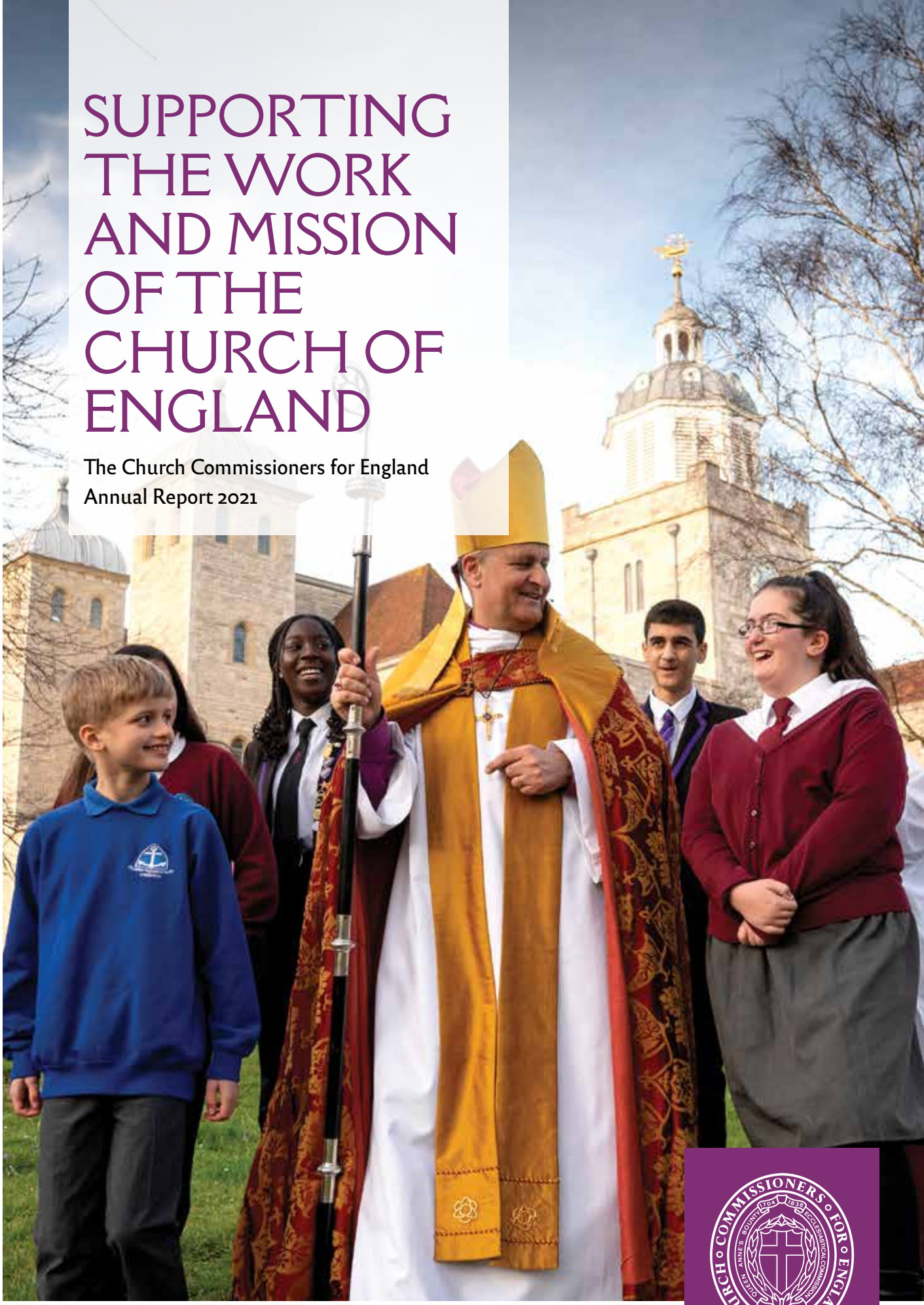
**CHURCH COMMISSIONERS FOR ENGLAND**

England & Wales - Charity number 1140097

# Accounts

# SUPPORTING THE WORK AND MISSION OF THE CHURCH OF ENGLAND

The Church Commissioners for England
Annual Report 2021



CHURCH COMMISSIONERS *for* ENGLAND

# The Church Commissioners
# Annual Report 2021

Supporting the work and mission
of the Church of England

Presented to Parliament pursuant to section 12(2)
of the Church Commissioners Measure 1947

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THE CHURCH COMMISSIONERS FOR ENGLAND

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Front cover: **Peter Langdown**

# OVERVIEW AND WELCOME FROM THE ARCHBISHOP OF CANTERBURY

*I am profoundly grateful for the support the Church Commissioners continue to give to the Church, especially for the wide breadth of initiatives they manage which go on in the background and which many rely upon.*

I would especially like to share my gratitude to the staff and trustees for their work over the previous year.

During the pandemic, when many parishes were suffering financially, the Church Commissioners provided much-needed funding to enable sustainability, support and growth. The ongoing commitment from the Commissioners to provide significant finances to enable a large proportion of the mission and ministry of the Church is hugely welcome. This resilient and growing financial support provides confidence as the Church emerges from the challenges of the pandemic over the past two years.

We also owe our gratitude to the Church Commissioners for the critical administrative work they do for the Church. This includes supporting the ministry of cathedrals and bishops, as well as dioceses and parishes considering pastoral reorganisations. The national resources the Commissioners provide alongside the financial support for the Church's mission and ministry is greatly valued.

In obedience to Christ, we are a Church that is for all people in how we respond to the needs of the country, and to people of all faiths and none. Following the release of the *Coming Home* report in February 2021, the Church Commissioners have been working in partnership with others across the Church and beyond as we step up our efforts to provide safe and affordable housing for all. This is a key part of the Church's mission to be a Church in all places and contexts and so I am particularly grateful for this work.

The environment and climate change has been a key issue for the Church as we do all we can to protect God's creation. I have long been impressed with the Commissioners' commitment on this issue and the engagement they undertake on the Church's behalf to encourage and enable sectors of the economy to transition to net zero carbon. Their work continued to have a significant impact in 2021. We continue to challenge ourselves as well as the companies in which the Commissioners invest, particularly lobbying to protect the world against deforestation as the Commissioners take a leading role as a responsible investor.

Their responsible investment approach, founded on the principles of "Respect for People" and "Respect for the Planet", has given the Church Commissioners opportunities to have thorough and meaningful conversations with economic partners and companies on which we all rely daily. Here in the Church, we are in the business of conversion, and therefore we should not rest until we have created a fair and just society in which all can flourish.

I would like to share my gratitude for the great support Loretta Minghella, former First Church Estates Commissioner, and former Third Church Estates Commissioner Eve Poole gave to the Church during their tenures. Loretta and Eve have dedicated much to serving our community. We are indebted to them both and will miss them greatly. The appointment of Alan Smith, the new First Church Estates Commissioner, and Flora Winfield, who joined the Commissioners in February 2022 as Third Church Estates Commissioner is exciting for the Church, and I welcome them both to their new roles.

I pray for the work of the Commissioners, the staff and all those who deliver for the Church thanks to their support.

Justin Welby
Archbishop of Canterbury and Chair

*The Church Commissioners have provided much-needed funding to enable growth, sustainability and support during the pandemic*



# AT A GLANCE

*We support the mission of the Church of England through ethical and responsible management of the Church's historic endowment fund.*

| | 2021 | 2020 |
|---|---|---|
| Total return | **13.3%** | 10.4% |
| Total return (30 years average) | **9.9%** | 9.5% |
| Supporting dioceses and the local church | **£86.8M** | £99.1M |
| Bishops' and Archbishops' ministry | **£42.2M** | £37.9M |
| Cathedrals' ministry | **£12.3M** | £20.0M |
| Other activities | **£6.0M** | £5.5M |
| Total charitable expenditure excluding clergy pensions obligation | **£147.3M** | £162.5M |
| Total cash paid on clergy pensions | **£116.1M** | £118.9M |
| Investment fund | **£10.1BN** | £9.2BN |





St James's Piccadilly, Diocese of London

# OUR PURPOSE

*The Church Commissioners work to support the Church of England's ministry, particularly in areas of need and opportunity. We do this through responsible and ethical management of a diverse investment portfolio which enables us to maintain and grow our support for the Church, by helping to ensure funding is intentionally used for mission and growth, by managing our costs effectively, and by embracing the principles of accountability and service in all that we do. Successful delivery of our purpose is underpinned by investment in a team of high-calibre trustees, committee members, and staff, and our commitment to their wellbeing and inclusion.*

| STRATEGIC PRIORITIES | | 2021 ACHIEVEMENTS | 2022 OBJECTIVES |
|---|---|---|---|
| *Supporting the Church's Vision & Strategy for the 2020s, through targeted funding, practical guidance and effective processes*  | *Ensure that Church Commissioners' funding is intentionally used for mission and growth* | ❀ Worked in partnership with the Archbishops' Council to ensure diocesan funding streams continue to be deployed in line with agreed criteria and in accordance with need, reflecting the ongoing impact of Covid-19<br>❀ Managed the replenished Cathedral Sustainability Fund to address strategic priorities and Covid-19-related support<br>❀ Completed the move into and opened the new Lambeth Palace Library, realising the vision to collect, preserve and make accessible the collections so they can be explored and enjoyed by all | ❀ Complete triennial actuarial review, agree spending plans for 2023–25 and ensure they are well communicated<br>❀ Support Racial Justice through appropriate resourcing, including through the 2023-2025 triennium spending plans<br>❀ Complete the investigation into historic links to the transatlantic slave trade, reporting on the findings as a platform of remembrance, reconciliation and repair so as to promote a better future for us all |
| | *Support different parts of the Church to enhance the use of their resources to advance mission and growth* | ❀ Implemented the new Cathedrals Measure and established a co-regulation function with the Charity Commission<br>❀ Ensured continued fairness in adjudicatory functions under the Mission and Pastoral Measure while seeking to improve process efficiency through legislative change – prepared consultation paper for consideration by General Synod and wider church | ❀ Support local churches and dioceses with the development of shared/consolidated service functions<br>❀ Continue Mission and Pastoral Measure review. Report to February Synod, then develop next steps |
| *Investing for Good*  | *Allow the Commissioners to meet their pension obligations and maintain and grow over time their support to the wider Church, by achieving a real rate of return (target: CPIH +4%) through a diversified portfolio to manage risk that's at the forefront of responsible investment globally and is consistent with our ethical policies* | ❀ Maintained delivery of strong investment returns, above target over the long term<br>❀ Continued implementation of new investment systems and operational processes to support execution of investment strategy<br>❀ Developed and delivered a refreshed Responsible Investment strategy, centred on pillars of "Respect for the Planet", focusing on climate change and natural capital, and "Respect for People", focused on human rights and diversity and inclusion | ❀ Continue to deliver strong investment returns, above target (CPIH+4.0%) over the long run<br>❀ Continue Responsible Investment efforts centred on two main pillars: "Respect for the Planet" and "Respect for People"<br>❀ Plan to progress on biodiversity, diversity and inclusion, and artificial intelligence themes in particular<br>❀ Introduce new resourcing to take forward suitable affordable housing sites and piloting alternative strategies for taking forward development sites<br>❀ Continue the process of identification and implementation of cost-efficiency initiatives, including exploring opportunity to bring 'in house' more of the public equities portfolio |

# OUR PURPOSE
continued

FIRM FOUNDATIONS

| STRATEGIC PRIORITIES | | 2021 ACHIEVEMENTS | 2022 OBJECTIVES |
|---|---|---|---|
| *Environment*  | *A Church that cherishes God's creation and leads by example in becoming net zero by 2030* | ❀ New objective for 2022 | ❀ Continue Responsible Investment efforts centred on the "Respect for the Planet" pillar<br>❀ Integrate ESG across real estate portfolio. Develop strategy to achieve net zero commitment (including assessment of carbon pricing) and natural capital strategy to enhance biodiversity |
| *Safeguarding* | *A Church that affirms the dignity of all people by being a safe place for all children and vulnerable adults* | ❀ New objective for 2022 | ❀ Support the Church's efforts to make it a safe place for all by participating in the design and implementation of an appropriate redress scheme for survivors of safeguarding failures |
| *Governance*  | *Effective Board, Committees and Executive, to ensure objectives are met, and with appropriate accountability to Parliament and Church* | ❀ Continued to support the appointment of high-calibre trustees, championing increased diversity. Particular focus was on supporting the Crown with successful appointments of First and Third Church Estates Commissioners<br>❀ Embedded a new governance portal to improve effectiveness, efficiency and security of administration for Board and Committee meetings<br>❀ Progressed historic slave trade research project | ❀ Support the implementation of any changes arising from the Governance Review Group<br>❀ Support robust trustee recruitment processes leading to high-quality, diverse appointments and effective induction of new members |
| *Finance* | *Management of costs and commitments so our financial support, especially for areas of need and opportunity, can be maintained and grown over time* | ❀ Continued to manage finances in line with agreed spending plans and budgets. Carried out annual actuarial review to maintain a distribution policy consistent with the aim of optimising support for today's Church while ensuring long-term sustainability<br>❀ Improved communication and broadened understanding of Church Commissioners' financial investment and distribution strategy | ❀ Complete triennial actuarial review, agree spending plans for 2023–25 and ensure it is well communicated |
| *People*  | *Attract, retain and motivate high-calibre staff. Support staff engagement, performance, belonging and inclusion to ensure effective delivery of our goals* | ❀ Continued focus on belonging, inclusion and wellbeing in the National Church Institutions (NCI), informed by results of 2021 staff engagement survey<br>❀ In partnership with other NCIs, developed a future (hybrid) working model and associated offer to staff (including policies, technology, office accommodation and training) | ❀ Finalise, launch and embed work on values and behaviours, run employee engagement survey, analyse results and support action planning<br>❀ Embed hybrid working, consequent policy adjustment, learning and support<br>❀ Evaluate the Belonging and Inclusion action plan and develop next steps/launch action programme |
| *Technology* | *Maximise the benefits of technology to connect communities, and also provide efficient and cost-effective services across the Church* | ❀ In partnership with other NCIs, developed a future (hybrid) working model and associated offer to staff (including policies, technology, office accommodation and training) | ❀ Deliver technology that supports efficient and accurate delivery of other objectives and supports effective decision making<br>❀ Design a technology road map and plan for developing a better digital service offer<br>❀ Deliver the clergy payroll on the new People System |

# CHURCH ESTATES COMMISSIONERS AND THEIR PRIORITIES

*The Church Estates Commissioners shared their views on how the Church Commissioners support the mission and ministry of the Church.*







**Among the trustees of the Commissioners are the three statutory Estates Commissioner roles. The First Church Estates Commissioner, Alan Smith, chairs the Assets Committee; the Second Church Estates Commissioner, Andrew Selous, is an MP and the Church's representative in Parliament; and the Third Church Estates Commissioner, Canon Flora Winfield, chairs the Mission, Pastoral and Church Property Committee and the Bishoprics and Cathedrals Committee.**

**Alan Smith:** First Church Estates Commissioner

Q: What are your priorities and goals since you assumed this role in October 2021?
A: It is a real privilege to have been selected to this unique role. I am inheriting an excellent executive team and joining the Assets Committee comprised of many who are leaders and experts in their fields, in particular in running and overseeing significant investment activities and governing complex organisations. Our top immediate priorities surround: (1) purpose – that we continue to manage the endowment fund wisely so as to maximise the funds available for the Church's mission, especially in the 2023 to 2025 triennium; (2) people – we as Commissioners are blessed with executives and teams who are overseeing a globally leading in-perpetuity endowment fund in support of one of the country's largest charities; ensuring that they are cared for and remain capable is another top priority; (3) planet – in the decade ahead, and in particular the next five years, everything we do must prioritise how we ensure we achieve a just transition to a low carbon, net zero world.

Q: How can the Commissioners support a mission-focused church?
A: First and foremost by us as Commissioners being good stewards of the endowment fund and empowering Gareth as Chief Executive and Tom as Chief Investment Officer through supporting and enabling them to manage the fund as effectively as possible. Good governance is essential for the good returns necessary to responsibly maximise the funds available for the mission of the Church. The ability to have a very long-term outlook in our strategic thinking which takes into account inter-generational equity and then support the executive translating that into executable spending plans for the next triennium is another key role the Commissioners play. To be effective at that, we as Commissioners seek to understand the mission of the Church and the priorities as set by those who lead it at the national, diocesan and parish levels so that we make informed decisions in our spending allocations.

Q: You mentioned that the net zero transition is a priority of yours. What are the Commissioners doing to respond to the climate crisis?
A: The Commissioners have a target to reduce the carbon intensity of the investment portfolio by 25% by 2025 and to be net zero by 2050. Doing this while influencing a 'just transition' is critical.

The impact of climate change on people is just as important as the transition to net zero. If there is a net zero world but people who are least able to adapt have been left behind or are left worse off, then we will all have failed. Our two Responsible Investment pillars are "Respect for People" and "Respect for the Planet". When we engage with companies, we ask them to focus on these priorities too.

We want a net zero world, not just a net zero investment portfolio.

**Andrew Selous:** Second Church Estates Commissioner

Q: What is your role?
A: My role is to be the Church's representative in the House of Commons and to ensure the statutory accountability of the Church to Parliament. I answer questions from MPs in the Commons chamber once a month, and written questions in between. This provides opportunity for MPs to raise issues of concern to them and their constituents, and for me to highlight issues that I think are important.

Q: What issues are important to you?
A: Furthering the mission of the Church to proclaim Christ's message of hope is the most important part of my role. As well as that I take a keen interest in the importance of rural land to the country and to local parishes, supporting rural communities and encouraging a more regenerative and nature-friendly way of farming. I also work to highlight the persecution of Christians in the world and to end the mistreatment of all on grounds of their faith or belief.

Q: What opportunities do you see for the Church through Church Commissioners' funding?
A: I am privileged to work with a part of the Church that funds and enables growth through Church planting and mission. There is an opportunity to increase the number of ordained ministers, particularly from diverse backgrounds.

**The Rev'd Canon Dr Flora Winfield:** Third Church Estates Commissioner

Q: What areas of work do you oversee?
A: As the Third Church Estates Commissioner, I am a member of the Church Commissioners Board and work closely with other Board colleagues and with the staff team, as we seek to support and enable ministry in the parishes, dioceses and cathedrals of the Church of England. I chair the Bishoprics and Cathedrals Committee and the Mission, Pastoral & Church Property Committee: helping to promote and deliver on our carbon net zero ambitions are also a key part of this role. This year, the Bishoprics and Cathedrals Committee will be continuing their role in supporting cathedrals as they emerge from the challenges of the pandemic. During her time as Third Church Estates Commissioner, Dr Eve Poole, my predecessor, worked very effectively with the General Synod and representatives from across the Church to deliver the Cathedrals Measure, and we are working with cathedrals as they continue to implement these important governance reforms. The Committee and their dedicated staff team also work to ensure that the ministry of diocesan bishops is appropriately supported, and that See houses are well managed and maintained. Our work with cathedrals and See houses will be particularly focused on supporting progress towards the General Synod goal for the Church of England to be carbon net zero by 2030.

In addition to their day-to-day work in support of parishes and dioceses, the Mission, Pastoral & Church Property Committee is working on the next stages of consultation for review of the Mission and Pastoral Measure, and the members of the Committee and staff team are looking to ensure wide consultation and conversation around finding consensus on the next steps. The first round of consultation around the review of the Mission and Pastoral Measure generated a huge amount of interest and energy from the wider Church community. This is very encouraging to see and the developing process is a great testament to the team, who have worked tirelessly to listen and take account of voices from all perspectives. Our next task is to continue consultation and conversation to identify areas of consensus, and demonstrate how the Measure can evolve to serve the Church's ministry, while still having rigorous checks and balances in place to protect and sustain the future of our parishes.

Q: What are you most looking forward to in your role over the next 12 months?
A: Parishes and cathedrals have shown tremendous resilience, tenacity and creativity over the past two years. This has been a testing time for everyone, and parishes and cathedrals have, in their great variety of ways, been able to sustain and even develop their particular ministries and place in our life together, as we serve every community across the nation. I think our contribution to this ministry is one of enabling: we are here to support and enable these distinctive ministries to flourish, and I will be visiting colleagues in parishes, dioceses and cathedrals over the next few months, to listen and to learn as we begin to emerge from Covid and face new challenges and new possibilities.

# LOOKING AHEAD – A LETTER FROM THE CHIEF EXECUTIVE

*A priority for us is to ensure that all our people – staff and trustees – feel valued for who they are and what they bring. This is especially true in 2022, after two years that have tested us all to the limit.*



Following another year of upheaval and uncertainty, as hopes and disappointments ebbed and flowed with the pandemic, the value of partnership has become even more important to all of us. It is in partnership that we can achieve more and care for each other better. This holds true for the trustees and staff of the Church Commissioners, working with our sisters and brothers across the Church.

The Church Commissioners exist to support the ministry of the Church of England. We are pleased to play our part in the body of Christ, and as we look ahead to 2022 and beyond, the Board of the Church Commissioners is taking care to maintain and strengthen the contributions we are best placed to make to the life of the Church, while at the same time underlining the importance of deepening partnership with the other parts of the Church. We know that it is by working together as parts of one body that we are best able to achieve our shared ambition of building up God's Church in this land, and we delight in the knowledge that it is the same Holy Spirit that works through us all.

A priority for 2022 will be determining national funding plans for the next three-year period: the 2023–25 triennium. We are already deeply engaged with various partners about the quantum and prioritisation of this funding for the next triennium and beyond. These conversations will be challenging, yet vital – the impact of Covid-19 has not gone away and the scale of the financial need and ambition in all parts of the Church has not diminished. As we work in partnership with other church governance bodies to make difficult decisions around the allocation of resources, we thank God for the Church's endowment with which we are entrusted, for the expertise and commitment of those who manage it, and for the impact of the financial and other support it delivers for parishes, dioceses and cathedrals.

We also thank God for the opportunity to have an impact in the world through our Responsible Investment activity, underpinned by the principles of "Respect for People" and "Respect for the Planet". We will continue to use the platform given to us by our investing activities, for example to challenge racial injustice and combat climate change, working in partnership with the Church's other National Investing Bodies as well as members of the wider investment community who share our passion for these goals.

A priority for us every year is to ensure that all our people – staff and trustees – feel valued for who they are and what they bring. This is especially true in 2022, after two years that have tested us all to the limit. All of our work, in the Church Commissioners and across the Church, is thanks to wonderful people, made in the image of God. I thank God for the staff and trustees of the Church Commissioners, for our partnership and our friendship, and pray that together we will make the best use of the gifts He has given us, to serve Him and the Church.

Gareth Mostyn
Chief Executive and Secretary





# LOOKING AHEAD – TRIENNIUM DISTRIBUTION PLANS

The Triennium Funding Working Group (TFWG) convened for six months from October 2021 to consider funding priorities for the coming triennium and beyond. This is a collaborative group spanning the Church Commissioners, the Archbishops' Council and the House of Bishops. The principle of inter-generational equity underpins the process.

Alongside the work of the TFWG, the Church Commissioners' Assets Committee has been working with its actuarial advisers to determine the capacity for sustainable distributions.

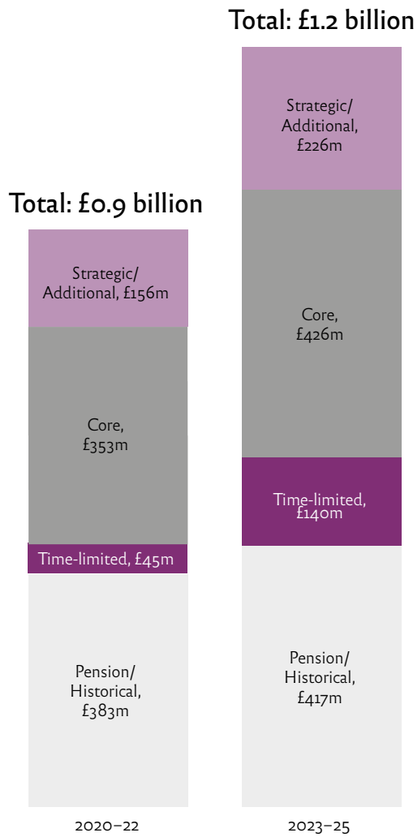
This work has given rise to recommendations that would see a significant increase in the level of distributions for the next triennium, from £0.9 billion in 2020–22 to £1.2 billion in 2023–25.*

Core funding includes elements of expenditure that are considered of fundamental importance to support the mission and ministry of the Church, e.g. funding for communities with fewer resources, and statutory funding responsibilities of the Church Commissioners, such as cathedral funding.

Strategic (previously "Additional") funding covers targeted programmes, e.g. supporting growth in the number of clergy interventions to address racial justice.

Time-limited expenditure is focused on transformational initiatives which are planned for a short- to medium-term time frame. A key example is enabling progress towards the carbon net zero goal of 2030 as set by the General Synod.

*Subject to approval at the Church Commissioners' AGM



# SUPPORTING THE CHURCH OF ENGLAND

*The Church Commissioners make funds available to support projects providing mission and ministry across England.*

## SUPPORTING THE CHURCH IN NUMBERS

**£900m**

We have committed to distribute more than £900m between 2020 and 2022.

**1/6**

The Church Commissioners contribute towards 1/6 of the total annual running costs of the Church of England.

**6.7%**

From 2005 to 2020, our financial support for the Church (excluding pensions) grew on average by 6.7% per year – three times the rate of inflation.

St Thomas a Becket, Diocese of Canterbury

# SUPPORTING DIOCESES AND THE LOCAL CHURCH

*One of the key ways in which the Church Commissioners achieve their purpose is through the distribution of funding to the Archbishops' Council to support dioceses and the local Church.*

The Strategic Investment Board (SIB) has responsibility, on the Archbishops' Council's behalf, for determining the distribution of grant funding, evaluating its impact and advising the Council on funding strategy. The SIB's membership includes the First Church Estates Commissioner and two other members of our Board of Governors. Grants to the Archbishops' Council in support of dioceses and the local church are set out in note 5 of the financial statements, with the key funding streams explained further below.

## SUSTAINABILITY FUNDING

As part of a package of measures to support dioceses and, through them, parishes, during the Covid-19 pandemic, the Archbishops' Council allocated up to £35m of the funding made available to it by the Church Commissioners to create a new grant funding stream in 2020 – Sustainability Funding.

Sustainability Funding aims to maintain short-term financial stability for dioceses as they implement or develop their strategies for long-term mission health and financial stability. Strategic Transformation Funding is available to support dioceses with these long-term change programmes. The SIB awarded £14.9m of the £35m to 24 dioceses in 2020.

The SIB agreed, in the light of the ongoing pandemic and its effects on diocesan and parish finances, to make further awards of Sustainability Funding in the second half of 2021. It also agreed to continue to target the funding on dioceses with fewer investment assets and less affluent populations.

During 2021, staff continued to keep in close touch with dioceses to understand their financial position. In making its decisions on applications for Sustainability Funding in 2021, the SIB took account of the steps that dioceses are taking to address the impact of Covid-19 on their financial position, the measures they have undertaken in recent years to improve their financial sustainability and the steps they are taking or planning to develop their longer-term mission health and financial sustainability. It awarded a total of £9.3m to 17 dioceses. The SIB will distribute further Sustainability Funding in the second half of 2022.

## LOWEST INCOME COMMUNITIES FUNDING

The formula-based Lowest Income Communities (LInC) funding was introduced in 2017 to support dioceses in developing mission and growth in lower-income communities. Dioceses report annually on their use of the funding.

Many dioceses use LInC funding to support parishes which, due to their deprivation, cannot meet their parish share, in order to ensure ministry provision in these areas. The SIB continues to encourage dioceses to ensure that their LInC funding is targeted towards supporting their most deprived communities. In 2021, 26 dioceses received LInC funding totalling £27.4m. An additional £6.7m was paid to support dioceses that receive less funding than they did under the previous formula.

As part of a package of measures designed to provide cash flow relief to dioceses during the pandemic, the Council and Commissioners paid all the LInC and transitional funding upfront in January 2021 and again in January 2022.

## STRATEGIC DEVELOPMENT FUNDING

Strategic Development Funding (SDF) supports major change projects which fit with dioceses' strategic plans and make a significant difference to their mission and financial strength.

Since 2020, SDF has been targeted at promoting growth in the largest urban areas, and on one or more of younger generations and deprived communities, channelling the funding available in 2020–22 towards people and areas where the Church has had little effective engagement.
In June 2021, in response to a recommendation in the report of the Archbishops' Anti-Racism Taskforce, *From Lament to Action*, the SIB amended the SDF criteria to explicitly include targeting SDF on United Kingdom Minority Ethnic/Global Majority Heritage (UKME/GMH) communities. The new criteria will apply to projects awarded SDF from 2022. The previous criteria for SDF encompassed many areas that contain significant UKME/GMH communities and a number of existing projects have a specific focus on these communities.

The SIB will consider programmes not targeted at the largest urban areas if they are focused on areas of particular deprivation, UKME/GMH communities or younger generations and have reach and impact in keeping with the other priorities for SDF.

The aims of SDF align closely with the Church's Vision and Strategy priorities of building a church of missionary disciples, a church which is younger and more diverse, and a church where this mixed ecology is the norm. In 2021, £15.3m of SDF was awarded to seven projects in seven dioceses, which will be drawn down over more than one year. SDF is awarded on the basis that the cash drawdown stays within the limits of the monies allocated for this funding in the three-year spending period, reflecting the fact that the projects supported can run for up to six years.

The 2021 awards brought the number of major change programmes in dioceses that have been supported by SDF to a total of 84. Of these, 68 projects have been funded since January 2017 when the SDF programme was significantly expanded.

During 2021, staff continued to keep in close touch with dioceses about the continuing impact of Covid-19 on the delivery of their SDF projects.

As was the case in 2020, the overall picture is encouraging. Throughout 2021, projects continued to respond with enormous creativity, energy, resilience and compassion to the challenges caused by the pandemic and the ongoing restrictions. Projects have continued to engage online during the pandemic, offering regular worship, evangelism and discipleship courses and small groups as well as providing community support such as holiday clubs. Social engagement has also continued to grow and develop over this time, including, for example, running foodbanks, offering debt counselling and providing advice and practical support for the unemployed.

However, projects have also continued to face significant challenges. Some have reported that it takes longer to form deeper relationships online and that it is easier to lose people who are on the fringe. Recruitment to key posts has continued to be a major challenge and has caused significant delay to project progress. Projects have increasingly reported that clergy and other leaders are tired and at risk of burnout. And, with the move to online services, groups and courses, measuring outcomes has become much more difficult, particularly those relating to growth in numbers and discipleship.

The SIB has recognised the impact of Covid-19 on projects and has delegated to staff authority to approve extensions in project timescale of up to 18 months due to the impact of the pandemic upon them to enable them to deliver all their anticipated outcomes. In 2021, 14 projects were given an extension in timescale.

**The projects awarded SDF in 2021 were:**

- **Blackburn** – The project will help revitalise ministry in the deprived towns of Blackburn and Blackpool and build capability for revitalisation for the East Lancashire Valley and along the Fylde coast. St Luke's church, Blackburn will become a church-planting youth church, alongside developing clergy and children's and youth workers across the diocese. St John's church, Blackpool will develop into a multi-generational church with a strong youth focus, supporting church plants in similar contexts and ministering to those suffering from deprivation. Awarded £3.5m towards project costs of £5.7m.
- **Chichester** – The project will invest in Brighton and Hove by accelerating the development of two churches from different traditions: All Saints, Hove (modern Catholic) and St Peter's, Brighton (charismatic evangelical). All Saints will expand its social outreach to grow its congregation and provide missional and educative resources for other churches from a Catholic tradition. St Peter's will undertake four church plants focusing on areas of social deprivation and potential to reach a younger demographic. Awarded £2.5m towards project costs of £11.5m.
- **Coventry** – The project will establish new worshipping communities in four locations in areas of high deprivation in the major population centres of Coventry and Bedworth. Awarded £1.25m towards project costs of £4.1m.
- **Exeter** – Ministry in Torbay will be revitalised through planting 'Bay Church' to grow a new youth congregation and revitalise at least three more family and youth-focused churches in Torbay (including one post-SDF). The project will grow parent-led children's volunteer groups and youth groups to nurture discipleship, offer

CASE STUDY

# SUPPORTING MINISTRY

**The Archbishops' Council used part of the Additional Distributions made available this triennium to grow ordained vocations. The increase in stipendiary clergy was one of the ambitions of Renewal and Reform and will help reverse a previous decline in numbers. The support is proportionately higher for those dioceses that need it most.**

**The Ministry Experience Scheme (MES) is one of the ways in which the Church encourages vocations among younger people. This one-year scheme offers young people from a wide variety of backgrounds the opportunity to discover their calling, combining work in parish ministry with theological studies. The majority of the MES participants go on placements in low-income parishes, focusing energy and resources in the areas of greatest need. More than 100 participants out of a total of 500 (since 2013) went on to train for ordained ministry, and 75% of all participants said they would embark on further discernment and training in ministry.**



a Torbay-wide enquirers course and run a social action programme focusing on deprived parents, children and youth. Awarded £1.5m towards project costs of £3.1m.

- **Leeds** – The proposal aims to reach the 99.4% of unchurched students in Leeds and Huddersfield. Two student churches will be developed: the first into St Augustine's, Wrangthorn in Leeds, focusing on engaging unchurched students; and a second into Holy Trinity, Huddersfield, alongside investment in digital engagement. Awarded £1.5m towards costs of £2.9m.
- **Southwell and Nottingham** – The project will invest in mission to children and young people in deprived areas of the city of Nottingham and in the wider county. Ten flagship churches will be developed for children and families ministry, and the project will also establish five youth hubs and develop 25 new local leaders in mission. Awarded £3.5m towards project costs of £5.3m.
- **Winchester** – The project will revitalise ministry and mission across Basingstoke by creating a church-planting church across four sites: St Michael's Church (town centre); All Saints (town centre); St Peter's Church (South Ham); and Christ the King (Brighton Hill). The project will engage with the town centre and estates through prayer, worship, discipleship and social action and will have a strong focus on younger age groups. Awarded £1.6m towards project costs of £6.5m.

## STRATEGIC DEVELOPMENT FUNDING IN 2022

The SIB had agreed to make a total of £64m of SDF available for award to dioceses in 2020–22 (£21m p.a.). However, in autumn 2020, £12m of this funding was reallocated to help finance the Sustainability Funding, necessitating a significant reduction in planned SDF expenditure. Taking into account the awards made in 2020 and 2021, this leaves £15m of SDF available for award in 2022.

## INDEPENDENT REVIEW OF STRATEGIC DEVELOPMENT FUNDING AND LOWEST INCOME COMMUNITIES FUNDING

In 2021, the SIB commissioned an independent reviewof SDF and LInC funding, chaired by Sir Robert Chote. The review drew on experience with the two funding streams to make recommendations about how the funding might be best used in future to support dioceses in their visions for mission and growth. The review sought to answer two questions:

What have SDF and LInC achieved in the Church since their inception in 2017?

How can national funding best be used in the future to enable dioceses to deliver growth in numbers, depth and social transformation?

The report was published in spring 2022. The findings will be put into a plan and taken forward in the new triennium.

## STRATEGIC TRANSFORMATION FUNDING

The Archbishops' Council and Church Commissioners made a one-off sum of £44m available in 2020–22 to help dioceses develop and deliver diocesan-wide mission and growth strategies to ensure a thriving and sustainable future for the Church.

The overall aims of Strategic Transformation Funding (STF) align with those of SDF, i.e. to support major change programmes which fit with dioceses' strategic plans and make a significant difference to their mission and financial strength. The SIB has agreed that the funding will support a relatively small number of dioceses, targeted at those with the least historical and current resources. In December 2021, the Board made its second major award of STF, awarding £4.2m to Manchester diocese for its transformation programme. This followed an initial award of £1.7m for the first phase of this project, bringing the total amount awarded to Manchester to £5.9m.

The majority of the funding for Manchester will support new parish-based roles. The project is investing in children's and families' workers, rolling out across the diocese the SDF-supported Children Changing Places project based in Bolton. There will be increased investment in leadership training for ordained and lay leaders, with a particular focus on the diocese's new lay focal leaders. Parishes will also be able to access direct help from Deanery Transformation Support Officers to help them to extend and grow their mission.

By the end of 2021, a total of £11.6m of STF had been awarded for major transformation projects in the Manchester and Sheffield dioceses.

In 2021, the Board also invited two Stage 1 applications for STF forward to the next stage. Staff are working with several other dioceses to support them as they develop their transformation programmes.

All dioceses are eligible to apply for funding to strengthen their strategic capacity. This funding is made available from the monies allocated for Strategic Transformation Funding. Fourteen awards totalling £4.7m of Capacity Funding were made to 10 dioceses in 2021.

## INNOVATION FUNDING

The SIB launched Innovation Funding in 2021. This £4.8m fund will support limited-scale projects which will innovate in the light of the Church of England Vision and Strategy and generate learning about 'good growth', i.e. growth which increases the number of new disciples, strengthens discipleship, grows the impact of the Church's social engagement work, or increases and diversifies the number of leaders in the church.

Innovation Funding aims to help find creative approaches to challenges facing the Church of England today and will support innovation focused on at least one of the following underrepresented groups as we aim to be a church which fully represents the communities we serve in age and diversity: younger people and children; lower income communities; UK Minority Ethnic/Global Majority Heritage populations; and urban areas.

In 2021, the SIB agreed two awards of Innovation Funding. It awarded £252,000 to Ely Diocese's Barnwell Sports Ministry and Mission project which is seeking, through innovative use of sport, to invest in the mission and growth of the church in Barnwell, a deprived estate in Cambridge. The SIB also agreed to award funding of up to £250,000 to the London diocese for its Persian Anglican Community of London Project which seeks to develop an organised and equipped team of trained Christian community workers, evangelists and disciples that will support Farsi speakers in their practical, social, cultural and spiritual needs.

## SOCIAL IMPACT INVESTMENT

In 2021, the Social Impact Investment programme was established within the Archbishops' Council with £16 million of grant funding from the Church Commissioners. The programme exists to deploy social investment capital to advance the Church of England's missional objectives and will support projects which share the Church of England's Christian values and benefit society.

In November 2021, the programme announced its first investment, a £1.6m commitment to the Women in Safe Homes fund. This investment will support the purchase and refurbishment of properties which are then leased to women's support organisations who in turn let them at affordable rates to vulnerable women at risk of homelessness, whilst also providing them with individualised and specialist support.

# ARCHBISHOPS', BISHOPS' AND CATHEDRALS' MINISTRY

*The Church Commissioners meet the stipends, office and working costs of the archbishops and bishops, as well as cathedral senior clergy, in support of their ministry.*

Diocesan bishops can spend their funding according to local needs, including on the level of funding to their area and suffragan bishops.

## LAMBETH PALACE

Lambeth Palace is owned and maintained by the Church Commissioners. The Palace is in need of repair, its infrastructure having not been updated since well before the Second World War. In 2021, under the regular oversight of the Bishoprics and Cathedrals Committee, a detailed options exercise was undertaken by the design team and consequently the scope of the Lambeth Palace Refurbishment Project was agreed by the Board. The project reached the end of Stage 3 during 2021 and was granted full planning permission by Lambeth Council. The tender process for the main works had been completed and a contractor had been engaged under a pre-contract agreement. Additional scope items had been identified as beneficial to the Lambeth Palace Refurbishment Project – focused on sustainability, accessibility, safety, security, resilience and negative legacy – and these were also approved by the Board of Governors.

## BISHOPS' HOUSING

The Commissioners have a statutory duty to support diocesan bishops with housing and to provide suitable accommodation which facilitates the bishops' work and mission. From 2021, Savills was appointed as the strategic managing agent for the See house portfolio except for Bishopthorpe and Lambeth Palaces. This has enabled us to ensure consistent compliance checks and reporting across the portfolio.

The Chelmsford and Portsmouth See houses were refurbished to enable the new bishops to take up their respective ministries during the summer of 2021 and early 2022 respectively. As part of these refurbishment works, we took the opportunity to review and undertake sustainability interventions to ensure the portfolio forms part of the Church's commitment to be carbon net zero by 2030. We continue to roll out the installation of electric vehicle charging points at the See houses and to carry out sustainability studies at all of our properties. We continue to face challenges with contractors and supply chains due to the Covid-19 pandemic, while seeking best value due to building and maintenance costs increasing above the prevailing level of inflation.

## CHANCEL REPAIR LIABILITY

The Church Commissioners have inherited a whole or partial chancel repair liability in respect to approximately 800 parish churches, and from 1 January 2019 the Church Commissioners also took on the full administrative and financial responsibility for keeping approximately 200 cathedral chapter chancels in good order.

Consequently, the Bishoprics and Cathedrals Committee became responsible for the oversight of the Church Commissioners' expenditure on all chancel repairs and related matters. In 2021, we approved 48 new chancel repair projects which, with the existing projects from previous years, enabled us to provide financial and administrative support to approximately 86 parishes during the year. Similarly, we also supported nine cathedrals by taking on the financial responsibility for the repair of approximately eight chancels which those cathedrals have liability for.

## THE CATHEDRALS MEASURE 2021

The Cathedrals Measure 2021 received Royal Assent in June 2021. The Cathedrals Measure 2021 makes several significant changes to the governance of cathedrals and brings chapters within the remit of the Charity Commission. Unlike other Church of England bodies, cathedrals will be regulated by both the Charity Commission and the Church Commissioners under the terms of a memorandum of understanding.

In preparation for the first chapters to fall under the Measure, we have prepared a suite of guidance notes and provided a web resource to help chapters make this transition. We have also provided bespoke training on the process of registration and selected a panel of solicitors that chapters may use with up to 30 hours at our cost, to facilitate the preparation of new constitutions and statutes appropriate for the new Measure.

## SUSTAINABILITY AND THE AMBITION TO REACH NET ZERO CARBON BY 2030

Following the General Synod's call for all parts of the Church of England to work to achieve year-on-year reductions in carbon emissions to achieve a target of zero net emissions by 2030, the Commissioners instructed a firm of sustainability advisers to undertake a review of the existing carbon footprint of our See houses and to make recommendations as to what alterations could be undertaken to achieve net zero by 2030.

We are undertaking the same exercise for cathedrals and will be using these surveys to inform and assist us in working with chapters to develop a plan to achieve this very demanding target and to use any learnings from this work to benefit the wider Church of England.

## LAMBETH PALACE LIBRARY

In 2021, the Library completed the move of its collections and staff, as well as those of the Church of England Record Centre, into its new purpose-built home on Lambeth Palace Road. This huge undertaking, safely moving nearly 20km of precious collections, took several months. The Library reopened to readers in August, by appointment, and to the general public in November. Visitors now enjoy walk-in access for the first time to see changing displays of highlights from the Library's collections and to find out more about the history of the Church of England. The official opening of the new Library has had to be postponed because of the ongoing pandemic and is scheduled to take place in 2022.

**MEETING OUR AIMS:**
**Supporting the Church's Vision and Strategy for the 2020s, through targeted funding, practical guidance and effective processes.** **See more on pages 10–13.**



# CATHEDRAL AND CHURCH BUILDINGS

*During 2021, as part of the Transforming Effectiveness stream of work, the Cathedral and Church Buildings Division moved to work within the Church Commissioners structures while continuing to deliver on supporting parishes. The Bishop of Bristol, Viv Faull, and the Bishop of Ramsbury, Andrew Rumsey, jointly took up the role of lead bishop for buildings.*

We support the people who care for our churches and cathedrals by offering guidance and advice on the day-to-day maintenance of our churches and on how to go about making changes to church and cathedral buildings. We also work with government and the heritage sector to develop policy and leverage funding.

## ENVIRONMENT

Continuing to deliver on our net zero commitment was a key pillar of our work in 2021. Since General Synod voted to adopt a 2030 net zero target for our buildings, we have worked in earnest to understand our current emissions. This work, made possible by the Energy Footprint Tool, revealed several insights, including the fact that more than 80% of the average church's energy use goes on heating.

The initial years of using the tool have seen an increase in churches participating and also in projects responding to the data it reveals. One in 14 Church of England churches are now reporting net zero carbon emissions, according to the latest data from the Energy Footprint Tool.

A contingent from the Church of England attended COP26 in Glasgow to promote the key relationship between faith and environment and provide encouragement to all delegates.

Ahead of General Synod in November, a consultation was launched on a route map to net zero. This suggests how all parts of the Church of England can make changes together to achieve this ambitious goal. It included recommendations for buildings maintenance, particularly around minimising heat loss, heating options and the availability of specialist advice for each setting alongside how the central Church and dioceses can offer support.

## SUPPORT DURING THE PANDEMIC

The team continued to provide practical advice and guidance to the Church on the use of buildings and health and safety measures during the pandemic with the aim of helping churches navigate the current situation in relation to the Covid-19 pandemic. The guidance is updated regularly and reflects regulations and government guidance as well as that from public health bodies and is available for all to access on the Church of England website.

## FUNDING

We also work with government and the heritage sector to develop policy and leverage funding. In 2021, we also worked closely with government to secure a three-year extension of the Listed Places of Worship grant scheme, administered via the Department for Digital, Culture, Media & Sport, which awards grants equivalent to eligible VAT on capital repair projects. This is worth up to £42m a year to our listed churches and cathedrals.

## CONTESTED HERITAGE

The Cathedrals and Church Buildings team continue to help communities respond well to questions about contested heritage. The Contested Heritage project resulted in a framework being created following substantial consultation with dioceses, parishes and specialist groups.

The framework provides guidance on decision making and engagement; it encourages conversation, expanded stakeholder engagement and representation, and offers advice and support to numerous churches now confronting the complex challenges of the past and the reality of its impact on the present.

The guidance published in 2021 specifically addresses the issue of heritage associated with racism and the slave trade – including plaques, statues, inscriptions and other monuments, and hopes that by doing so it will establish a methodology which can be used for other forms of contested heritage.

The guidance does not prescribe solutions, but presents a range of options and considerations, together with suggested models for local consultation and discussion. It encourages balanced, inclusive decision making. The Church of England's 16,000 churches and 42 cathedrals are home to memorials and monuments to individuals from a period spanning more than a thousand years. The project enables communities to come to a consensus about next steps for such memorials relevant to their individual context.

## DIGITAL CHURCHYARD MAPPING

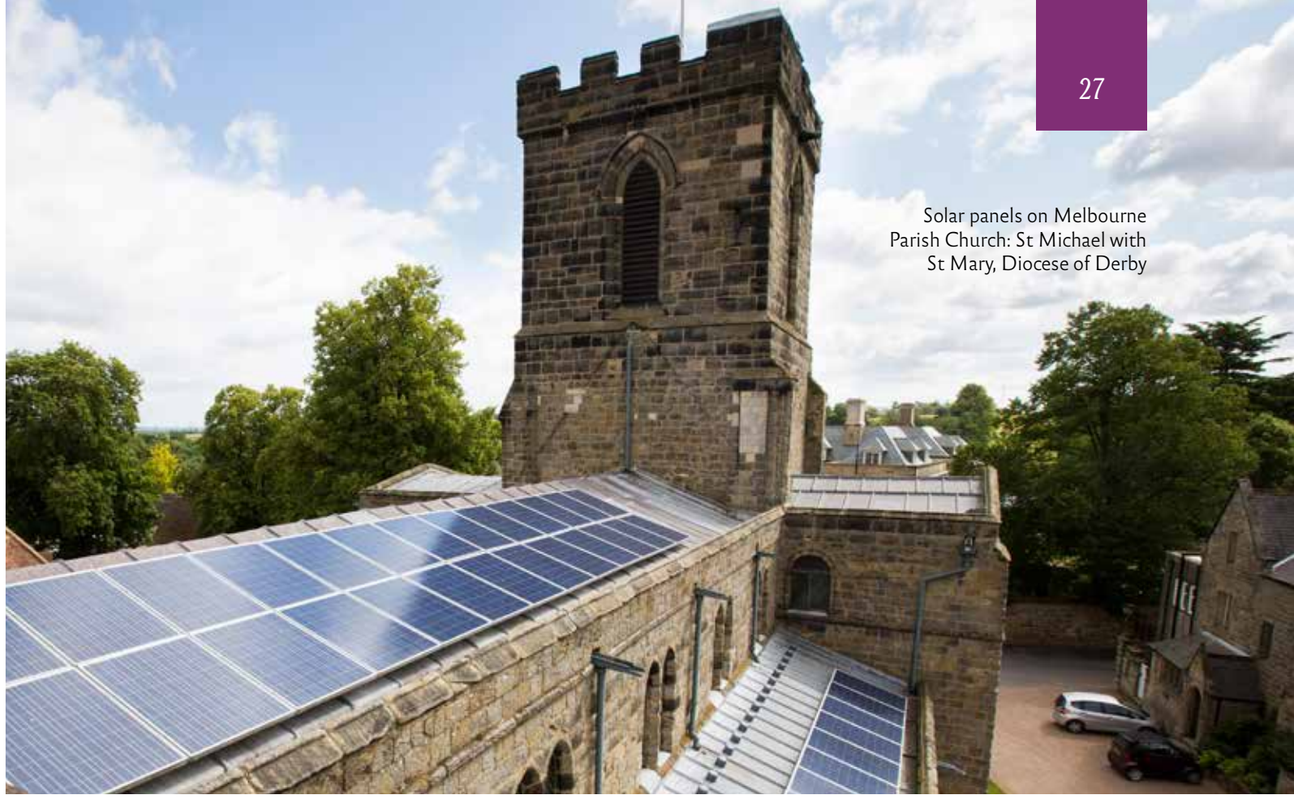
Following a partnership with a technology company, a project to map each of the Church of England's 19,000 graveyards began. This project using laser scanning technology will result in a free-to-access map of graves being available online. St Bega in the Diocese of Carlisle was the first church to be scanned as part of the project, which is now fully underway. The online record system will be available for the public to access in 2022.

## CASEWORK

In 2021, the Church Buildings Council and Cathedrals Fabric Commission for England considered casework covering a range of issues, including access, installation of green technologies, projects to improve community use of church buildings, and adaptations to provide for a variety of forms of worship. The team collates casework themes to identify areas where additional guidance would be helpful, leading to the publication of new advice on equal access and solar panels.

**MEETING OUR AIMS:**
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Solar panels on Melbourne Parish Church: St Michael with St Mary, Diocese of Derby

# MISSION, PASTORAL & CHURCH PROPERTY

*The Church Commissioners has a responsibility to work with parishes, patrons, diocesan teams and bishops to further the 'cure of souls' by helping the Church manage changes to the patterns of worship, mission and ministry at a parish and diocesan level.*

This work is fundamental to our shared mission and ministry, as it enables the Church to respond to changing factors such as demography and population shifts, and to encourage growth.

The Commissioners have a quasi-judicial role and are responsible for the management and delivery of the processes of the Mission and Pastoral Measure (2011), the Church Property Measure (2018) and related legislation. This work is overseen by the Mission, Pastoral and Church Property Committee (MPCPC). The Committee was chaired by the Third Church Estates Commissioner (Dr Eve Poole) and met seven times in 2021. Dr Poole left her role in November 2021, and her replacement, Canon Dr Flora Winfield, started work in February 2022. The Committee would like to express their gratitude to Dr Poole for all her work. During her tenure, Dr Poole brought governance change by merging the two committees responsible for MPM decision making together, and led the Committee with skill and sensitivity.

We work with parish representatives and diocesan teams as they bring draft proposals forward, and adjudicate on them when required. This will include schemes for pastoral change, the closure of church buildings, and the reuse of churches which are no longer needed for regular public worship. The Committee also considers wider policy and strategy matters and work with the NCIs, the Strategic Buildings Support Group and other partners.

The Covid-19 pandemic continued to affect casework in 2021. The disruption from Covid meant scheme publication was delayed, and the consultation periods had to be extended. It was not possible to hold in-person hearings until September, and we found that dioceses were taking longer to develop proposals, as they had to extend their local consultation and engagement.

- **102 new proposed pastoral schemes were received during 2021 and 82 were made, leaving 99 to be carried forward to 2022. Continuing the trend of the previous year, most of the schemes were for the union of benefices and the union of parishes.**
- **18 sales or leases of closed church buildings and two deeds of variation were completed.**
- **The Mission, Pastoral and Church Property Committee adjudicated on 11 pastoral schemes and one parsonage case, two cases related to closed church buildings and two cases which settled the future for church buildings which were already closed.**
- **Good progress was made on the disposal of six churches on our long-standing case list, which include churches that have been closed for more than five years, and draft schemes were published for a new use for a further four cases.**

In total, just over £0.73m in net proceeds from the disposal of closed churches and sites was allocated to dioceses to support mission and ministry and new initiatives in 2021. This was a significant fall from previous years, due to the impact of the pandemic on the timing of sales. In the past ten years, we have transferred £20.3m from proceeds to dioceses to support ongoing mission.

## REVIEW OF THE MISSION AND PASTORAL MEASURE

In 2020, the Legislative Reform Committee of the Archbishops' Council commissioned a review of the Mission and Pastoral Measure 2011. This work is now part of the Church's efforts to be simpler, humbler and bolder. The review of the Measure, Mission in Revision (GS 2222), was published and debated at the July 2021 sessions of General Synod. Synod voted for the work to continue and there was a period of public consultation, which ended in October. The paper attracted widespread press attention and there were over 1,600 responses from individuals, churches and related organisations. The analysis of the responses was presented to the February 2022 sessions of General Synod as GS Misc 1312, and proposals will be brought forward to Synod in February 2023. The GS Misc paper identified the areas where there is consensus around future change, and that is being used as the starting point for the development of proposals.

## TRAINING

The team provided extra training support to diocesan teams on finance in relation to parsonage disposals and the total return on investment approach. One-to-one support was provided for new starters in diocesan roles.





Prickwillow, St Peter, Diocese of Ely

## CHURCHES CONSERVATION TRUST (CCT)

The MPCPC is also responsible for overseeing the strategy and performance of the CCT, which is jointly funded by the Commissioners and the Department for Digital, Culture, Media and Sport. The CCT works in partnership with communities to conserve the most historically significant church buildings, and is responsible for 356 churches. During the pandemic, they were able to keep them open when allowed for worship, providing community and pastoral support at a difficult time. The CCT Chief Executive attended the MPCPC and presented the Annual Report and Accounts for 2021 and gave an update on the impact of Covid-19 on the work of the charity.

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# INVESTING FOR THE FUTURE

*The objectives, strategy and performance of the Church Commissioners' investment fund.*

INVESTING FOR THE FUTURE IN NUMBERS

**£10.1bn**
**Assets under management, up from £9.2bn**

**13.3%**
**Total net return**

Llandegla Forest, Wales

# INVESTMENT POLICY AND OBJECTIVES

*The Church Commissioners manage an investment fund of £10.1bn, in an ethical and responsible way. The fund has delivered an average return of 10.7% per annum over the last ten years.*

## OBJECTIVES

- To manage the fund to ensure consistent and sustainable distributions for our beneficiaries
- To achieve a total return of CPIH+4.0% per annum measured over the long term
- To meet performance benchmarks for individual asset classes
- To manage risks appropriately
- To act within our ethical guidelines and be at the forefront of responsible investment globally

## FUND STRATEGY AND PERFORMANCE

The Church Commissioners manage a diversified portfolio spread across a broad range of asset classes, consistent with our ambition to be at the global forefront of responsible investment.

Our investment objective is to generate a return of CPIH+4.0% per annum, on average, over the long term to support the work and mission of the Church of England today and for future generations. We have managed to match or exceed our target over 1, 3, 5, 10, 20 and 30 years. Over the past ten years, the fund has achieved an average return of 10.7% per annum.

Meeting or exceeding our performance objective allows us to meet our pension obligations and to grow, in real terms, our support for the Church, balancing the needs of both current and future beneficiaries.

The Commissioners' investment policy is to hold a diversified portfolio of investments across a broad range of asset classes consistent with our ethical guidelines and our Responsible Investment Framework. The chart (opposite) shows our asset weightings at the end of 2021.

Despite the ongoing turmoil from the pandemic, 2021 marked the third consecutive year in which global equities posted strong returns. The MSCI ACWI was up 21.4% in local currency or 20.1% in GBP. Investors who embraced risk assets, despite worries about new Covid-19 variants and shifts in monetary policy, were rewarded. Yet despite surging stock markets, it was far from an 'easy' year, with many asset classes lagging inflation.

To make sense of asset class returns in any given year it often helps to understand what was expected/priced in at the start of the year, compared with what actually transpired. After the economic upheaval of the pandemic, at the start of 2021 markets were discounting sustained easy monetary policy: interest rates were at zero and priced to remain below pre-pandemic levels for a decade. Equities were discounting only moderate earnings growth in the developed world. As the year unfolded, we saw just how powerful the combination of fiscal stimulus and monetary easing could be in terms of economic stimulus. Nominal demand surged and became increasingly inflationary as it met broad-based supply constraints.

As a result, assets biased to rising growth and inflation, including equities (particularly in cyclical sectors), commodities, forestry, index-linked bonds and parts of real estate, performed strongly. Nominal assets such as government bonds and liquid credit strategies performed poorly.

During the year, fears surrounding new variants of Covid-19 impacted asset returns, with the Delta variant and, towards the end of the year, the Omicron variant leading to market sell-offs. Each subsequent wave has, to date, had less impact as economies and markets have adapted to the pandemic.

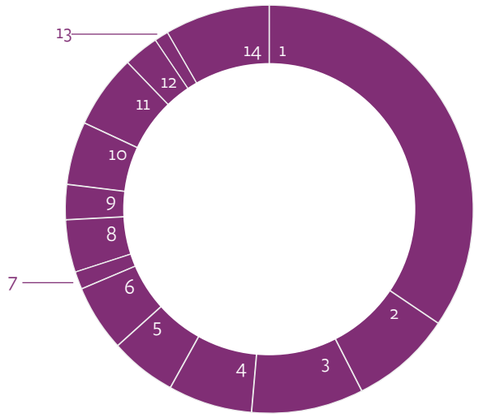
The Commissioners' fund overall was well placed to benefit from these trends, delivering a total net return of 13.3%, which compares favourably with our CPIH+4.0% per annum target. As in most years, some asset classes in the portfolio delivered very strong returns whereas others did less well and delivered more modest returns. This is because the fund is well diversified across a broad range of asset classes to help mitigate risk.

Our longer-term performance, which is significantly more important in terms of determining our distributions, also remains strong. Our 3, 5, 10, 20 and 30-year numbers are all ahead of our target. Based on these returns, the value of the Commissioners' investment assets at 31 December 2021 stood at £10.1bn compared with £9.2bn at the start of the year.





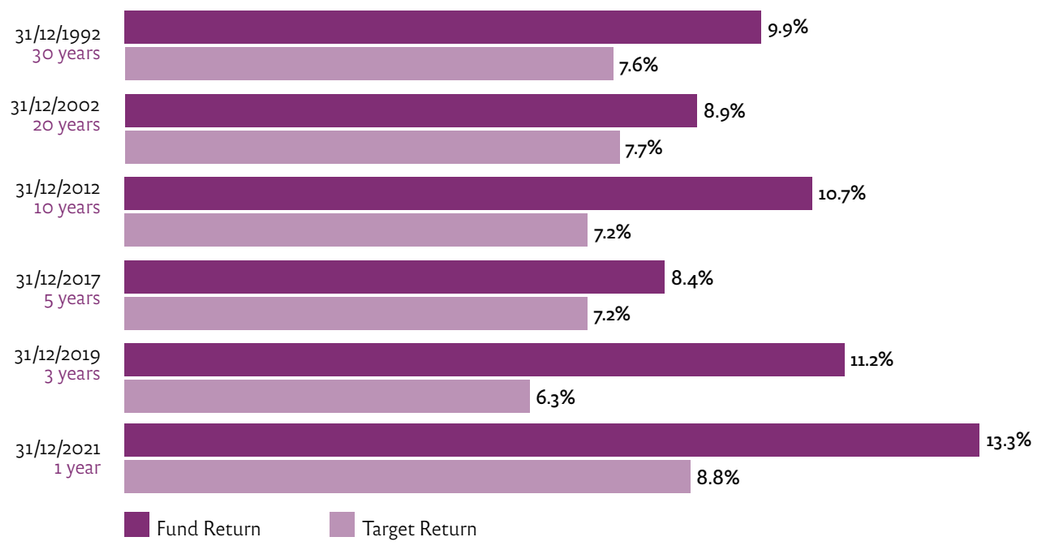
## COMMISSIONERS' ASSET ALLOCATION




1 Public Equities ..... 34.6%
2 Defensive Equities ..... 8.1%
3 Absolute Return ..... 8.7%
4 Private Equity ..... 6.6%
5 Venture Capital ..... 5.6%
6 Timberland ..... 5.3%
7 Infrastructure ..... 1.3%
8 Credit Strategies ..... 4.2%
9 Commercial ..... 2.7%
10 Residential ..... 5.0%
11 Rural ..... 5.8%
12 Strategic Land ..... 2.9%
13 Indirect Property ..... 1.1%
14 Cash And Cash-Like Assets* ..... 8.1%

***Includes 0.2% in portfolio hedges***

## LONG-TERM TOTAL RETURNS PER ANNUM




Note: Target return was RPI+5.0% per annum to end 2018, CPIH+4.0% thereafter.

## RESPONSIBLE INVESTMENT

The Church Commissioners are committed to being at the forefront of responsible investment globally. A key highlight was our successful application, approved by the Financial Reporting Council, to join as signatories to the 2020 UK Stewardship Code.

More information about our approach to responsible investment, which goes to the heart of the character and objectives of the Commissioners, can be found in the Responsible Investment section of the report.

## PUBLIC MARKETS

For global equity markets, the economic environment remained positive. It was the third year in a row that US stock markets delivered an annual return above 15%. The last time this occurred was the late 1990s and that was the only other such instance since 1929.

Within equity markets the story was mixed: at a regional level the US and Europe performed well; Japan and Emerging Markets (EM) were the laggards, but within EM it was the weak China story that dwarfed everything else, given its dominant size in the EM index. Larger companies did better than smaller companies, although most of this effect was felt in the fourth quarter.

One of the most surprising developments in 2021 was the surge in retail investor activity. This led to mass organisation via online chat rooms, and triggered short squeezes in previously unloved companies – the so-called 'meme stocks' which caught markets and several high-profile institutional investors by surprise.

Overall, 2021 was a difficult environment for active managers, with the majority lagging the market and hence – unlike 2020 when we materially outperformed – 2021 was a year where our active managers struggled to keep pace with the sharply rising market. Overall, our public equity portfolio returned 13.3% versus the benchmark of 20.1%. Our track record over longer time frames remains ahead of the respective indices over 5, 10, 20 and 30 years.

Our absolute return portfolio, which represents around 8.7% of the fund, is designed to generate returns which are largely independent of the external environment. In 2021, it returned 17.9%, which is a little less than equity markets but materially ahead of our CPIH+4.0% target.

Our fixed income portfolio invests in credit strategies, both liquid and illiquid, but is a small allocation within the fund at present. The liquid portfolio, which includes investments in emerging market debt and structured credit, delivered a positive return of 13.4%.

The cash allocation of the portfolio remains relatively high, at 8.1% as at 31 December 2021. While this is above our typical long-term level, this reflects our cautious stance and commitment to manage liquidity and minimise any volatility in distributions that might otherwise flow through from short-term market impacts. It ensures we do not need to realise short-term negative market impacts in the wider portfolio, and works in tandem with our approach to hedging these risks.

## PRIVATE EQUITY AND VENTURE CAPITAL

The private equity and venture capital portfolios, which invest in unlisted companies, achieved total returns of 26.6% and 54.8% respectively in 2021. The portfolios continued to experience exceptionally strong gains during the year, which cannot be immediately realised given the long-term and illiquid nature of these assets, but contribute to the strong full year out-turn for these portfolios. During the year, we agreed further commitments to the private equity portfolio totalling £248m and £42m to the venture capital portfolio. Over the long term, our private equity and venture portfolios have significantly outperformed public equity markets, returning 18.7% per annum over the past ten years.

## REAL ASSETS

The Church Commissioners' real asset portfolios consist of a diverse range of property-related investments enabling us to take a long-term approach in line with good stewardship. In 2021, a natural capital and carbon baseline assessment was completed across our rural, strategic land and timberland portfolios. As a result, the development of a strategy for environmentally positive change has commenced. The output will ensure that net zero ambitions and a desire for biodiversity improvement, as well as stakeholder collaboration, are integrated within future portfolio decisions.

## RURAL, STRATEGIC LAND AND TIMBERLAND

The rural strategy continues to seek to drive revenue and capital performance of the portfolio, with continued review of opportunities across the land holdings. Engagement with our agricultural tenants has been a priority for the team, enabling active dialogue and collaboration to support and grow farm businesses during the current agricultural transition. The total return for the rural portfolio in 2021 was 10.3%.

The Strategic Land portfolio delivered a return of 13.8% and receipts of £25.4m in 2021. Two new sites were delivered into the portfolio through the year, with the potential to deliver approximately 2,600 new homes and 840 new affordable homes. One of these sites, in the borough of Gravesham in Kent, will deliver a new community of 2,000 new homes (including 600 affordable homes), extensive areas of public green space and areas of biodiversity improvement, local shops and services, and a new primary school. The site will also include areas of employment.

The team has also been progressing areas of work aligned with the recommendations of the *Coming Home* report, published in February 2021. This includes the progression of several 'rural exception sites' – small scale developments with higher levels of affordable housing – and the development and implementation of an ESG Framework for the portfolio which will focus on enhancing the social and environmental benefits derived from our developments.

The Commissioners' timberland portfolio delivered a strong return of 34.6% during 2021. Despite net sales receipts of £23.2m, our overall acreage increased by 4,500 to a total 97,200 acres spread across Scotland, Wales, England, Ireland, the US and Australia.

Construction is well underway on the new 168MW wind power development in South Scotland. We additionally signed five new solar option agreements in Virginia, US, potentially worth up to $46.5m to the Commissioners in the coming years.

All of our UK, US and Irish commercial forests are fully certified to high sustainable standards. During 2021 we planted 2 million trees and acquired land in southern Wales where we intend to establish a new woodland by planting 85,000 trees in early 2023.

## RESIDENTIAL

Active asset management continued in 2021 with seven refurbishments completed across the portfolio, a planning application submitted for the Portsea Mews mixed-use development, the Connaught Village Green public realm scheme submitted for local authority approval and strong residential rental performance in the third and fourth quarters with zero voids and significant increases in rental income for new lets and scale developments with higher levels of affordable housing – and the development and implementation of an ESG Framework for the portfolio which will focus on enhancing the social and environmental benefits derived from our developments. The total return in 2021 was 0.4%.

A number of tenant and consumer engagement events were held throughout 2021 to support occupiers including: Kaleidoscope – A Celebration of Colour – where Westminster City Council installed a Green Plaque in honour of the life and legacy of iconic local artist Halima Nałęcz and the *Love Actually* inspired Christmas Lights shopping evening.

## COMMERCIAL

The Commercial portfolio delivered a total return of 6.6% in 2021. A significant focus throughout the year has been on arrears recovery (due to Covid-19) and voids, with new lettings agreed at Brislington Retail Park and Clarence Street, Kingston upon Thames.

At Catford Retail Park, the development agreement with Barratt London for a residential-led mixed-use scheme completed with a planning application due for submission in early 2022.

## INFRASTRUCTURE

2021 was another active year for the infrastructure portfolio. We continued our focus on energy efficiency and environmentally innovative infrastructure investments. In aggregate we committed £84m to new areas including biogas in the US, a diversified renewables investment in the US and a commitment to a global maritime fund. Overall, the infrastructure portfolio is estimated to have reduced global greenhouse gas emissions by a net 15,694 tonnes of $CO_2e$ during the year. The infrastructure portfolio delivered a return of 12.6% in 2021.

## INDIRECT PROPERTY

Our strategy over the past 18 months has been focused on allocating capital to resilient sectors, especially where we can deliver a good return and positive environmental or social impact. During the year, we committed £30m to the Bridges UK Alternative Property Fund, which invests in affordable key worker housing and energy efficient employment space. We also committed £20m to the Schroders-Civitas Social Supported Housing Fund, which provides specialist accommodation for adults with learning difficulties. The indirect portfolio delivered a return of -1.9% in 2021.

## OPERATIONS

We continued our strategy in 2021 to invest in technology, data and internal operational capabilities to enhance our support across both securities and real assets and provide real time and accessible investment data for the internal teams. This allows us to support investment developments, manage operational risks and provide a trusted platform from which assurance can be maintained for all transactional and reporting activity. In addition, our internal investment has allowed us to begin to reduce costs elsewhere, and realise 'operational alpha'. We have been able to reduce global custody costs by 34% per annum, which will be fully realised from 2022 onwards, while also enhancing service delivery. We further reduced the external costs of currency hedging, from mid-2021 onwards, with savings of between £1m-£2m per annum, depending on the extent of our hedging. We expect to continue to be able to leverage the value of our operational developments into 2022 and beyond by enabling further selective in-house management and reducing or avoiding external manager fees for these portfolios.

Alongside these developments, we maintain and continue to provide operational diligence and assurance across the external manager portfolios.

**MEETING OUR AIMS:**
**Investing for Good. See more on pages 10–13.**

# HOUSING TO SUPPORT THE VULNERABLE

*The Archbishops' Commission on Housing, Church and Community was launched in April 2019 with the ambitious remit of reimagining housing policy and practice.*

This culminated in the *Coming Home* report published in February 2021, which set out a range of suggestions to policymakers, and also actions that the Church of England could take.

As a result, the Commissioners have explored investment opportunities where their capital could address the housing crisis and help the communities that are most affected.

In 2021, the Commissioners invested £20m into the Schroders-Civitas Social Supported Housing Fund. This fund is a collaboration between fund manager Schroders and social housing specialist Civitas. The aim of the investment is to provide bespoke, safe and appropriate social supported housing for vulnerable adults, addressing a chronic lack of supply in this type of accommodation. These bespoke houses will lead to better qualities of life for those living in them, and also free up much-needed NHS beds.

The investment team will track outcomes from this investment, such as the extent of improvement in the wellbeing of residents, through qualitative surveys and the number of residents placed, as well as environmental improvements. All such investments are targeting net zero carbon emissions by 2050.

In December 2021, the Social Impact Investment Programme confirmed its second investment, a £1m commitment to the Recovery Loan Fund, managed by Social Investment Business. The investment will enable Social Investment Business, working together with experienced social investor delivery partners, to provide affordable loans to charities and social enterprises as they adjust to the impact of Covid-19. For many social sector organisations, the pandemic has driven an increased need for their services while at the same time disrupting income and delivery models.



## STRATEGY FOR AFFORDABLE HOMES

**The Archbishops' Housing Commission recommends that the Church of England commits to using its land assets to promote more truly affordable homes, through developments that deliver on five core values. Homes should be:**

- Sustainable
- Safe
- Stable
- Sociable
- Satisfying




**Local Needs Housing at Mersham, Ashford, Kent**
Working in partnership with the English Rural Housing Association, the Commissioners provided land for the construction of eight sustainable new affordable homes; a mix of one-, two- and three-bedroom properties for local residents. All domestic heating and hot water is provided via air source heat pump technology.

Photo: August 2017

# OUR RESPONSIBLE INVESTMENT APPROACH

*There has never been a greater need for responsible and ethical investment. Companies and investors must act now to combat climate change and the host of social challenges that have arisen over the past two years. Our work is grounded in two themes: 'Respect for the Planet' and 'Respect for People', both of which are underpinned by corporate governance.*

## RESPECT FOR THE PLANET

Our investment portfolio will be net zero no later than 2050. We will achieve this by using our influence as a global investor to effect real change in the economy.

To help achieve our net zero goal, we are members of the UN-convened Net Zero Asset Owner Alliance, a group of 42 institutional investors, representing $6.6tn in assets under management.

## RESPECT FOR PEOPLE

We are an active investor committed to being at the forefront of Responsible Investment globally. This means that environmental, social and governance (ESG) issues are an intrinsic part of how we invest, for both ethical and financial reasons.

Our approach to investments aligns with the Five Marks of Mission, and is shaped by ethical policies created following advice from the Church of England's Ethical Investment Advisory Group (EIAG).

CASE STUDY

## BAYER

**Engagement through Climate Action 100+ results in climate review**

The Commissioners and Union Investment engaged with Bayer, the German pharmaceuticals and agribusiness company, as part of CA100+ and coordinated by the Institutional Investors Group on Climate Change. The engagement took place throughout 2021 with the aim of persuading the company to review and make public the climate readiness of the industry associations of which it was a member. In October 2021, Bayer published a review setting out its position on climate policy and assessing the net zero and climate change positions of the industry associations and trade groups of which it is a member. The report found that while 32% of the industry association positions examined were fully aligned, over half had no public positions on climate-related issues that were priorities for Bayer. We welcomed Bayer's commitment to transparency and to addressing misaligned and partially misaligned industry associations and noted that we were looking forward to seeing tangible results in this regard. We continue to engage with Bayer.





CASE STUDY

## EXXONMOBIL

**The Commissioners have a long history of active engagement with companies, leveraging their position as an investor to drive positive change at corporates which mitigates risk and benefits both stakeholders and society. Our engagement with ExxonMobil exemplifies how we have been able to escalate engagement over a period of time, which ultimately resulted in a fundamental shift in strategy at the company and sent a signal that continues to ripple across the oil and gas sector.**

The Commissioners started their engagement in 2015 with Exxon behind closed doors, which would have given the company the opportunity to make changes proactively and without public pressure. Engagement covered topics including disclosure, governance and climate performance.

The Commissioners, in 2017, successfully co-filed a shareholder resolution. It asked the company how its business model would be affected by global efforts to limit the average temperature rise. The resolution gained 62% of shareholders' support. This led to some improvements in disclosure, industry collaboration and governance in the following years.

Starting in December 2020, the Commissioners publicly supported a campaign led by activist investor Engine No. 1, which urged Exxon to develop a pragmatic energy transition strategy and refresh its board, urging the company to focus on "accelerating rather than deferring the energy transition".

The campaign, also supported by CalSTRS, the US's second-largest pension fund, among others, in May 2021 resulted in a successful vote to replace one-quarter of the 12-member board of directors with experts on a range of climate and technology subjects.

As of the end of 2021, these directors have already made their presence felt, with the announcement of significant reallocations of capital towards low-carbon solutions and new emissions reduction targets.

While the election of new directors was an early improvement, there is an ongoing boardroom battle for the longer-term direction of the company. Until Scope 3 emissions targets are set, the company is not truly engaging with the energy transition.

Despite Exxon failing the 2021 hurdle, the Commissioners, having consulted the other National Investing Bodies, will remain invested in the company to demonstrate support for these new directors, and will re-evaluate the company's progress at the end of 2022.






Hyde Park Estate, London



# TOP 20 HOLDINGS (as at 31 December 2021)

| TOP 20 PROPERTY HOLDINGS | TOP 20 EQUITY HOLDINGS |
|---|---|
| 19–26 Long Acre and 28–30 Floral Street (Commercial) | Alibaba Group |
| Arbol Tree (Timberland) | Alphabet Inc |
| Ashford Estate (Rural) | Amazon.com Inc |
| Billholm (Timberland) | Baxter International Inc |
| Brownhills (Timberland) | Becton, Dickinson and Company |
| Carlisle Estate (Rural) | Dentsply Sirona Inc |
| Cherry Tree (Timberland) | Henry Schein Inc |
| Chichester Estate (Rural) | Illumina Inc |
| Dykeraw (Timberland) | Jones Lang LaSalle Inc |
| Ely Estate (Rural) | Meta Platforms Inc |
| Glenkerry (Timberland) | Microsoft Corp |
| Huntingdon Estate (Rural) | Salesforce.com Inc |
| Hyde Park Estate (Residential) | Samsung Electronics Co Ltd |
| Metrocentre (Commercial) | Schwab (Charles) Corp |
| Millbank Estate (Rural) | Siemens Ag |
| Rochester Estate (Rural) | Tencent Holdings Ltd |
| Royal Lancaster Hotel (Residential) | Tesco Plc |
| South Lincolnshire Estate (Rural) | Vestas Wind Systems |
| West Buccleuch (Timberland) | Visa Inc |
| Wycombe Retail Park (Commercial) | Workday Inc |

# FINANCIAL REVIEW

*Our financial activity in 2021 and the processes and structures that underpinned it.*

# REVIEW OF FINANCIAL ACTIVITY

*In a year of further uncertainty, with the continuing impact of the global pandemic felt across the Church and the country, the Church Commissioners were pleased to be able to distribute £147.3m in charitable expenditure (excluding pre-1998 clergy pensions).*

Total income for the year was £148.1m (2020: £128.5m), £19.6m higher than the previous year due to an increase in equity dividend income and income from timberland. Total gains on investment assets, including movements on derivatives, foreign currencies and taxation, were £1,142.5m (2020: £772.4m). Investment performance is described on page 32 of this report.

Expenditure during 2021 totalled £226.4m (2020: £318.3m), a reduction of £91.9m on the previous year. After excluding pre-1998 clergy pensions expenditure, which for accounting purposes reduced by £86.7m, there was an underlying reduction in charitable expenditure of £15.2m (9.4%). This was offset by the cost of raising funds, which increased by £10.0m year on year to £84.2m (2020: £74.2m).

A summary of the expenditure in 2021 and 2020 and the difference between the two is shown below.

The amount spent on supporting dioceses and the local church was £86.8m (2020: £99.1m), a reduction of £12.3m. This is partly explained by higher levels of diocesan sustainability funding awards in 2020 – the Commissioners and the Archbishops' Council worked together to respond to the impact of Covid-19, making grants of £14.9m in 2020 and £9.3m in 2021 (from a total £35m available in 2020–22) to dioceses to help mitigate the loss of income resulting from the pandemic. Strategic Development Funding grants were also lower in 2021 – at £14.1m compared to £22.6m in 2020, reflecting the timing of multi-year grant awards.

Other key grant expenditure in this category included £27.5m for Lowest Income Communities (2020: £26.4m); £3.2m in support for the growth of vocations through funding for additional ordinands (2020: £2.6m) and £11.3m of support for curates through Strategic Ministry Funding (2020: £5.4m); £2.5m towards a national strategy to increase giving and generosity across the Church (2020: £1.7m); and a Strategic Transformation grants programme that awarded £9.0m (2020: £11.4m) to dioceses to help support them with restructuring programmes to better align with their strategic plans. Further details of expenditure in this category can be found in note 5 to the financial statements and are discussed on pages 20–23 of this report.

| Charitable activities | 2021 £m | 2020 £m | Difference £m |
|---|---|---|---|
| Supporting dioceses and the local church | 86.8 | 99.1 | (12.3) |
| Bishops' and Archbishops' ministry | 42.2 | 37.9 | 4.3 |
| Cathedrals' ministry | 12.3 | 20.0 | (7.7) |
| Other activities | 6.0 | 5.5 | 0.5 |
| **Total charitable expenditure (excluding pre-1998 clergy pensions)** | **147.3** | **162.5** | **(15.2)** |
| Pre-1998 clergy pensions | **(5.1)** | 81.6 | (86.7) |
| **Total charitable expenditure** | **142.2** | **244.1** | **(101.9)** |
| Raising funds | 84.2 | 74.2 | 10.0 |
| **Total expenditure** | **226.4** | **318.3** | **(91.9)** |

Expenditure on Cathedrals' ministry also reduced in the year to £12.3m (2020: £19.5m). Additional funding of £20m was made available for 2020–22 for cathedral sustainability fund projects, with £9m awarded in 2020 in response to the impact of Covid-19, and a further £1.9m in 2021. The remaining funding will be expended in future years, and will include support for the implementation of the Cathedrals Measure 2021.

The pre-1998 clergy pensions expenditure decreased by £86.7m to a net income of £5.1m (2020: net expenditure of £81.6m) as a result of changes in actuarial assumptions. The Church Commissioners meet the cost of clergy pensions earned in service until the end of 1997 and have provided in full for forecast future payments. The most recent annual actuarial update has generated a net income of £6.4m, which was offset by scheme administration costs of £1.2m and support costs of £0.1m, resulting in overall net income of £5.1m. In 2021, the Commissioners' cash payments for clergy pensions were £116.1m (2020: £118.9m).

## RESERVES POLICY

The Church Commissioners' policy is to invest their endowment to provide long-term financing to pay the pre-1998 clergy pension obligations and to make charitable distributions to support the mission and ministry of the Church of England in perpetuity. There is an aspiration to increase the in-perpetuity distributions in line with an inflationary factor, where such an increase does not hinder the Commissioners' ability to make similar distributions to future beneficiaries. The level of distribution each year is determined having regard to independent actuarial advice from Hymans Robertson LLP. Further details are provided in the Independent Actuaries' Report on page 63, including their qualifications for providing such advice.

The Commissioners account for and report returns (whether capital or income) on a total return basis under the terms of the Total Return Order obtained from the Charity Commission on 19 June 2012. This splits the fund into two components: the base level of the endowment and the unapplied total return. At 19 June 2012, the initial value of the base level of the endowment was £3bn and the initial value of the unapplied total return was £2.2bn. Further information on the Total Return Order is provided in note 17 to the financial statements.

In addition to being able to spend unapplied total return, the Commissioners have a time-limited power, which expires in December 2025, to spend endowment capital on their clergy pension obligations. In 2021, this resulted in £116.1m (2020: £118.9m) being charged to the base level of the endowment.

The total endowment fund of the Commissioners as at 31 December 2021 stood at £8.6bn, including the provision for the pre-1998 clergy pension liability of £1.4bn, which is due for payment in future years. The base level of the endowment was valued at £2.5bn at 31 December 2021 (2020: £2.5bn), with the unapplied total return at the end of 2021 being £6.2bn (2020: £5.1bn). The trustees consider the level of unapplied total return to be sufficient, in light of their distribution policy, to meet their expenditure plans.

## SPENDING PLANS

The Church Commissioners and Archbishops' Council prepare joint three-year spending plans. A Triennium Funding Working Group (TFWG), with members from the House of Bishops, Archbishops' Council and Church Commissioners, advised on how our funds should be most effectively distributed in 2020–22, informed by these priorities agreed by the House of Bishops:

- Investment in recruiting and training new ministers, helping dioceses deliver the Church-wide goal of increasing the number of ordinands by 50%.
- Supporting dioceses in making strategic investment in change programmes designed to produce 'good growth'.
- The continuation of specific funding to help dioceses support mission in lowest income communities.

We continued to make funding available for these priorities in 2021, and no changes were made to the overall amount expected to be available for distribution in 2020–22. However, in light of the impact of Covid-19, decisions were taken in the previous year to reallocate available expenditure within the agreed spending plans in order to provide Sustainability Funding to dioceses and cathedrals across both 2020 and 2021, to help mitigate the loss of income they experienced as a result of the pandemic.

Work to develop the spending plans for 2023–25 has progressed well, with careful consideration given to both the level of distributions and the priorities for spending across the Church by the TFWG.

# GOING CONCERN

*To assess the Commissioners' going concern status, the trustees have examined their role in funding the Church's ministry, spending strategy and application of total return.*

The Commissioners' role in funding the Church's ministry comprises certain legal obligations and discretionary funding. In assessing the going concern status of the Commissioners, the trustees have considered the Commissioners' role in funding the Church's ministry, the spending strategy, the application of total return and the legislation to allow endowment to be spent for specific pension purposes.

In addition, the trustees take account of independent actuarial advice provided by Hymans Robertson LLP on the affordability in perpetuity of their planned distributions. This advice is provided every three years when setting the spending plans for the next three-year period (the "triennium"), and this is updated annually to ensure that the spending plans for the current and next triennium remain affordable.

The approach adopted includes a smoothing mechanism that aims to give a full triennium's notice of any reduction in distributions unless there has been a significant deterioration in the balance between the Commissioners' assets and their spending plans. This means that while events such as Covid-19 and the current geopolitical context are factors for consideration, the Commissioners have a clear framework for assessing whether the events are sufficiently significant that they would change the amounts available for distribution to beneficiaries in the short term.

The annual actuarial update for the year ended 31 December 2021 includes stress testing scenario analysis, which models the impact on distributions in the event of different levels of reduction in asset values. This includes consideration of the impact of changes in the performance of the asset portfolio, expected future returns or inflation on the affordability of distributions. In light of this analysis, there was no reason to consider that any changes were required to the planned distributions for the 2020 to 2022 triennium and the recommended distributions for the 2023 to 2025 triennium. The trustees have therefore concluded that the Commissioners are able to sustainably meet both their legal obligations and planned discretionary funding for at least the period to 31 December 2023.

In addition, the trustees have given consideration to the availability of liquidity in light of market turbulence caused by recent geopolitical events, the continuing impact of Covid-19 and other external factors. Under the Investment Risk Framework the Commissioners seek to hold at least 24 months' planned expenditure in cash and near cash, and are satisfied that they have sufficient cash to meet their obligations in the short term. Therefore, the Commissioners continue to adopt the going concern basis of accounting in the preparation of these financial statements.





# CARBON REPORTING

*The Commissioners also report on their energy use and carbon emissions.*

In 2018, the Government published regulations concerning Streamlined Energy and Carbon Reporting (SECR). These are designed to increase awareness of energy costs within organisations, to provide data to inform adoption of energy efficiency measures, and to help them to reduce their impact on climate change.

The Commissioners are not required to follow these regulations; however, they are mindful of the General Synod's resolution of February 2020 for the whole Church, including the National Church Institutions (NCIs), to work to achieve year-on-year reductions in emissions and urgently examine what would be required to reach net zero emissions by 2030. The SECR regulations concern direct energy usage, and the Commissioners disclose further information on this area below, albeit these disclosures are voluntary and do not incorporate the full scope of the SECR regulations. The Commissioners intend to monitor their emissions using an intensity ratio of tonnes of $CO_2e$ per total square metres of floor space or per headcount.

However, the Commissioners do not intend to use 2020 or 2021 as the base year for monitoring their emissions. As most energy usage relates to the use of offices, neither year will be suitable since most staff were working from home during these periods. The direct energy usage by the Commissioners is incurred as a result of staff travel and in the operation of offices at Church House, Lambeth Palace and Bishopthorpe Palace.

The data available for energy costs incurred relating to staff travel in past years is limited. However, in 2021 the NCIs entered into an arrangement with a travel management provider that will enable travel costs and energy usage to be monitored effectively in future. In respect of both 2021 and 2020, travel and the associated energy usage was significantly reduced on previous years as a result of the Covid-19 pandemic.

Energy usage in the buildings our staff occupy principally consists of electricity and gas for heating and lighting. Usage in 2021 and 2020 was not normal because most staff worked from home during these periods. We are unable to quantify whether the additional energy usage incurred as a result of staff working from home outweighs the savings on our buildings. We are working with NCI colleagues to consider all options regarding how to reduce energy usage in Church House. These discussions will also consider the implications of changes to working practices resulting from Covid-19. The Corporation of Church House (the owner of Church House) is now embarking on a programme of work to the building, to improve energy efficiency with a commitment to move towards carbon zero. The new Lambeth Palace Library is designed to use no gas and has solar panels that are anticipated to provide approximately half of the annual electricity use of the building.

The total energy use by the Commissioners during 2021 at Church House, Lambeth Palace, and Bishopthorpe Palace was 2.7m kWh and the associated greenhouse gas emissions were 533 tonnes of $CO_2e$. This was calculated on the basis of energy usage as disclosed on utility bills and Government $CO_2e$ conversion ratios.

# RISK MANAGEMENT STATEMENT

*The Church Commissioners operate a detailed risk management process with the aim of identifying and mitigating any risks that could inhibit their ability to achieve their goals.*

The unprecedented challenges resulting from the Covid-19 pandemic have continued through 2021. While these have stretched all organisations, not least the Church Commissioners, the Church Commissioners have benefited from well-established risk management processes. The investment fund has performed well through this difficult period, testament to the robust governance and management provided by the Assets Committee and Investment team. The Commissioners' teams have also managed to maintain their various operational responsibilities, with previous work on addressing People, Business Continuity, and Technology Risks continuing to pay dividends.

There is a clearly defined Risk Management Policy which outlines the roles and responsibilities of trustees, management, and staff. Risk Management Guidance has been developed which explains the end-to-end risk management process and supports management in the identification, assessment and review of risks.

The Board of Governors has overall responsibility for the Church Commissioners' risk and internal control environment and reviews its risk management arrangements at least annually. The Board is responsible for setting risk appetite. There is a clearly defined Risk Appetite Statement that sets out the types and levels of risk the Board of Governors are prepared to accept. The evaluation of individual risks through this lens allows the Board to assess whether its risk taking is within the defined risk appetite and whether additional management actions are required.

The Board is supported in its work by the Audit and Risk Committee, which reviews the content of the Strategic Risk Register at each of its meetings. The risk management process is facilitated and monitored by the Internal Audit and Risk Management department. The Audit and Risk Committee receives regular reports from the Internal Audit and Risk Management department highlighting key changes to the risk register, as well as new and emerging risks. The Audit and Risk Committee regularly reviews and discusses operational risks, particularly those relating to investment operations, people and information security. An Audit and Risk Committee member attends each Assets Committee as an observer, providing concluding remarks to the Committee on the significant risk and control issues discussed during the meeting.

Operational risks, related to investment operations, are subject to regular review by the Assets Committee. The Assets Committee reviews and discusses the Investment Risk Register on a quarterly basis.

On an annual basis, the Internal Audit and Risk Management department produces a risk-based Internal Audit Plan, which identifies high-priority risks and processes that should be subject to independent review during the coming financial years. All internal audit reports are provided to the Audit and Risk Committee. The Committee gains assurance on the control environment and the management of specific risks through this reporting mechanism.





| PRINCIPAL RISK AREA | KEY MANAGEMENT ACTIONS AND PLANS |
|---|---|
| **Investment Return**<br>Failure to achieve investment returns required to meet pensions obligations and distributions to support the wider Church, as a result of events such as Brexit and Covid-19, the Russia–Ukraine crisis, wider geopolitical upheavals and rising inflation. | ❋ Effective and experienced Assets Committee oversight<br>❋ Disciplined valuation-led Investment Strategy and Process<br>❋ Genuinely diversified portfolio<br>❋ Proactive monitoring of market and currency exposures, and use of Tactical Asset Allocation to manage exposures as required<br>❋ Strengthening of resources with new key roles within the Investment division in the front and middle office<br>❋ Clearly articulated Investment Policy, including supporting frameworks and guidelines |
| **Financial Control**<br>Failure to control costs and liabilities and manage stakeholder expectations impacts the ability to provide sustainable support and assistance to dioceses, cathedrals and other beneficiaries. | ❋ Working closely with the Archbishops' Council, dioceses and cathedrals to understand their priorities and manage their expectations<br>❋ Regular review of financial situation of cathedrals to better assess financial strength<br>❋ Assets Committee governance of money available for distribution, including independent actuarial review and advice<br>❋ TFWG established to review spending proposals for the next triennium (2023–25)<br>❋ Regular engagement between actuaries, staff and Assets Committee underway in connection with the end of 2021 Triennial Actuarial review |
| **Operational Effectiveness**<br>Lack of effective planning of operations, capacity challenges and/or ability to manage projects results in inefficient and ineffective working practices and a failure to achieve objectives to budget/time. | ❋ Budgetary control of costs with regular meetings to review and check expenditure against budget<br>❋ Project Management Framework developed for the NCIs<br>❋ Project Review Board in place providing senior management oversight of the most complex or high-risk projects in the NCIs<br>❋ Commissioners' management regularly reviews its portfolio of projects<br>❋ Transforming Effectiveness Programme initiated to consider issues of affordability, efficiency and effectiveness across NCIs<br>❋ A Project Management Team has been established for the Lambeth Palace refurbishment. The project is led by senior staff and overseen by the Bishoprics and Cathedrals Committee |
| **Effective use of Church Commissioners funding**<br>Strategic Development Fund and other national Church funding does not achieve the outcomes desired/expected and there are ineffective review/monitoring controls in place. | ❋ Strategic Investment Board (SIB) and Strategy and Development team give strong oversight of grant allocation and ongoing monitoring. Strategic Ministry Board (SMB) and Ministry team do likewise for Strategic Ministry Funding<br>❋ Recommendations of the independent review of Strategic Development Funding and Lowest Income Communities Funding to be acted on following completion in 2022<br>❋ Annual review of SIB and SMB activity reported to Commissioners' Board<br>❋ Operation of a virement policy which allows the Commissioners to respond effectively to emerging needs as they arise<br>❋ TFWG has been established to review spending proposals for the next triennium (2023–25) |

| PRINCIPAL RISK AREA | KEY MANAGEMENT ACTIONS AND PLANS |
|---|---|
| **Reputational Risks**<br>Reputational risks relating to the Church Commissioners, other NCIs or the wider Church, impact upon the Commissioners' ability to achieve their strategic objectives.<br><br>Wider societal issues/concerns with reputational implications for Church of England/Church Commissioners.<br><br>Long-established endowment funds may give rise to a reputational risk linked to the possibility of their original source, or early investment of funds, having slave-trade connections. This could be the case for the original Queen Anne's Bounty and Ecclesiastical Commissioners' funds. | ❋ Proactive and frequent engagement with key Church stakeholders on Commissioners' strategy and priorities<br>❋ Financial Communications team proactively manages responses to media in relation to Investment Strategy<br>❋ Experienced and effective governance and scrutiny applied by the Assets Committee, Audit and Risk Committee and Board of Governors<br>❋ Regular analysis on financial performance of cathedrals to assess which cathedrals are in a potentially challenging situation<br>❋ Proactive engagement with local communities and churches regarding local housing schemes<br>❋ Monitoring societal attitudes and proactive consideration of social justice issues with potential relevance to the Church Commissioners, past and present<br>❋ The Church Commissioners have established a sub-group of the Board to analyse the issue of historical linkages to Transatlantic Chattel Slavery with a report on findings and proposed next steps due in the second half of 2022 |
| **Business Continuity**<br>Business continuity, IT resilience, cyber security, health and safety challenges etc. impact delivery of strategic objectives. Inability to deliver key services in the event of a major business continuity threat (e.g. Covid-19). | ❋ Cyber Essentials Plus accreditation secured and key control measures are monitored on an ongoing basis by management<br>❋ ISO27001 Project to further embed best practice cyber security protocols planned<br>❋ IT security training provided to all staff<br>❋ Critical technology infrastructure housed in a remote location.<br>❋ Business Continuity Plan in place for the NCIs, including IT Disaster Recovery<br>❋ Business continuity capability tested with new emergency contact system and remote-working day well ahead of the pandemic<br>❋ Hybrid working successfully implemented during 2021 with the Pan-NCI Covid-19 Business Continuity Group meeting regularly throughout 2021 |
| **People**<br>Inability to recruit and/or retain high-quality staff with the requisite skills.<br><br>Poor diversity amongst leadership and trustees detracts from quality of decision making.<br><br>Looking after physical and mental welfare of staff. | ❋ Staff Engagement Survey completed in February 2021. Action plan is closely monitored by Chief Officers of the NCIs<br>❋ Belonging and Inclusion strategy developed and 24-month review and action plan well underway<br>❋ Values and Behaviours workshops undertaken during 2021, resulting in the development of a refreshed set of values for staff and trustees<br>❋ Improvements introduced to recruitment processes with focus on inclusion and diversity<br>❋ Continued focus on staff wellbeing with Employee Assistance programme introduced, NCI Mental Health 'first-aid' support and additional resilience and mental health training provided in light of Covid-19<br>❋ Investments team remuneration structures overseen by Remuneration Committee |

| PRINCIPAL RISK AREA | KEY MANAGEMENT ACTIONS AND PLANS |
|---|---|
| **Health and Safety**<br>Risk to staff, tenants, or general public on Commissioners' owned land. | **See Houses**<br>❋ Implementation of Smartlog system at all properties with quarterly reporting to the NCIs' Health and Safety Committee<br>❋ Statutory checks are completed by a third-party provider<br><br>**Investment Assets**<br>❋ Robust contractual arrangements in place with third-party providers, including compliance with health and safety (H&S) legal requirements and insurance cover. Area of significant focus throughout pandemic<br>❋ Quarterly reporting and monitoring of H&S actions, reviews and issues with agents<br>❋ Regular site visits to help identify H&S issues |
| **Climate Change**<br>Failure to understand and respond to the paradigm shifts caused by climate change.<br><br>Heightened exposure and cost in relation to the Church Commissioners' property portfolio, with assets potentially damaged as a result of a major weather event. | ❋ Implementation of a comprehensive Responsible Investment Framework<br>❋ Market-leading approach to climate change risks incorporating assertive engagement and assessment of companies through the Transition Pathway Initiative<br>❋ Assets Committee has a strong focus on Environmental, Social & Governance matters and reviewed independent climate impact scenarios during the year<br>❋ Member of Asset Owner Alliance committed to net zero portfolio emissions<br>❋ Periodic assessment of the investment portfolio's resilience to different climate scenarios<br>❋ All Real Assets within the investment portfolio are being evaluated (or baselined) to support the strategy for transitioning the fund to net zero<br>❋ Pilot underway in relation to increasing the sustainability of See houses |



# GOVERNANCE

*Working with the other National Church Institutions (NCIs), the Church Commissioners serve and support the wider Church, ensuring effective use of the Church's money.*



# HOW THE CHARITY IS CONSTITUTED

## STRUCTURE AND SUBSIDIARIES

The Church Commissioners for England ('the Church Commissioners') are a statutory body created by the Church Commissioners Measure 1947 and a registered charity (number 1140097) under the Charities Act 2011.

The Church Commissioners have a number of subsidiaries for investment purposes and the principal subsidiaries are set out in note 2 to the financial statements. A number of joint ventures are also held as part of their investment portfolio. The Church Commissioners, together with the Archbishops' Council and the Church of England Pensions Board, are equal partners in Church of England Central Services (ChECS), a joint venture providing cost-effective shared financial, legal and other services.

## PUBLIC BENEFIT

As trustees, the Church Commissioners are mindful of the Charity Commission's guidance, *Charities and Public Benefit*, and, in particular, the supplementary guidance for charities whose aims include advancing religion, *The Advancement of Religion for the Public Benefit*, and have regard to both guidance documents when reviewing the Commissioners' aims and objectives and in planning future activities.

We are confident that the financial resources provided to parishes, bishops and cathedrals help to promote the Church's whole mission (pastoral, evangelistic, social and ecumenical) more effectively, at a national level, in the dioceses and in individual parishes. In doing so, the Church provides a benefit to the public by:

- providing facilities for public worship, pastoral care and spiritual, moral and intellectual development both for its members and for anyone who wishes to benefit from the Church's offering;
- promoting Christian values, and service by members of the Church in and to their communities, to individuals and society as a whole. The report outlines examples of this public benefit in action.

# ORGANISATIONAL STRUCTURE AND STAFFING

*We are proud of our wonderful staff, and their expertise and commitment in enabling the support given to the Church.*

Working with the other NCIs, the Church Commissioners serve and support the wider Church, ensuring effective use of the Church's money.

## OUR PEOPLE

The day-to-day management of the Commissioners is delegated to Gareth Mostyn. He is supported in his role by a senior management group and the wider staff team:

Chief Executive and Secretary:
**Gareth Mostyn**

Chief Investment Officer:
**Tom Joy**

Chief Operating Officer (Investments):
**Nicola Dymond**

Head of Bishoprics and Cathedrals:
**Michael Minta**

Head of Mission, Pastoral and Church Property:
**Wendy Matthews**

Director of Churches and Cathedrals:
**Becky Clark**

Chief Operating Officer:
**Rosie Slater-Carr**

Director of Libraries and Archives:
**Declan Kelly** (left 31 December 2021)

Director of Finance:
**Joanna Woolcock**

People Director:
**Christine Hewitt-Dyer**

Head of Financial Communications:
**Juliana Wheeler**

Official Solicitor:
**Alexander McGregor**

Deputy Official Solicitor to the Church Commissioners:
**Paul Stevenson**

## TRANSITIONING TO HYBRID WORKING

Our commitment to the successful achievement of organisational objectives, good stewardship, transparency, and equality requires us to ensure that all our people deliver work of real value. Our new working arrangements support this commitment, while embracing our learning from 2020 that the key ingredient in securing this organisational value is trust in our people.

Our Working Without Walls initiative brought together training, policy and some of the practical changes we needed to make to support the transition to hybrid working, such as the roll-out of a device strategy and the switch to virtual phones using Microsoft Teams. New hybrid working and home-working policies underpinned a shift to more flexible working arrangements and drew on extensive consultation with staff.

Using a principles-based approach, the policies provide a framework that gives people more control over how and where they work and, in doing so, realise the well-publicised benefits this approach brings, including: attracting and retaining experienced, diverse, and valued people; enabling staff to balance work and caring commitments; and a reduction in travel time, travel expenditure, and travel emissions. Workshops for line managers and teams focused on the practical and personal skills that would help prepare colleagues for the decisions they would be making in the second half of 2021 and the first half of 2022 as part of our transitional year to hybrid working.

## HEALTH AND WELLBEING

The health and wellbeing of staff is the number one priority when making decisions about how we continue to work through the pandemic, including access to our buildings and support during prolonged periods of working from home. Staff can draw on a range of resources, including advice about how to maintain habits that support wellbeing and resilience and how to create effective boundaries between work and home lives. Colleagues also have access to a team of chaplains and 30 mental health first aiders spread across the NCIs.

Our buildings remained open for those colleagues who needed to use them – whether for work or wellbeing reasons – with access carefully managed to minimise the risk to staff prior to the easing of the government's restrictions about working from home in July. For colleagues from the Lambeth Palace Library and the former Record Centre in Bermondsey, South East London, 2021 marked the year when they were physically able to come together as one team to prepare for the opening of the new library building in the grounds of Lambeth Palace.

## EMPLOYEE ENGAGEMENT

Over the course of the year, we held ten virtual town hall events, which formed the backbone of our employee engagement activity. Open to all staff, these sessions are designed to keep staff up to date on news and initiatives from across the NCIs and the wider Church and offer an opportunity to put questions to senior leaders and subject matter experts.

**Example of feedback received from staff on our virtual town-hall communication events:** "I think the webinars and the email communications have been detailed and timely – hearing chief officers speaking about the various issues and providing updates has been done with utter sincerity and thoughtfulness for all."

In March, we carried out an in-depth employee survey which focused on questions that would elicit actionable feedback. The survey was completed by 85% of staff and returned an engagement index score – the average positive response to questions measuring advocacy, motivation, and commitment – of 81%. The results highlighted the key drivers of engagement at the NCIs and formed the basis of our 2021 employee engagement.

## CREATING A SENSE OF BELONGING AND INCLUSION

Our aim is for everyone in the NCIs to feel that they belong and are valued for who they are and what they contribute. To achieve this, we are focusing our efforts in four areas: mentoring and learning, leading and signalling, generous behaviours, and celebrating and storytelling. As part of our generous behaviours work, we opened a conversation across the NCIs, in which around 100 staff participated, on how we can expand our values, with the aim of agreeing values and behaviours that are shared between NCI staff and trustees.

We also launched a second mentoring scheme – a reciprocal mentoring/co-mentoring scheme. The development goals of the mentee may still be part of the partnership, while there is greater emphasis on creating and supporting relationships across gender, ethnic background, disability status, identity and generational divides and more broadly between people who bring different skills, experiences and perspectives. There are 23 mentoring partnerships under this scheme, building on the 33 partnerships under the 2020 developmental mentoring scheme.

We have continued to support our staff networks to bring forward a rolling programme of events and stories that celebrate our common purpose and successes and honour our differences. Each month at least one belonging and inclusion related event/story/blog has taken place or been published.

Our Coffee Connect initiative, in which around 60 people participate, continues to run regularly and supported new and longer-standing colleagues to develop professional and personal relationships across different NCIs.

To support our people in adapting to evolving ways of working, we rolled out training to line managers, with a strong emphasis on inclusion and wellbeing, which reached around 70% of NCI line managers.

The NCI Mental Health First Aiders have regularly hosted open and confidential forums on different themes such as "Getting back to normal" and "How can we make the most of time off if we can't get away?" and we also ran a number of resilience webinars and workshops to continue to support staff across the organisation who may be dealing with everyday difficulties, obstacles and setbacks.

We are evaluating our programme of work on belonging and inclusion through a range of quantitative and qualitative data and insights, which will inform our next steps in this area.

## TRANSFORMING EFFECTIVENESS

A key aspect of the Emerging Church of England programme is the realignment of the operating model of the NCIs to enable the Church of England to better serve God's mission.

The senior leadership structure for six functional areas (vision and strategy, ministry development, education and growing faith, faith and public life, data services, and buildings) was the focus of the first stage to create "Simpler NCIs" and was completed in September, followed by team structures and roles in early 2022.

Within the Church Commissioners, the Cathedrals and Church Buildings team joined the Bishoprics and Cathedrals, Pastoral and Closed Churches, and the Lambeth Palace Library teams that will form a new Buildings Unit.

## SUMMARY OF OUR PEOPLE

At the end of 2021, a total of 141 staff were employed or funded directly by the Commissioners, a 32% increase from 2020 (107 staff). This increase was largely due to the movement of the Cathedral and Church Buildings team from the Archbishops' Council. The Commissioners make up 23% of the overall staff at the NCIs.

The Church Commissioners is a joint employer with the other NCIs. It receives services from ChECS, which is also a joint employer. The NCIs ended 2021 with 612 employed staff, an increase of 2% in the headcount compared to 2020.

Overall, 103 staff joined the NCIs in 2021, a 7% increase from 2020, with recruitment activity increasing slightly from the low activity caused by the Covid-19 pandemic.

Overall turnover in 2021 was 16% compared to 9% in 2020, however this was still below the average prior to the pandemic (2019: 19%). Nearly half of all new joiners in the Church Commissioners (47%) were employed on fixed-term contracts to undertake specific project-based work. This is similar to the NCI average (55%).

The percentage of people who classed themselves as black or minority ethnic within the Commissioners was 11.2% (2020: 10.9%) compared with overall representation of 15.6% (2020: 15.7%) across the NCIs.

Across the NCIs, the ratio of female to male employees remained static (56% to 44% respectively). The percentage of women in senior positions rose from 41% in 2020 to 42% in 2021. The percentage of people who classed themselves as having a disability was 3.5%, slightly higher than in 2020 (3.3%).

## STAFF REMUNERATION AND EXECUTIVE PAY

The staff of the Church Commissioners, excluding asset management staff, are covered by a unified pay policy that operates across all the NCIs. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value based on eight bands.

For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market-related salaries and is subject to annual review.

Staff pay is reviewed annually and any increases as a result of the annual pay negotiations are awarded with effect from 1 January. The NCIs are an accredited Living Wage employer and ensure all staff including apprentices, interns and those on training schemes receive the appropriate living wage for their location.

A number of senior roles, including those of the Chief Executives, sit outside the banding system, as the skill sets required to fulfil the roles are not readily measured within the NCIs' standard job evaluation system. Salaries for these roles are set individually with reference to the wider marketplace. This process is overseen by the Remuneration Committee (JECSB), comprising senior trustees from each of the main NCIs. In general, these staff can expect the same percentage annual uplift for cost of living as those on the NCI bands.

## ASSET MANAGEMENT STAFF

Staff engaged directly in the management of the Church Commissioners' investment portfolio are on separate contracts of employment and sit outside the general NCI pay arrangements described above. The Church Commissioners are a large and sophisticated institutional investor investing in a broad range of asset classes, including significant property holdings, and as such seek to attract and retain high-calibre investment professionals.

Accordingly, salaries are designed to reflect the market for investment specialists and incorporate an element of long-term incentive which encourages consistent outperformance of the Commissioners' target investment return over a sustained period of five years.

The level of pay and the value of incentive awards are overseen by a Remuneration Committee, comprising trustees on the Assets Committee supported by independent benchmarking data. The scheme is reviewed for consistency with the executive remuneration policy adopted by the Church's NIBs on the recommendation of the EIAG.

Amounts payable under the incentive scheme are spread over up to five years, and the full amounts are only payable if the recipient remains in post during that time. By this method the Commissioners ensure incentives are directly aligned with their objectives and are also long term in nature. In the year to 31 December 2021, payments under the scheme, including deferred payments that became due, totalled £2,050,400 (2020: £1,102,977).

The highest paid member of staff received a payment of £301,130 (2020: £214,825). The Secretary to the Church Commissioners does not participate in the scheme. During 2021 the total remuneration (salary and incentive payment) for the highest paid member of Commissioners' staff was 24.3 times (2020: 20.8) the total remuneration received by the lowest paid member of Commissioners' staff and 13.7 times (2020: 10.3) the median total remuneration.

This is consistent with the recommendations on company remuneration adopted by the NIBs on the advice of the EIAG in 2013.

## STAFF PENSIONS

The staff of the Church Commissioners are either members of the Church Administrators Pension Fund defined benefit section (if employed before July 2006), or a separate defined contribution arrangement if employed subsequently. Employer contribution rates range from 8% to 18% depending on age and additional voluntary contributions made.





# TRUSTEES AND THE BOARD OF GOVERNORS

*There are 33 Church Commissioners and they have trustee responsibility for meeting our charitable obligations. Six of these hold offices of State and the other 27 constitute the Board of Governors.*

Thirteen Board members are elected, either by the General Synod or the cathedral deans, and others are appointed, by the Crown or the archbishops, for various kinds of professional expertise. Board members also generally serve on one or more of our committees – the Assets Committee, the Audit and Risk Committee, the Bishoprics and Cathedrals Committee and the Mission, Pastoral and Church Property Committee. Except for the Assets Committee, they all contain non-Commissioner as well as Commissioner members. All are supported by an executive team led by Chief Executive and Secretary Gareth Mostyn. All new Commissioners receive a welcome pack containing information about governance in the charity sector and in the Church, and all are offered an induction programme and other relevant training from time to time.

Since the publication of the 2020 Annual Report, we have said farewell to four Commissioners. Before stepping down in September 2021, Loretta Minghella OBE had served with distinction as the first-ever female First Church Estates Commissioner. Among many other successes, she led the Assets Committee through a period of great volatility in markets to secure excellent returns and enable substantial additional distributions for the Church.

Dr Eve Poole's many achievements as Third Church Estates Commissioner included leading the preparation and passage into law of the new Cathedrals Measure and significant streamlining of our committee structure. Both also contributed invaluably to our efforts to improve our diversity in appointments and to the review of governance structures at national level.

The retirement of Christine Hardman as Bishop of Newcastle in November 2021 and the consecration of the former Dean of Gloucester, Stephen Lake, as the Bishop of Salisbury in April 2022 meant they relinquished their Church Commissioner roles. Christine had also been an exceptionally valuable member of the Mission, Pastoral and Church Property Committee, while Stephen had served with equal distinction on the Bishoprics and Cathedrals Committee. We express our deep gratitude to Loretta, Eve, Christine and Stephen for all they contributed.

We have also been delighted with existing Commissioner Alan Smith's appointment by the Crown as the new First Church Estates Commissioner and by the Archbishop of Canterbury's appointment of the Revd Canon Flora Winfield as the new Third Church Estates Commissioner. We were also very pleased that the bishops elected Graham Usher, Bishop of Norwich, to succeed the Bishop of Newcastle, and we look forward to the result of an election by the cathedral deans of Stephen Lake's successor. Our new members are making an excellent contribution and we look forward to working with them in the months and years ahead.

We also said farewell to non-Commissioner committee members Ian Ailles (Audit and Risk Committee), the Very Revd Catherine Ogle (Bishoprics and Cathedrals Committee), the Rt Revd Paul Bayes, the Ven Mark Steadman, the Revd Simon Talbott and Susan Pope (all Mission, Pastoral and Church Property Committee). The Board was pleased to appoint the Ven Simon Fisher and Canon Shane Waddle to succeed Mark and Susan, and is currently working to fill the other two vacancies. We extend our thanks to Ian, Paul, Mark and Susan and very much look forward to working with Simon Fisher, Shane and our other imminent new members.

The Commissioners take trustee recruitment very seriously and invest time and resources in finding, inducting and developing the highest calibre people. Vacancies are advertised in a range of publications depending on the specialisms of the roles and search consultants are often employed to assist us. We place particular emphasis on diversity, at trustee and staff level.

## SECOND CHURCH ESTATES COMMISSIONER

The Second Church Estates Commissioner, Andrew Selous MP, maintains the statutory accountability of the Church Commissioners to Parliament, including through the answering of questions in the House of Commons.

# TRUSTEES AND THE BOARD OF GOVERNORS
continued

## THE CHURCH COMMISSIONERS AND BOARD OF GOVERNORS AT APRIL 2022

The Board of Governors transacts the functions and business of the Commissioners except where, by statute or through delegation by the Board, these are exercised by committees. Except State office-holders, all Church Commissioners are members of the Board of Governors.

Archbishop of Canterbury, Justin Welby **Chair**
Archbishop of York, Stephen Cottrell

## CHURCH ESTATES COMMISSIONERS APPOINTED BY HER MAJESTY

Loretta Minghella OBE, First Church Estates Commissioner (up to 30 September 2021)
Alan Smith, First Church Estates Commissioner (from 1 October 2021)
Andrew Selous MP, Second Church Estates Commissioner

## CHURCH ESTATES COMMISSIONER APPOINTED BY THE ARCHBISHOP OF CANTERBURY

Dr Eve Poole, Third Church Estates Commissioner (until 15 October 2021)
Flora Winfield, Third Church Estates Commissioner (from 1 February 2022)

## ELECTED BY THE GENERAL SYNOD

### HOUSE OF BISHOPS

Bishop of Manchester, David Walker, Deputy Chair
Bishop of Bristol, Vivienne Faull
Bishop of Birmingham, David Urquhart
Bishop of Newcastle, Christine Hardman (up to 30 November 2021)
Bishop of Norwich, Graham Usher (from 1 December 2021)

### HOUSE OF CLERGY

Revd Anne Stevens
Revd Christopher Smith
Revd Stephen Trott

### HOUSE OF LAITY

Canon Peter Bruinvels
Jay Greene
Canon Elizabeth (Betty) Renshaw MBE
Jacob Vince

### Elected by the DEANS

Dean of Ely, Mark Bonney
Dean of Gloucester, Stephen Lake (up to 31 March 2022)

### Nominated by HER MAJESTY

Duncan Owen
Suzanne Avery
Nigel Timmins

### Nominated by THE ARCHBISHOPS OF CANTERBURY AND YORK

Morag Ellis QC
Busola Sodeinde
Mark Woolley

### Nominated by THE ARCHBISHOPS OF CANTERBURY AND YORK

After consultation with others including the Lord Mayors of the Cities of London and York and the Vice-Chancellors of Oxford and Cambridge Universities

Poppy Allonby
Helen Steers
Vacancy

### State office-holders

First Lord of the Treasury
Lord President of the Council
Lord Chancellor
Secretary of State for Digital, Culture, Media & Sport
Speaker of the House of Commons
Speaker of the House of Lords

### Secretary to the Church Commissioners and Board of Governors

Gareth Mostyn





### Assets Committee

Subject to any general rules made by the Board, has an exclusive power and duty to act in all matters relating to the management of the Commissioners' assets

Loretta Minghella OBE **Chair** (up to 31 September 2021)
Alan Smith Chair (from 1 October 2021)
Revd Christopher Smith
Bishop of Birmingham, David Urquhart
Canon Peter Bruinvels
Poppy Allonby
Suzanne Avery
Helen Steers
Duncan Owen
Mark Woolley*
Gareth Mostyn **Committee Secretary**
* Deputy Chair

### Audit and Risk Committee

Acts in matters relating to the external auditors, the annual accounts and internal control systems

Hilary Wild **Chair**
Busola Sodeinde
Ian Ailles (up to 31 December 2021)
Jay Greene
Alan Smith (up to 30 September 2021)
Emma Upstone
Stephanie Harrison **Committee Secretary**

### Bishoprics and Cathedrals Committee

Acts for the Board in matters relating to episcopal and cathedral support

Eve Poole **Chair** (up to 15 October 2021)
Revd Canon Flora Winfield **Chair** (from 1 February 2022)
Bishop of Bristol, Vivienne Faull
Bishop of Manchester, David Walker
Dean of Ely, Mark Bonney
Dean of Gloucester, Stephen Lake* (up to 31 March 2022)
Dean of Winchester, Catherine Ogle (up to 31 December 2021)
Dean of Guernsey, Tim Barker
Jacob Vince
Canon Elizabeth (Betty) Renshaw MBE
Ruth Mounstephen – Representative of Bishops' spouses
Kathryn Blacker – Representative for Association of English Cathedrals and Cathedrals Administration and Finance Association
Michael Minta Committee Secretary
* Deputy Chair

### Mission, Pastoral and Church Property Committee

Acts for the Board in matters relating to pastoral reorganisation, parsonages and diocesan glebe, and matters relating to the future of church buildings closed for regular public worship

Eve Poole **Chair** (up to 15 October 2021)
Revd Canon Flora Winfield **Chair** (from 1 February 2022)
Bishop of Liverpool, Paul Bayes (up to 31 December 2021)
Bishop of Newcastle, Christine Hardman (up to 30 November 2021)
Bishop of Norwich, Graham Usher (from 1 February 2022)
Ven Mark Steadman (up to 8 September 2021)
Ven Simon Fisher (from 1 February 2022)
Revd Canon Clare MacLaren
Revd Christopher Smith
Revd Anne Stevens
Revd Simon Talbott (up to 13 February 2021)
Ven Amatu Christian-Iwuagwu (from 14 February 2021)
Revd Stephen Trott
Canon Peter Bruinvels*
Morag Ellis QC
Jay Greene
Susan Pope (up to 30 September 2021)
Shane Waddle (from 25 November 2021)
Garth Watkins
Wendy Matthews **Committee Secretary**
* Deputy Chair

## PROFESSIONAL ADVISERS

**Bankers:**
Lloyds Bank plc
39 Threadneedle Street
London EC2R 8AU

**Custodians:**
JP Morgan Chase Bank N.A.
25 Bank Street
Canary Wharf London E14 5JP

**Auditor:**
Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

**Actuaries:**
Hymans Robertson LLP
One London Wall
London EC2Y 5EA

# ATTENDANCE AT MEETINGS

*The table below gives details of the meetings attended by governors and non-Commissioner committee members.*

| | BOARD | ASSETS | AUDIT AND RISK | BISHOPRICS & CATHEDRALS | MISSION, PASTORAL AND CHURCH PROPERTY |
|---|---|---|---|---|---|
| Number of Meetings | 5 | 6 | 5 | 9 | 7 |
| Archbishop of Canterbury, **Justin Welby** | The Archbishop of Canterbury chairs the Annual General Meeting. By arrangement he does not attend meetings of the Board of Governors. The Bishop of Manchester is the Archbishop's appointed deputy. | | | | |
| Archbishop of York, **Stephen Cottrell** | 5 | | | | |
| First Church Estates Commissioner, **Loretta Minghella** (up to 30 September 2021) | 4 | 5 | | | |
| First Church Estates Commissioner, **Alan Smith*** (from 1 October 2021) | 5 | 1 | 4 | | |
| Second Church Estates Commissioner, **Andrew Selous** | 5 | | | | |
| Third Church Estates Commissioner, **Eve Poole** (up to 15 October 2021) | 4 | | | 7 | 5 |
| Bishop of Birmingham, **David Urquhart** | 5 | 6 | | | |
| Bishop of Bristol, **Vivienne Faull** | 4 | | | 8 | |
| *Bishop of Liverpool, **Paul Bayes**** | | | | | 5 |
| Bishop of Manchester, **David Walker** | 5 | | | 7 | |
| Bishop of Newcastle, **Christine Hardman** (up to 30 November 2021) | 3 | | | | 3 |
| Dean of Gloucester, **Stephen Lake** (up to 31 March 2022) | 5 | | | 8 | |
| Dean of Ely, **Mark Bonney** | 5 | | | 9 | |
| *Dean of Guernsey, **Tim Barker*** | | | | 9 | |
| *Dean of Winchester, **Catherine Ogle*** | | | | 6 | |
| Dean of Manchester, ***Rogers Govender*** (from 1 May 2022) | | | | | |
| *Ven **Mark Steadman*** (up to 8 September 2021) | | | | | 5 |
| Revd **Christopher Smith** | 5 | 6 | | | 4 |
| *Revd **Simon Talbott*** (up to 13 February 2021) | | | | | 1 |
| Revd **Stephen Trott** | 4 | | | | 3 |
| **Lord Best** (up to 2 April 2021) | 1 | | | | |
| Canon **Peter Bruinvels** | 5 | 6 | | | 7 |
| Canon **Elizabeth (Betty) Renshaw** | 5 | | | 7 | |
| **Poppy Allonby** | 5 | 6 | | | |
| **Suzanne Avery** | 5 | 4 | | | |
| ***Kathryn Blacker*** | | | | 9 | |
| ***Mark Beard*** | | | | | 7 |
| ***Ian Ailles*** (up to 31 December 2021) | | | 4 | | |
| **Morag Ellis** | 5 | | | | 5 |
| **Jay Greene** | 5 | | 4 | | 7 |
| Canon ***Amatu Christian-Iwuagwu*** (from 13 February 2021) | | | | | 3 |
| *Revd **Canon Clare MacLaren*** | | | | | 7 |
| ***Ruth Mounstephen*** | | | | 7 | |
| **Duncan Owen** | 4 | 6 | | | |
| Canon ***Susan Pope*** (up to 30 September 2021) | | | | | 5 |
| **Busola Sodeinde** | 5 | | 5 | | |
| **Helen Steers** | 5 | 6 | | | |
| **Revd Anne Stevens** | 5 | | | | 6 |
| ***Jennifer Thomas*** | | | | 7 | |
| **Nigel Timmins** (from 3 April 2021) | 4 | | | | |
| ***Emma Upstone*** | | | 5 | | |
| Jacob Vince | 5 | | | 8 | |
| Canon ***Shane Waddle*** (from 25 November 2021) | | | | | |
| *Garth Watkins* | | | | | 7 |
| ***Hilary Wild**** | 5 | | 5 | | |
| **Mark Woolley** | 5 | 6 | | | |

** Alan Smith was a Board member for the duration of 2021, and became First Church Estates Commissioner on 1 October 2021.*

***Chair of Audit and Risk Committee; attends Board meetings but is not a member of the Board.*
*A member of the Audit Committee attends every Assets Committee as an observer.*
*Those listed in italics are non-Commissioners.*

# TRUSTEE RESPONSIBILITIES

*The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with UK law and accounting practices.*

## TRUSTEE RESPONSIBILITY STATEMENT

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year, to give a true and fair view of the state of affairs of the charity and of the incoming resources, and the application of resources of the charity for that period. In preparing the 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 judgements 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 adequate accounting records that are sufficient to show and explain the charity and its subsidiaries' transactions; disclose with reasonable accuracy at any time the financial position of the charity and the Group; and enable them to ensure that the financial statements comply in all material respects with the Charities Act 2011, the Church Commissioners Measure 1947, and the Charity (Accounts and Reports) Regulations 2008.

The trustees are also responsible for safeguarding the assets of the Church Commissioners for England (the "parent charity") and its subsidiaries ("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 organisational and financial information included in the Commissioners' section of the Church of England website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board by:



**Alan Smith**
First Church Estates Commissioner
6 May 2022





# MONEY AVAILABLE RESOLUTION AND SUMMARY OF REPORT FROM THE INDEPENDENT ACTUARIES

## INTRODUCTION

As required by the Church Commissioners Measure 1947 (as amended), at the 2022 Annual General Meeting of the Commissioners, the Board of Governors will recommend that the meeting (i) receives the Annual Report and Financial Statements; (ii) notes an update on the spending plans for 2020–22; (iii) considers the planned allocation of money available for distribution in 2023–25, based on the forecast of sums that can be made available for distribution in each year of that triennium; and (iv) provides a forecast of the sums that it is hoped can be made available in the following two triennia 2026–31, subject to the outcome of future triennial reviews.

## MONEY AVAILABLE RESOLUTION

At its meeting on 24 March 2022 the Assets Committee, having received updated advice from its actuarial advisors Hymans Robertson LLP (as required by the Church of England Pensions Measure 2018), which is summarised below, resolved (i) to inform the Board that sufficient funds can be made available in 2022 to meet the Commissioners' expenditure plans for 2022 and (ii) that the Commissioners' expenditure plans can be made on the assumption that the following sums can be made available for distribution in 2023-2025:

- Up to £417m for historical distributions.
- Up to £426m for core in-perpetuity distributions.
- Up to £226m for strategic ongoing distributions.
- Up to £140m for transformational time-limited distributions.

## SUMMARY OF THE REPORT FROM THE INDEPENDENT ACTUARIES

The Commissioners hold assets ("the assets") from which they pay pensions to retired clergy and other licensed ministers ("the pensions obligation") and staff ("the pensions liability"), and provide money to support the mission and ministry of bishops, cathedrals and parishes and for other purposes ("the distribution"). The distribution is affected by the extent of the pensions obligation and pensions liability. In order to assist the Commissioners in formulating the distribution policy, we carry out a detailed review from time to time.

Our most recent detailed review was carried out as at 31 December 2021. The review involved calculating the capital value (also known as the present value) of the following areas of future expenditure from the assets, according to their term:

1. Historical distributions mainly comprising an allowance to enable the Commissioners to meet their historical pensions obligation and pensions liability. As the pensions are payable throughout the lifetimes of the pensioners, the term of this area of expenditure is longevity-related and not known in advance. We therefore make assumptions of future life expectancy for the purpose of calculating the capital value of the pensions obligation and pensions liability.
2. Planned core in-perpetuity distributions, for example the grants to support bishops' and cathedrals' ministry, sub-divided into separate elements with appropriate rates of planned annual increases.
3. Planned or previously agreed distributions which have a fixed term.

Having calculated the capital values of the above areas of expenditure, we compare the total with the value of the assets held to assess whether the planned distributions are sustainable. If the level of assets exceeds the aggregate of the above distributions, as was the case in our most recent full review, we also calculate the level of strategic ongoing distributions that could be afforded in perpetuity on our central assumptions. This is reflected in the numbers set out above.

Many occupational pension schemes have actuarial valuations performed using significant margins for prudence. This is done so that the scheme has a funding buffer should future events prove unfavourable, in particular if the pension scheme's sponsoring employer becomes insolvent. In contrast, our calculations for the

Commissioners are made on a "best estimate basis" and do not include such margins of prudence. We consider that such margins are not required, as the assets are significantly larger than the pensions obligation and pensions liability, and no further margin is necessary.

Moreover, if margins were to be included, this would restrict the level of other distributions, with the expectation that they are likely to be increased at some point in the future by more than the planned increases. This would lead to inter-generational inequity, with the future recipients of the distribution receiving more in real terms at the expense of current recipients.

It should be noted that the distribution that the assets can support – and in particular the fund's capacity for strategic ongoing distributions – is extremely sensitive to a number of factors. These include the actual investment returns on the assets; the assumed average future investment return; actual increases in the national minimum stipend (on which the starting level of clergy pension is based) and inflation (which determines increases in pensions in payment); and the actual and prospective longevity of pensioners.

In summary the overall conclusion of our calculations was that the package of distributions proposed for the 2023–25 triennium are deemed affordable on our best estimate assumptions. The affordability of this package of distributions should be re-examined in detail at the next triennial review as at 31 December 2024 and also on an approximate basis at the interim assessments as at 31 December 2022 and 2023.

Recognising the high level of volatility in the sum available for strategic ongoing distributions, we continue to advise that the Commissioners should pay a significant proportion of such distributions in a form that will automatically cease, or can be stopped within a reasonably short timescale, if any future actuarial review determines that such distributions are no longer affordable.

**Alec Day FIA**
**Peter Carver FIA CERA**
For and on behalf of Hymans Robertson LLP
April 2022





# INDEPENDENT AUDITOR'S REPORT



St Thomas of Canterbury, Diocese of Exeter

# INDEPENDENT AUDITOR'S REPORT TO THE CHURCH COMMISSIONERS FOR ENGLAND

## OPINION

We have audited the financial statements of The Church Commissioners for England (the "parent charity") and its subsidiaries (the "group") for the year ended 31 December 2021, which comprise the consolidated and Commissioners statements of financial activities, the consolidated and Commissioners balance sheets, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent charity's affairs as at 31 December 2021 and of the group's and the parent charity's incoming resources and application of resources, including the group's and the parent income and expenditure 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 Act 2011.

## BASIS FOR OPINION

We have been appointed as auditor under sections 151 of the Charities Act 2011. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the group and parent charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## CONCLUSIONS RELATING TO GOING CONCERN

We are responsible for concluding on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent charity and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the parent charity or group to cease to continue as a going concern.

In our evaluation of the trustees' conclusions, we considered the inherent risks associated with the parent charity's and group's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the trustees and the related disclosures and analysed how those risks might affect the parent charity's and group's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the parent charity's and group's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the trustees with respect to going concern are described in the "Responsibilities of trustees for the financial statements" section of this report.

## OTHER INFORMATION

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report as set out on pages 1–62, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us 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; or
- the parent charity has not kept sufficient and proper accounting records; or
- the parent charity's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## RESPONSIBILITIES OF TRUSTEES FOR THE FINANCIAL STATEMENTS

As explained more fully in the Trustees' Responsibilities Statement set out on page 62, the trustees are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

# INDEPENDENT AUDITOR'S REPORT TO THE CHURCH COMMISSIONERS FOR ENGLAND

continued

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent charity and group and industry in which it operates. We determined that the following laws and regulations were most significant: Charities Act 2011, Charities SORP, and FRS 102.
- We enquired of management and the Audit Committee, concerning the Group's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

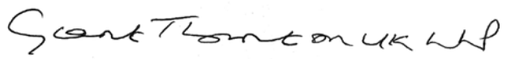
We enquired of management and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We corroborated the results of our enquiries to relevant supporting documentation such as minutes of the meetings.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the group's operations, including the nature of its revenue sources, and of its objective and strategy to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
  - the group's control environment, including the policies and procedures implemented to comply with annual and financial reporting requirements.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the group engagement team included:
  - Determining completeness of journal entries and identifying and testing high-risk journal entries, in particular manual journal entries processed at the year-end for financial statements preparation;
  - As per International Standard on Auditing (UK) 240 "The auditor's responsibilities relating to fraud in an audit of financial statements", we did not rebut the presumed fraudulent revenue recognition risk for investment income because it is a significant balance in the financial statements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the group and parent company operates; and
  - understanding of the legal and regulatory requirements specific to the parent charity and group including:
    - the provisions of the applicable legislation;
    - the regulators' rules and related guidance, including guidance issued by relevant authorities that interprets those rules;
    - the applicable statutory provisions.
- The engagement team was not made aware of potential non-compliance with laws and regulations and fraud during internal meetings, which included the potential for fraud in revenue recognition, the potential for fraud in charitable expenditure where grant making is incorrectly captured and the potential for the endowment fund recalculation not complying with the Order of Total Return.

## USE OF OUR REPORT

This report is made solely to the charity's trustees, as a body, in accordance with Section 154 of the Charities Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.



**Grant Thornton UK LLP**
Statutory Auditor, Chartered Accountants
London
6 May 2022

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 December 2021

| | Notes | 2021 Other funds £m | 2021 Endowment £m | 2021 Total £m | 2020 Other funds £m | 2020 Endowment £m | 2020 Total £m |
|---|---|---|---|---|---|---|---|
| **Income from:** | | | | | | | |
| Donations and legacies | | **1.2** | **–** | **1.2** | 1.4 | – | 1.4 |
| Investments | 2 | **–** | **144.8** | **144.8** | – | 125.9 | 125.9 |
| Other income | | **2.1** | **–** | **2.1** | 1.2 | – | 1.2 |
| Transfer to income | 17 | **145.8** | **(145.8)** | **–** | 160.6 | (160.6) | – |
| **Total income** | | **149.1** | **(1.0)** | **148.1** | 163.2 | (34.7) | 128.5 |
| **Expenditure on:** | | | | | | | |
| Raising funds | 3 | **(0.5)** | **(83.7)** | **(84.2)** | (0.1) | (74.1) | (74.2) |
| Charitable activities | | | | | | | |
| Supporting dioceses and the local church | 4 | **(86.8)** | **–** | **(86.8)** | (99.1) | – | (99.1) |
| Bishops' and archbishops' ministry | 4 | **(42.2)** | **–** | **(42.2)** | (37.9) | – | (37.9) |
| Cathedrals' ministry | 4 | **(12.3)** | **–** | **(12.3)** | (20.0) | – | (20.0) |
| Other activities | 4 | **(6.0)** | **–** | **(6.0)** | (5.5) | – | (5.5) |
| Pre-1998 clergy pensions | 4, 15 | **(1.3)** | **6.4** | **5.1** | (1.1) | (80.5) | (81.6) |
| **Total charitable expenditure** | | **(148.6)** | **6.4** | **(142.2)** | (163.6) | (80.5) | (244.1) |
| **Total expenditure** | | **(149.1)** | **(77.3)** | **(226.4)** | (163.7) | (154.6) | (318.3) |
| **Total net (expenditure) before investment gains** | | **–** | **(78.3)** | **(78.3)** | (0.5) | (189.3) | (189.8) |
| Gains on investment assets | 2(a) | **–** | **1,144.6** | **1,144.6** | – | 819.7 | 819.7 |
| (Losses) / gains on derivatives | | **–** | **(1.9)** | **(1.9)** | – | (15.6) | (15.6) |
| (Losses) on foreign currency | | **–** | **(0.2)** | **(0.2)** | – | (26.1) | (26.1) |
| **Total net income (expenditure) before taxation** | | **–** | **1,064.2** | **1,064.2** | (0.5) | 588.7 | 588.2 |
| Current taxation | 10 | **–** | **–** | **–** | – | (0.1) | (0.1) |
| Deferred taxation | 10 | **–** | **(0.5)** | **(0.5)** | – | (0.5) | (0.5) |
| **Total net income (expenditure) after taxation** | | **–** | **1,063.7** | **1,063.7** | (0.5) | 588.1 | 587.6 |
| **Other recognised gains and losses** | | | | | | | |
| Actuarial gains / (losses) on defined benefit pension schemes (staff pre-2000) | 16(b) | **–** | **9.4** | **9.4** | – | (12.2) | (12.2) |
| **Total other recognised gains and losses** | | **–** | **9.4** | **9.4** | – | (12.2) | (12.2) |
| **Net movement in funds** | | **–** | **1,073.1** | **1,073.1** | (0.5) | 575.9 | 575.4 |
| **Reconciliation of funds:** | | | | | | | |
| Total funds brought forward | | **0.1** | **7,572.5** | **7,572.6** | 0.6 | 6,996.6 | 6,997.2 |
| **Total funds carried forward** | | **0.1** | **8,645.6** | **8,645.7** | 0.1 | 7,572.5 | 7,572.6 |

The income, expenditure and other recognised gains and losses all relate to continuing operations, none of which were acquired during the year.

The breakdown of other funds are shown in note 17.





## COMMISSIONERS' STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 December 2021

| | Notes | 2021 Other funds £m | 2021 Endowment £m | 2021 Total £m | 2020 Other funds £m | 2020 Endowment £m | 2020 Total £m |
|---|---|---|---|---|---|---|---|
| **Income from:** | | | | | | | |
| Donations and legacies | | **1.2** | **84.1** | **85.3** | 1.4 | 18.0 | 19.4 |
| Investments | | **–** | **130.2** | **130.2** | – | 114.4 | 114.4 |
| Other income | | **1.6** | **–** | **1.6** | 1.1 | – | 1.1 |
| Transfer to income | 17 | **145.8** | **(145.8)** | **–** | 160.6 | (160.6) | – |
| **Total income** | | **148.6** | **68.5** | **217.1** | 163.1 | (28.2) | 134.9 |
| **Expenditure on:** | | | | | | | |
| Raising funds | | **–** | **(81.0)** | **(81.0)** | – | (75.6) | (75.6) |
| Charitable activities | | | | | | | |
| Supporting dioceses and the local church | | **(86.8)** | **–** | **(86.8)** | (99.1) | – | (99.1) |
| Bishops' and archbishops' ministry | | **(42.2)** | **–** | **(42.2)** | (37.9) | – | (37.9) |
| Cathedrals' ministry | | **(12.3)** | **–** | **(12.3)** | (20.0) | – | (20.0) |
| Other activities | | **(6.0)** | **–** | **(6.0)** | (5.5) | – | (5.5) |
| Pre-1998 clergy pensions | 4, 15 | **(1.3)** | **6.4** | **5.1** | (1.1) | (80.5) | (81.6) |
| **Total charitable expenditure** | | **(148.6)** | **6.4** | **(142.2)** | (163.6) | (80.5) | (244.1) |
| **Total expenditure** | | **(148.6)** | **(74.6)** | **(223.2)** | (163.6) | (156.1) | (319.7) |
| **Total net (expenditure) before investment gains** | | **–** | **(6.1)** | **(6.1)** | (0.5) | (184.3) | (184.8) |
| Gains on investment assets | 2(a) | **–** | **1,075.3** | **1,075.3** | – | 812.4 | 812.4 |
| (Losses) / gains on derivatives | | **–** | **(1.9)** | **(1.9)** | – | (15.6) | (15.6) |
| (Losses) on foreign currency | | **–** | **(3.1)** | **(3.1)** | – | (23.9) | (23.9) |
| **Total net income (expenditure) before taxation** | | **–** | **1,064.2** | **1,064.2** | (0.5) | 588.6 | 588.1 |
| Current taxation | | **–** | **–** | **–** | – | – | – |
| Deferred taxation | | **–** | **(0.5)** | **(0.5)** | – | (0.5) | (0.5) |
| **Total net income (expenditure) after taxation** | | **–** | **1,063.7** | **1,063.7** | (0.5) | 588.1 | 587.6 |
| **Other recognised gains and losses** | | | | | | | |
| Actuarial gains / (losses) on defined benefit pension schemes (staff pre-2000) | 16(b) | **–** | **9.4** | **9.4** | – | (12.2) | (12.2) |
| **Total other recognised gains and losses** | | **–** | **9.4** | **9.4** | – | (12.2) | (12.2) |
| **Net movement in funds** | | **–** | **1,073.1** | **1,073.1** | (0.5) | 575.9 | 575.4 |
| **Reconciliation of funds:** | | | | | | | |
| Total funds brought forward | | **0.1** | **7,572.5** | **7,572.6** | 0.6 | 6,996.6 | 6,997.2 |
| **Total funds carried forward** | | **0.1** | **8,645.6** | **8,645.7** | 0.1 | 7,572.5 | 7,572.6 |

The income, expenditure and other recognised gains and losses all relate to continuing operations, none of which were acquired during the year.

The breakdown of other funds are shown in note 17.

# BALANCE SHEETS
As at 31 December 2021

| | Notes | Consolidated 2021 £m | Consolidated 2020 £m | Commissioners 2021 £m | Commissioners 2020 £m |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 11 | **121.6** | 122.9 | **120.9** | 122.1 |
| Heritage assets | 12 | **3.5** | 3.5 | **3.5** | 3.5 |
| Investments | 2 | **9,152.4** | 8,027.2 | **8,541.2** | 7,548.3 |
| **Total fixed assets** | | **9,277.5** | 8,153.6 | **8,665.6** | 7,673.9 |
| **Current assets** | | | | | |
| Debtors | 13 | **84.0** | 137.7 | **714.3** | 640.4 |
| Current asset investments | | **307.5** | 126.3 | **307.5** | 126.3 |
| Cash at bank and in hand | | **683.4** | 995.0 | **679.3** | 989.3 |
| **Total current assets** | | **1,074.9** | 1,259.0 | **1,701.1** | 1,756.0 |
| **Liabilities** | | | | | |
| Creditors: amounts falling due within one year | 14 | **(132.7)** | (129.1) | **(147.0)** | (146.4) |
| **Net current assets** | | **942.2** | 1,129.9 | **1,554.1** | 1,609.6 |
| **Total assets less current liabilities** | | **10,219.7** | 9,283.5 | **10,219.7** | 9,283.5 |
| **Creditors:** amounts falling due after one year | 14 | **(98.5)** | (98.4) | **(98.5)** | (98.4) |
| **Provisions** | | | | | |
| Deferred tax liability | | **(2.0)** | (1.5) | **(2.0)** | (1.5) |
| Clergy pre-1998 pension obligation: | | | | | |
| Expected to fall due within one year | | **(118.4)** | (118.9) | **(118.4)** | (118.9) |
| Expected to fall due after one year | | **(1,236.3)** | (1,358.3) | **(1,236.3)** | (1,358.3) |
| **Total clergy pre-1998 pension obligation** | 15 | **(1,354.7)** | (1,477.2) | **(1,354.7)** | (1,477.2) |
| **Net assets excluding pension scheme liabilities** | | **8,764.5** | 7,706.4 | **8,764.5** | 7,706.4 |
| Defined benefit pension scheme liabilities | 16 | **(118.8)** | (133.8) | **(118.8)** | (133.8) |
| **Total net assets** | | **8,645.7** | 7,572.6 | **8,645.7** | 7,572.6 |
| **Funds of the charity** | | | | | |
| Endowment funds | | **8,764.4** | 7,706.3 | **8,764.4** | 7,706.3 |
| Pension reserves | 16 | **(118.8)** | (133.8) | **(118.8)** | (133.8) |
| Unrestricted funds: | | | | | |
| Designated funds | | **–** | – | **–** | – |
| General funds | | **–** | – | **–** | – |
| Restricted funds | | **0.1** | 0.1 | **0.1** | 0.1 |
| **Total charity funds** | 17 | **8,645.7** | 7,572.6 | **8,645.7** | 7,572.6 |

By order of the Board



**Alan Smith**
First Church Estates Commissioner

6 May 2022





# CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2021

## Cash flow statement

| | Notes | 2021 £m | 2020 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | **(271.0)** | 175.4 |
| Cash paid from endowment capital for pre-1998 clergy pensions | 15 | **(116.1)** | (118.9) |
| **Net cash (used in) generated by operating activities** | | **(387.1)** | 56.5 |
| **Cash flows from investing activities** | | | |
| Income from investments | | **139.6** | 127.6 |
| Expenditure on raising funds paid from endowment capital | 3 | **(83.7)** | (74.1) |
| Tangible assets: additions | 11 | **–** | (4.8) |
| Tangible assets: proceeds from sale | 11 | **0.4** | – |
| Investments: additions | 2 | **(3,790.5)** | (3,553.3) |
| Investments: sale proceeds | 2 | **3,809.9** | 4,117.3 |
| **Net cash provided by investing activities** | | **75.7** | 612.7 |
| **Change in cash and cash equivalents in the year** | | **(311.4)** | 669.2 |
| **Reconciliation of cash and cash equivalents and analysis of changes in net debt** | | | |
| Cash at the start of the year | | **995.0** | 351.9 |
| Change in cash and cash equivalents in the year | | **(311.4)** | 669.2 |
| Change in cash due to exchange rate movements | | **(0.2)** | (26.1) |
| **Cash at the end of the year** | | **683.4** | 995.0 |

The Commissioners has no debt and therefore the reconciliation of cash and cash equivalents also represents the analysis of changes in net debt.

## Reconciliation of net income to net cash flows from operating activities

| | Notes | 2021 £m | 2020 £m |
|---|---|---|---|
| Net income for the year | | **1,063.7** | 587.6 |
| Adjustments for: | | | |
| Depreciation | 11 | **0.9** | – |
| Expenditure on raising funds paid from endowment capital | 3 | **83.7** | 74.1 |
| Expenditure on charitable activities paid from endowment capital | 6 | **(6.4)** | 80.5 |
| (Income) from investments | 2 | **(144.8)** | (125.9) |
| (Gains) on investments | 2 | **(1,144.6)** | (819.7) |
| Losses on foreign currency | | **0.2** | 26.1 |
| Movement in debtors, excluding accrued investment income | 13 | **58.9** | 64.6 |
| Movement in current asset investments | | **(181.2)** | 258.0 |
| Movement in creditors | 14 | **3.7** | 35.6 |
| Movement in deferred tax provision | 10 | **0.5** | 0.5 |
| Pension reserve adjustment to net income | 16 | **(5.6)** | (6.0) |
| **Net cash flow from operating activities** | | **(271.0)** | 175.4 |

## NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 31 December 2021**

## 1. ACCOUNTING POLICIES

**(a) Legal status**
The Church Commissioners for England ("the Commissioners") are a statutory body established by the Church Commissioners Measure 1947 (as amended) and has been regulated by the Charity Commission since registration on 27 January 2011.

**(b) Basis of preparation**
The consolidated and charity financial information has been prepared in accordance with:
- Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102");
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ("the SORP"); and
- the Charities Act 2011.

The Commissioners meet the definition of a Public Benefit Entity ("PBE") and therefore apply the PBE prefixed paragraphs in FRS 102. The financial information has been prepared on the historical cost basis (except for the revaluation of investments) and on the accruals basis. A summary of the accounting policies, which have been applied consistently across the group, is set out below. The Commissioners adopt a total return approach to investments. Note 17 explains how the unapplied total return and the use thereof is calculated. The Commissioners have presented a consolidated cash flow statement and have taken advantage of the exemption within FRS 102 from presenting a cash flow statement for the Commissioners only.

**(c) Significant judgements and estimates**
The key judgements and estimations, which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:
- Clergy pension obligation – the estimations surrounding the pre-1998 clergy pensions obligation. Further details are disclosed in note 15.
- Pension liabilities – the estimations surrounding the recognition of the Commissioners' defined benefit pension liabilities. Further details are disclosed in note 16.
- Carrying value of investment assets and tangible fixed assets – the judgements around appropriate valuation methods used for the assets of the Commissioners. Further details are disclosed in note 1(j), 1(k), 1(l) and 1(m).
- Value of creditors due after more than one year – judgement in respect of long-term creditor balances being discounted to present value. There is a judgement concerning the appropriate discount rate to use. If the discount rate were to increase by 0.25%, the value of creditors would decrease by £708,000. Further details are disclosed in note 1(g).

**(d) Going concern**
The Commissioners' role in funding the Church's ministry comprises certain legal obligations and discretionary funding. In assessing the going concern status of the Commissioners, the trustees have considered the Commissioners' role in funding the Church's ministry, the spending strategy, the application of total return and the legislation to allow endowment to be spent for specific pension purposes. In addition, the trustees take account of independent actuarial advice provided by Hymans Robertson LLP on the affordability in perpetuity of their planned distributions. This advice is provided every three years when setting the spending plans for the next three-year period (the "triennium"), and this is updated annually to ensure that the spending plans for the current and next triennia remain affordable. The approach adopted includes a smoothing mechanism which aims to give a full triennium's notice of any reduction in distributions unless there has been a significant deterioration in the balance between the Commissioners' assets and their spending plans. This means that while events such as Covid-19 and the current geopolitical context are factors for consideration, the Commissioners have a clear framework for assessing whether the events are sufficiently significant that they would change the amounts available for distribution to beneficiaries in the short term.

The annual actuarial update for the year ended 31 December 2021 includes stress testing scenario analysis which models the impact on distributions in the event of different levels of reduction in asset values. This includes consideration of the impact of changes in the performance of the asset portfolio, expected future returns or inflation on the affordability of distributions. In light of this analysis there was no reason to consider that any changes were required to the planned distributions for the 2020–22 triennium, and the recommended distributions for the 2023–25 triennium and so the trustees have concluded that the Commissioners are able to sustainably meet both their legal obligations and planned discretionary funding for at least the period to 31 December 2023. In addition the trustees have given consideration to the availability of liquidity in light of market turbulence caused by recent geopolitical events, the continuing impact of Covid-19 and other external factors. Under the Investment Risk Framework the Commissioners seek to hold at least 24 months' planned expenditure in cash and near cash, and are satisfied that they have sufficient cash to meet their obligations in the short term. Therefore, the Commissioners continue to adopt the going concern basis of accounting in the preparation of these financial statements.

**(e) Basis of consolidation and subsidiary undertakings**
The consolidated statement of financial activities ("SOFA") and balance sheet include the financial statements of the Commissioners and all their subsidiary undertakings made up to 31 December each year. The subsidiaries have been consolidated on a line by line basis. Intra-group transactions are eliminated on consolidation. Further details about the Commissioners' significant subsidiaries are given in note 2(b).

The Commissioners, together with the Archbishops' Council and the Church of England Pensions Board are equal partners in Church of England Central Services ("ChECS"), a joint venture. Further details are given in note 2(c) and note 20. This jointly controlled entity is included in the Commissioners' consolidated financial statements using the equity method. The Commissioners' share of profits or losses from ChECS is included in the SOFA and its share of net assets is included in the balance sheet.

The Commissioners have a number of joint ventures that are held as part of their investment portfolio for investment purposes. These jointly controlled entities are held at fair value. Changes in fair value are recognised in the consolidated SOFA.

**(f) Income**
All income is recognised when the Commissioners are legally entitled to the income, it is probable the income will be received, and the amount can be quantified with reasonable accuracy.

***Donations and legacies***
Items donated to the Commissioners for the Lambeth Palace Library are recognised at the market value of the gift at the time of donation. Legacies are recognised as receivable once the Commissioners are notified of the gift, probate has been granted, the executors have established that there are sufficient assets in the estate to pay the legacy after settlement of liabilities and there are no conditions outside the control of the Commissioners that are not yet met.

***Investment income***
Dividends are recognised when the Commissioners' right to receive payment is established, which is on the ex-dividend date of the underlying holdings. Gift aid payments from subsidiaries are recognised in the Commissioners financial statements when the gift aid payment is payable under Deeds of Covenant. The income is accrued in the year in which the associated profits arise in the subsidiary company with the payment being made to the Commissioners in the following financial year.

All other investment income is recognised on the accruals basis.

**(g) Expenditure**
The SOFA has been presented on an activity basis. Costs have been distinguished between charitable activities and those incurred to raise funds. Expenditure and liabilities are recognised when a legal or constructive obligation exists to make payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2021**

## 1. ACCOUNTING POLICIES continued

**(g) Expenditure** continued

Direct costs and grants are allocated directly to activities and are described in more detail in notes 5 and 6. Grants are recognised when a firm commitment to provide funding is made and there is evidence of a constructive obligation to the beneficiary. Support costs are apportioned to the activity to which they relate as shown in note 7. The long-term debtor and creditor balances are discounted to present value, where material. The discount rate used is based on the expected future yield on the assets earmarked for making these grant payments.

Cars for the use of bishops are normally obtained under four-year operating leases, the full cost of which is paid at commencement. The cost of such leases is spread on a straight line basis over the period of the lease. The balance of the lease payments not yet charged to expenditure is included in prepayments.

**(h) Provisions**

Under the Pensions Measure 1997 the Commissioners have an obligation to meet the costs of clergy pensions for service up to 31 December 2017. Since the beneficiaries of the past service are not employees of the Church Commissioners this obligation does not fall within scope of section 28 of FRS 102 "Employee Benefits" and is therefore accounted for under section 21 – "Provisions & Contingencies". The liability for the pre-1998 pension obligation for Church of England clergy under the Church of England Pensions Scheme is recognised at the actuarial valuation provided by Hymans Robertson LLP. This is the best estimate of the total value of future discounted cash flows. The assumptions and methodology behind the cash flow projections are disclosed in note 15.

**(i) Pensions**

Pensions are described in note 16.

The Church Commissioners Superannuation Scheme is accounted for as a defined benefit scheme. The liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities. Interest costs are charged to expenditure, with actuarial movements shown in other gains and losses.

The other defined benefit schemes of which the Commissioners are an employer or a "responsible body" are considered to be multi-employer schemes, but the Commissioners are unable to identify its share of assets and liabilities of the schemes. Consequently, the contributions to these schemes are accounted for as if they were defined contribution schemes, where employer contributions payable in the year are charged to expenditure.

Where schemes have deficit recovery contribution plans in place, the present value of these agreed payments are recognised as a liability at each balance sheet date. Amounts paid during the year are charged against this liability.

**(j) Fixed assets: tangible assets**

Costs incurred on acquiring, improving or adding to assets are capitalised if the cost is greater than £1,000. Repair and maintenance costs are charged to the SOFA in the period they are incurred.

Green energy generation assets are initially recognised at cost and are revalued at each balance sheet date.

Operational see house properties are recognised at their market value at 1 January 2014, being the date of transition to FRS 102. This was deemed to be their cost under the transitional provisions of FRS 102. An impairment review is carried out annually and where the recoverable amount is materially less than the historic cost, the assets are impaired to the lower amount.

Depreciation is charged on a straight line basis over the estimated useful life of the asset, calculated on the opening balance sheet value, on the following fixed assets:

| Fixed asset | Estimated useful life |
|---|---|
| Buildings and improvements | 50 years |
| Structural glazing | 25 years |
| Internal plant and equipment | 20 years |
| Leasehold office improvements | 10 years |
| Audio-visual equipment and IT systems | 5 years |

No depreciation is charged on see houses and their historic content due to the anticipated high residual value, which would result in immaterial depreciation for each asset and in aggregate.

**(k) Fixed assets: heritage assets**

The Commissioners own a number of assets that they consider to be heritage assets, which are held on an ongoing basis for their contribution to knowledge and culture, in particular relating to the history of the wider Church of England. The Commissioners' heritage assets have been grouped together in the following categories:

*Lambeth Palace*

Lambeth Palace is recognised at its deemed historic cost of £1. The Commissioners have chosen to recognise this class of heritage asset at cost. They have chosen to adopt this policy as while it is believed that the market value, both at the time of acquisition and at the balance sheet date, was significantly in excess of the deemed cost, it is not possible to obtain a reliable estimate of the market value at either date, as conventional valuation techniques are inappropriate for the unique and historical nature of the building.

Any developments or improvements to the building are capitalised at cost and depreciated over the improvements' useful economic life. Maintenance costs are charged to the SOFA in the period they are incurred.

*Historic contents of Lambeth Palace*

Historic items are recognised at cost. On transition to FRS 102, the Commissioners deemed the cost of these assets to be their carrying value at 1 January 2014, based on the value attributed to them in a valuation carried out in 2007. The collection is not depreciated as the amount of depreciation is regarded as immaterial due to the high residual value, however the collection is reviewed for impairment at each accounting date.

Any additional items purchased or donated since 1 January 2015 are capitalised if the cost is greater than £1,000. Maintenance costs are charged to the SOFA in the period they are incurred.

*Contents of Lambeth Palace Library*

The trustees consider that the vast majority of items in the Lambeth Palace Library would be difficult, if not impossible, to value. The library contains a number of historical books and records with no obvious market value and no comparable sale records to use as the basis for valuation. As a result, no value is reported for these assets in the Charity's balance sheet.

The exception is for books, manuscripts and other items purchased or donated since 1 January 2015, which are capitalised if the cost is greater than £1,000. Items in the collection that are capitalised are stated at cost but are not depreciated as the amount of depreciation is regarded as immaterial due to their anticipated high residual value. The collection is reviewed for impairment at each accounting date.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2021**

## 1. ACCOUNTING POLICIES continued

**(k) Fixed assets: Heritage assets** continued

***Historic contents of former see houses***

Historic items, including the Hurd Library which is on loan to the Hartlebury Castle Preservation Trust, are recognised at cost. On transition to FRS 102, the Commissioners deemed the cost of these assets to be their carrying value at 1 January 2014, based on the value attributed to them in a valuation carried out in 2007. The collection is not depreciated as the amount of depreciation is regarded as immaterial due to the high residual value, however the collection is reviewed for impairment at each accounting date.

Any additional items purchased or donated since 1 January 2015 are capitalised if the cost is greater than £1,000. Maintenance costs are charged to the SOFA in the period they are incurred.

**(l) Fixed assets: non-financial instrument investments**

***Investment properties***

All directly owned properties are located in the United Kingdom. The portfolio consists of rural and strategic land, residential and commercial properties. Rural land also includes mineral interests. Investment properties are recognised at cost upon acquisition and then recognised at fair value at each balance sheet date. Changes in fair value are recognised in the SOFA. Fair value is determined through reference to each property's market value in accordance with the Appraisal & Valuation Manual issued by the Royal Institution of Chartered Surveyors ("RICS"). All properties are valued by an external valuer with recognised and relevant skills and experience. The valuation methods adopted take into account appropriate comparable evidence and market indices. The most appropriate method of valuation is selected for each property type.

The valuers of the properties are shown below.
Rural: Savills (UK) Limited
Strategic land: Savills (UK) Limited
Commercial: C&W (U.K.) LLP
Residential: Jones Lang LaSalle Limited
Minerals: Wardell Armstrong LLP

***Timberland (including biological assets)***

Timberland includes land, its standing timber and other assets. Standing timber is a biological asset.

Timberland is valued annually by an external valuer at market value in line with International Valuation Standards, which is calculated on the timber maturity profile, the species, the geographic location and other environmental considerations. Changes in fair value in the year resulting from both net growth and change in the market value of standing timber are reported in the gains and losses on investments in the SOFA. At point of harvesting, the carrying value of forestry assets is valued at fair value less estimated point-of-sale costs. The revenue from the sale of standing timber is recognised as income.

UK timberland was valued by Bidwells LLP. Overseas timberland was valued by local qualified valuers.

***Subsidiary undertakings***

The Commissioners' principal subsidiary companies are wholly owned and are held to undertake property purchase, development and management and hold certain property, unlisted securities, infrastructure and timberland investments.

The subsidiaries are recognised at their net asset values in the Commissioners' balance sheet. This is considered to represent the fair value of the subsidiary, with changes in fair value being recognised in profit or loss.

**(m) Financial instruments**

The Commissioners have chosen to adopt sections 11 and 12 of FRS 102 in respect of recognition and measurement of financial instruments.

All changes in fair value and gains or losses on disposal of investment assets, including related foreign currency transactions, are shown in gains or losses in endowment capital in the SOFA.

***Basic financial instruments***

**Basic financial assets,** including **cash at bank** and **trade and other receivables,** are recognised and held at transaction price. They are de-recognised when the rights to the cash flows from the financial assets expire or are settled.

**Cash at bank and in hand** includes cash at bank and cash equivalents. Cash equivalents include money market funds which are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

***Current asset investments***

Current asset investments include treasury bills, gilts and supranational bonds. Movements in the value of these instruments are recognised in income under the effective interest method. Together with the **cash at bank and in hand**, these holdings make up the cash and near cash fund allocation which is available for investment, short-term commitment and for distribution purposes.

**Listed and unlisted securities** are a form of basic financial instrument and are initially measured at fair value. Such assets are subsequently held at fair value at each balance sheet date, with changes in fair value recognised in the SOFA. Listed securities comprise listed public equities and fixed income instruments. The fair value of these investments is determined using bid price in accordance with the practice of the appropriate stock exchange.

Unlisted securities comprise a) closed-end unlisted funds which are invested in private equity, private credit and venture capital assets, and b) open-end unlisted funds invested in listed securities of various types. These funds are valued by reference to the estimated net asset values or final net asset values received from the fund managers at year-end.

**Basic financial liabilities,** including **trade and other payables** and **intra-group balances** are initially recognised at transaction price. Bank loans are subsequently measured at the amortised cost, using the effective interest rate.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled or expires.

***Non-basic financial instruments***

All non-basic financial instruments are measured at fair value. Any changes to fair value are recognised in the SOFA.

**Value linked loans**

Value linked loans are granted for the purchase of residential properties. On disposal of the property, the Commissioners are entitled to a share of the proceeds corresponding to the proportion of the original purchase price which was financed by the loan.

Value linked loans are valued annually at portfolio level taking into account indexed values of the properties, estimated future house prices growth and income flows and the anticipated dates of repayment. All value linked loans were valued by C&W (U.K.) LLP.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2021**

## 1. ACCOUNTING POLICIES continued
**(m) Financial Instruments** continued

**Indirect property, Timberland and Infrastructure funds**
Indirect property, timberland and infrastructure funds are closed end unlisted funds where the Commissioners and its subsidiaries hold minority interests in partnerships managed by a third party investing in properties, timberland or infrastructure projects.

These funds are fair valued annually using the estimated net asset value or final asset value provided by the fund manager.

**Stock lending programme**
The Commissioners' global custodian is authorised to enter into stock lending arrangements, whereby securities are loaned to external counterparties for a set period of time. The Commissioners receive cash collateral of greater value than the securities loaned from each counterparty for the duration of the loan period.

Interest is received on the reinvestment of the cash collateral held and is disclosed in note 2.

Where securities are loaned at the balance sheet date, the securities loaned are included in the balance sheet as the Commissioners retain the risks and rewards of ownership of the securities and also retain the contractual rights to any cash flows relating to the securities. The market value of listed investments includes stock on loan of £93.5m (2020: £86.6m).

**Derivatives**
The Commissioners use foreign currency forwards and options contracts and equity and interest rate derivatives to facilitate portfolio hedging, risk management and efficient portfolio management . The currency derivatives reduce the impact of changes in foreign currency rates in relation to investments priced in certain currencies other than sterling. The equity and interest rate derivatives are used to manage equity market risks, hedge portfolio biases and to provide efficient implementation for certain allocation decisions. In accordance with the Commissioners' investment policy, derivatives are not entered into for trading purposes. Derivatives are also used by some external fund managers to implement their investment strategy.

Derivatives are initially recognised at their fair value, which is equivalent to any transaction price paid. Derivative contracts outstanding at the balance sheet date are stated at fair value at the balance sheet date, which is derived from exchange prices if the derivative is listed or from third-party valuations if unlisted. If the fair value of the derivative is in a gain position, the contract is shown within debtors. If the fair value of the contract is in a loss position, it is shown within creditors. Realised and unrealised gains and losses arising from these contracts are charged to the endowment fund in the SOFA. Cash delivered as collateral for derivative contracts continues to be reflected as an asset within cash at bank and in hand. At 31 December 2021, £nil cash was delivered as collateral (2020: £4.7m).

**(n) Foreign currencies**
Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate.

Profits and losses on sales of overseas investments are translated at the rate ruling on the date of the transaction. Unrealised gains and losses on overseas investments arising on translation are included in the net gains and losses on realisation and on revaluation in endowment capital in gains and losses on investment assets in the SOFA.

Income received in foreign currencies is converted into sterling and recorded at the rate ruling on the date of the conversion. If retained in foreign currencies, amounts are translated at the rate ruling on the date of the transaction. Subsequent gains or losses on conversion into sterling are included in gains and losses on foreign currency in the SOFA.

**(o) Taxation**
The Commissioners, as a registered charity, are exempt from taxation on their income and gains falling within Part 11 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to their charitable purposes.

The Commissioners' subsidiary undertakings are non-charitable subsidiaries and are subject to taxation, but do not generally pay UK Corporation Tax because their policy is to pay taxable profits as Gift Aid to the Commissioners. Foreign tax incurred by subsidiaries operating overseas is charged as it is incurred.

Deferred taxation is recognised in the Commissioners' subsidiary undertakings on timing differences that have arisen between the recognition of gains and losses in the financial statements and recognition in the tax computation. A deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable tax profits from which future reversals can be deducted. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to be reversed.

In common with many other charities, the Commissioners are unable to recover the majority of Value Added Tax ("VAT") incurred on expenditure. The amount of VAT that cannot be recovered is included within the underlying cost to which it relates.

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

The Commissioners are related to their subsidiaries. Details are given in note 2(b). Transactions between the Commissioners and their subsidiaries are disclosed in note 20.

The Commissioners are related to ChECS, as they are a partner in this joint venture. Details are given in note 2(c) and note 20.
The Commissioners are also related to the following pension funds, administered by the Church of England Pensions Board: Church of England Funded Pensions Scheme; Church Administrators Pension Fund; and Church Workers Pension Fund. Details about the pension funds, including contributions paid, are given in notes 4, 8 and 16.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2021**

## 2. INVESTMENTS
### (a) Summary of movement on investments
***Consolidated***

| | At 1 January 2021 £m | Additions £m | Sale proceeds £m | Change in market value £m | **At 31 December 2021 £m** | **2021 investment income £m** |
|---|---|---|---|---|---|---|
| Securities portfolio: | | | | | | |
| Listed securities* | 2,739.3 | 2,512.9 | (2,776.7) | 424.2 | **2,899.7** | **45.1** |
| Unlisted securities | 2,964.7 | 1,111.3 | (769.1) | 496.6 | **3,803.5** | **23.2** |
| **Total securities** | 5,704.0 | 3,624.2 | (3,545.8) | 920.8 | **6,703.2** | **68.3** |
| Properties: | | | | | | |
| Direct property | 1,609.3 | 59.8 | (180.5) | 86.2 | **1,574.8** | **40.3** |
| Indirect property | 105.9 | 28.5 | (17.4) | (6.2) | **110.8** | **3.8** |
| **Total properties** | 1,715.2 | 88.3 | (197.9) | 80.0 | **1,685.6** | **44.1** |
| **Value linked loans** | 85.6 | – | (8.1) | 12.0 | **89.5** | **2.9** |
| Timberland: | | | | | | |
| Land | 95.5 | 9.4 | (10.3) | 37.6 | **132.2** | **–** |
| Standing timber** | 285.1 | 14.3 | (31.2) | 88.7 | **356.9** | **20.4** |
| Indirect timberland | 55.1 | – | – | (1.0) | **54.1** | **4.3** |
| **Total timberland** | 435.7 | 23.7 | (41.5) | 125.3 | **543.2** | **24.7** |
| **Infrastructure** | 86.7 | 54.3 | (16.6) | 6.5 | **130.9** | **4.8** |
| **Total** | 8,027.2 | 3,790.5 | (3,809.9) | 1,144.6 | **9,152.4** | **144.8** |

| | At 1 January 2020 £m | Additions £m | Sale proceeds £m | Change in market value £m | At 31 December 2020 £m | 2020 investment income £m |
|---|---|---|---|---|---|---|
| Securities portfolio: | | | | | | |
| Listed securities* | 2,904.1 | 2,921.6 | (3,358.7) | 272.3 | 2,739.3 | 50.2 |
| Unlisted securities | 2,539.1 | 529.2 | (575.5) | 471.9 | 2,964.7 | 10.7 |
| **Total securities** | 5,443.2 | 3,450.8 | (3,934.2) | 744.2 | 5,704.0 | 60.9 |
| Properties: | | | | | | |
| Direct property | 1,682.8 | 55.6 | (109.7) | (19.4) | 1,609.3 | 41.7 |
| Indirect property | 122.5 | 10.4 | (15.3) | (11.7) | 105.9 | 0.6 |
| **Total properties** | 1,805.3 | 66.0 | (125.0) | (31.1) | 1,715.2 | 42.3 |
| **Value linked loans** | 91.3 | – | (4.5) | (1.2) | 85.6 | 3.0 |
| Timberland: | | | | | | |
| Land | 83.5 | 1.2 | (12.8) | 23.6 | 95.5 | – |
| Standing timber** | 205.5 | 4.8 | (22.4) | 97.2 | 285.1 | 13.5 |
| Indirect timberland | 60.8 | – | – | (5.7) | 55.1 | 2.1 |
| **Total timberland** | 349.8 | 6.0 | (35.2) | 115.1 | 435.7 | 15.6 |
| **Infrastructure** | 81.9 | 30.5 | (18.4) | (7.3) | 86.7 | 4.1 |
| **Total** | 7,771.5 | 3,553.3 | (4,117.3) | 819.7 | 8,027.2 | 125.9 |

* Investment income includes £2.2m (2020: £0.8m) of income relating to interest on cash and interest on current asset investments, and £0.04m (2020: £0.4m) stock lending income.

** Change in market value of standing timber comprises revaluation gains of £99.8m (2020: gains of £116.3m) and a reduction of £11.1m (2020: £7.5m) due to harvesting of standing timber. Standing timber represents the biological assets held by the Commissioners.

***Commissioners***

| | At 1 January 2021 £m | Additions £m | Sale proceeds £m | Change in market value £m | **At 31 December 2021 £m** |
|---|---|---|---|---|---|
| Securities portfolio: | | | | | |
| Listed securities | 2,739.3 | 2,510.6 | (2,774.7) | 424.4 | **2,899.6** |
| Unlisted securities | 2,594.8 | 974.8 | (684.8) | 430.9 | **3,315.7** |
| **Total securities** | 5,334.1 | 3,485.4 | (3,459.5) | 855.3 | **6,215.3** |
| Properties: | | | | | |
| Direct property | 1,458.6 | 48.6 | (146.1) | 61.7 | **1,422.8** |
| Indirect property | 75.8 | 28.5 | (17.4) | (5.5) | **81.4** |
| **Total properties** | 1,534.4 | 77.1 | (163.5) | 56.2 | **1,504.2** |
| **Value linked loans** | 85.6 | – | (8.1) | 12.0 | **89.5** |
| Timberland: | | | | | |
| Land | 59.9 | 0.9 | (6.6) | 30.3 | **84.5** |
| Standing timber* | 229.1 | 2.0 | (30.0) | 94.7 | **295.8** |
| **Total timberland** | 289.0 | 2.9 | (36.6) | 125.0 | **380.3** |
| **Infrastructure** | 6.4 | 17.5 | – | 0.5 | **24.4** |
| **Subsidiaries** | 298.8 | 2.4 | – | 26.3 | **327.5** |
| **Total** | 7,548.3 | 3,585.3 | (3,667.7) | 1,075.3 | **8,541.2** |

| | At 1 January 2020 £m | Additions £m | Sale proceeds £m | Change in market value £m | At 31 December 2020 £m |
|---|---|---|---|---|---|
| Securities portfolio: | | | | | |
| Listed securities | 2,904.1 | 2,921.6 | (3,358.7) | 272.3 | 2,739.3 |
| Unlisted securities | 2,264.5 | 439.8 | (537.8) | 428.3 | 2,594.8 |
| **Total securities** | 5,168.6 | 3,361.4 | (3,896.5) | 700.6 | 5,334.1 |
| Properties: | | | | | |
| Direct property | 1,529.1 | 53.6 | (104.0) | (20.1) | 1,458.6 |
| Indirect property | 90.1 | 10.4 | (15.3) | (9.4) | 75.8 |
| **Total properties** | 1,619.2 | 64.0 | (119.3) | (29.5) | 1,534.4 |
| **Value linked loans** | 91.3 | – | (4.5) | (1.2) | 85.6 |
| Timberland: | | | | | |
| Land | 42.8 | – | (3.6) | 20.7 | 59.9 |
| Standing timber* | 121.9 | 1.6 | (15.7) | 121.3 | 229.1 |
| **Total timberland** | 164.7 | 1.6 | (19.3) | 142.0 | 289.0 |
| **Infrastructure** | – | 14.9 | (7.5) | (1.0) | 6.4 |
| **Subsidiaries** | 296.6 | 0.7 | – | 1.5 | 298.8 |
| **Total** | 7,340.4 | 3,442.6 | (4,047.1) | 812.4 | 7,548.3 |

* Change in market value comprises revaluation gains of £103.6m (2020: £28.7m) and a reduction of £8.9m (2020: £3.8m) due to harvesting of standing timber. Standing timber represents the biological assets held by the Commissioners.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2021**

## 2. INVESTMENTS continued
**(a) Summary of movement on investments** continued

The original cost of investments is not disclosed given the historic nature of many of the property investments.

FRS 102 requires investments' values to be shown for the charity as well as consolidated. There is no similar requirement for income and expenditure.

Unlisted securities include £0.2m (2020: £0.2m) invested in shares in the Churches Mutual Credit Union Limited, which is a mixed motive investment.

The significance of financial instruments to the ongoing financial sustainability of the Commissioners is considered in the Investment Policy and Performance section of the Trustees' Annual Report.

The Commissioners have investments denominated in foreign currencies and are impacted by changes in foreign currency exchange rates. Non-sterling assets exposed to currency risk represented 52.3% (2020: 60.5%) of the investment portfolio. A currency overlay programme is used to hedge back into sterling a proportion of foreign currency exposure. At 31 December 2021, 18.7% (2020: 10.9%) of non-sterling assets were hedged to sterling. The net loss from operating the currency overlay programme was £12.2m before deducting fees of £1.9m (2020: loss of £56.6m after deducting fees of £2.3m). Net additions and sale proceeds during the year exclude the purchase and sale of foreign currency for the purposes of conversion and currency hedging. In addition, some fund managers may enter into foreign currency contracts to hedge the non-sterling assets they manage. The loss on these contracts was £0.5m (2020: profit £7.1m).

The Commissioners also hold equity and interest rate derivatives to manage equity market risk and for efficient portfolio management. The net profit from operating this programme was £10.8m (2020: profit of £33.9m).

**(b) Subsidiaries**

The Commissioners' principal subsidiary companies are wholly owned and are held to undertake property purchase, development and management and hold certain property, securities, indirect property, infrastructure and timberland investments. The Ashford Great Park Partnership, held through intermediary companies, has its principal offices at 29 Great Smith Street, London SW1P 3PS.

| Registered in | Subsidiary (company number) |
|---|---|
| England and Wales | CC Trading Ltd (2080054), CC Lincoln Ltd (3687102), CC Projects* (1765782), Cedarvale* (2220037), CC Licensing* (2245961), Quivercourt* (1807330), and Weston Tree Ltd (7859221) |
| US (Delaware) | Cherry Tree Timber LLC (W-115255), Arbol Tree (5423402) |
| Australia | Jahr Tree Co Pty Ltd (600392667) |

* Unlimited companies.

Summary results for the material subsidiaries are shown below. Subsidiaries are material if there is a significant net funds total or if it is expected that revenue or expenditure may be significant.

| | CC Licensing | | CC Projects | | CC Trading Ltd | | Cedarvale | | Quivercourt | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2021 £m** | 2020 £m | **2021 £m** | 2020 £m | **2021 £m** | 2020 £m | **2021 £m** | 2020 £m | **2021 £m** | 2020 £m |
| Revenue | **101.6** | 50.4 | **20.7** | 2.7 | **11.9** | 2.7 | **5.7** | 2.2 | **–** | – |
| Expenditure* | **(81.5)** | (20.1) | **(16.7)** | (2.7) | **(11.9)** | (2.7) | **–** | – | **(0.6)** | (2.3) |
| Profit / (loss) | **20.1** | 30.3 | **4.0** | – | **–** | – | **5.7** | 2.2 | **(0.6)** | (2.3) |
| Assets | **648.5** | 505.7 | **65.7** | 63.3 | **6.1** | 12.4 | **38.6** | 32.9 | **29.3** | 30.1 |
| Liabilities | **(474.6)** | (351.4) | **(27.3)** | (28.9) | **–** | (6.3) | **–** | – | **(10.9)** | (11.1) |
| Net funds | **173.9** | 154.3 | **38.4** | 34.4 | **6.1** | 6.1 | **38.6** | 32.9 | **18.4** | 19.0 |

* Includes Gift Aid payments to the Commissioners.

The Commissioners also own 80% interests in Lone Rock Timber Investments MBD–Landco Limited Partnership and Lone Rock Timber Investments MBD–Logco Limited Partnership, both of which are registered in the United States. These entities are joint ventures, however the Commissioners hold them as part of their investment portfolio and so they are held at fair value through profit or loss in the financial statements.

**(c) Joint ventures**

Church of England Central Services (ChECS) is a charitable company limited by guarantee and is a joint venture between the Commissioners, the Archbishops' Council and the Church of England Pensions Board, who are equal partners. The purpose of ChECS is to enhance the efficiency and effectiveness of the charitable national and diocesan institutions of the Church of England and of other charities with a church ethos, by facilitating the provision of cost-effective shared financial, legal and other services. The Commissioners' share of net assets of ChECS was £nil (2020: £nil). As at 31 December 2021, other than the amounts disclosed in debtors in note 13, £37,000 was owed by the Commissioners to ChECS (2020: £52,000).

The Commissioners have no associated undertakings.

**(d) Future commitments**

The Commissioners have outstanding commitments to invest in private equity, private credit, venture capital, indirect property and infrastructure funds totalling £1.3bn as at 31 December 2021 (see table below). The drawdown and cash flow impact of these commitments will be over several years and is dependent on the fund managers acquiring underlying assets during the investment periods of the funds. The commitments are offset against distributions received from funds and other cash flows, and are managed as a whole within the total liquidity requirements of the Commissioners' fund.

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | **2021 £m** | 2020 £m | **2021 £m** | 2020 £m |
| Securities portfolio | **1,057.7** | 983.3 | **597.2** | 478.4 |
| Indirect property | **122.8** | 65.3 | **120.7** | 63.2 |
| Infrastructure | **129.5** | 87.6 | **60.2** | 33.7 |
| **Total capital commitments** | **1,310.0** | 1,136.2 | **778.1** | 575.3 |

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2021**

## 3. EXPENDITURE ON RAISING FUNDS

| | Direct costs £m | Internal management costs £m | Support costs (note 7) £m | 2021 Total £m | Direct costs £m | Internal management costs £m | Support costs (note 7) £m | 2020 Total £m |
|---|---|---|---|---|---|---|---|---|
| Securities | **46.5** | **9.2** | **4.0** | **59.7** | 40.0 | 8.6 | 3.8 | 52.4 |
| Properties | **13.6** | **3.0** | **0.9** | **17.5** | 15.2 | 3.3 | 1.2 | 19.7 |
| Indirect property | **–** | **0.2** | **0.1** | **0.3** | 0.1 | 0.2 | 0.1 | 0.4 |
| Value linked loans | **–** | **0.2** | **0.1** | **0.3** | – | 0.2 | 0.1 | 0.3 |
| Timberland | **4.4** | **1.0** | **0.3** | **5.7** | (0.4) | 0.7 | 0.3 | 0.6 |
| Infrastructure | **–** | **0.1** | **0.1** | **0.2** | 0.5 | 0.1 | 0.1 | 0.7 |
| **Total investment management costs** | **64.5** | **13.7** | **5.5** | **83.7** | 55.4 | 13.1 | 5.6 | 74.1 |
| Costs of managing events at Lambeth Palace | **0.5** | **–** | **–** | **0.5** | 0.1 | – | – | 0.1 |
| **Total cost of raising funds** | **65.0** | **13.7** | **5.5** | **84.2** | 55.5 | 13.1 | 5.6 | 74.2 |

Direct costs include investment management fees, performance fees, property and timberland running costs and other fees.

Internal management costs include costs of employing in-house investment managers, operational support staff costs and associated department running costs.

Detail of support costs, including the methodology for allocating costs between activities, is shown in note 7 where the method of allocating these costs is described.

Costs of managing events at Lambeth Palace comprises expenditure incurred by Palace Public Occasions Limited, a subsidiary of the Commissioners, which provides conferences and other events at Lambeth Palace.

## 4. EXPENDITURE ON CHARITABLE ACTIVITIES

| | Grant funding £m Note 5 | Direct funding £m Note 6 | Support costs £m Note 7 | 2021 Total £m | Grant funding £m Note 5 | Direct funding £m Note 6 | Support costs £m Note 7 | 2020 Total £m |
|---|---|---|---|---|---|---|---|---|
| Supporting dioceses and the local church | **85.6** | **–** | **1.2** | **86.8** | 97.8 | – | 1.3 | 99.1 |
| Bishops' and archbishops' ministry | **21.5** | **18.7** | **2.0** | **42.2** | 19.8 | 15.6 | 2.5 | 37.9 |
| Cathedrals' ministry | **11.8** | **0.2** | **0.3** | **12.3** | 19.5 | 0.2 | 0.3 | 20.0 |
| Other activities | **2.2** | **2.4** | **1.4** | **6.0** | 1.7 | 2.3 | 1.5 | 5.5 |
| **Total charitable expenditure excluding clergy pensions obligation** | **121.1** | **21.3** | **4.9** | **147.3** | 138.8 | 18.1 | 5.6 | 162.5 |
| Pre-1998 clergy pensions | **–** | **(5.2)** | **0.1** | **(5.1)** | – | 81.5 | 0.1 | 81.6 |
| **Total costs of charitable activities** | **121.1** | **16.1** | **5.0** | **142.2** | 138.8 | 99.6 | 5.7 | 244.1 |

**Supporting dioceses and the local church**
The Commissioners support dioceses and the local church through providing grants to the Archbishops' Council. A breakdown of grant making activity can be found in note 5.

This support includes Strategic Development Funding, Lowest Income Communities Funding, Transition Funding, Strategic Transformation Funding, Sustainability Funding, Strategic Ministry Funding and Additional Ordinands Funding.

Strategic Development Funding is for new growth opportunities which aim to support major change projects which fit with dioceses' strategic plans.

Lowest Income Communities Funding and Transition Funding are to provide funding for mission in communities with the lowest incomes.

Transition Funding is distributed to dioceses whose funding for the support of the lowest income communities is less than under the previous 'Darlow' grant funding method which ended in 2016.

Strategic Transformation Funding is for those dioceses wishing to undertake major restructuring programmes in order to better align with their strategic plans and make a significant difference to their mission and financial strength, in turn supporting the Church's sustainable growth.

Sustainability Funding provides extra help to dioceses in the face of loss of income caused by the Covid-19 pandemic.

Strategic Ministry Funding provides financial support for growth in the number of clergy, including support for pensions and housing, in a tailored manner so that it is proportionately higher for those dioceses that need it most.

Additional Ordinands Funding is intended to meet costs of training the incremental increase in ordinands, supporting dioceses to deliver the Church-wide goal of providing for future ordained ministry through increasing the number of ordinands by 50%.

**Bishops' and archbishops' ministry**
The Commissioners are responsible for stipends, providing housing and office space for the diocesan bishops and archbishops and for the maintenance of those buildings including Lambeth Palace. They provide diocesan bishops and archbishops with an annual block grant to cover their stipend and working costs and that of their suffragan bishops. Pension contributions are paid from this grant to the Church of England Funded Pensions Scheme for bishops and their chaplains, and the Church Administrators Pension Fund for bishops' support staff (see note 16).

**Cathedrals' ministry**
The Cathedrals Measure 1999 enables the Commissioners to make grants to cathedrals: section 21 and 22 grants are made towards the stipend and other costs of a dean and two residentiary canons of each cathedral; section 23 grants are made towards the stipend of any other clerk or salary of any lay person employed in connection with the cathedral; section 25 grants are made towards the repair of any chancel, other than that of the cathedral, which the cathedral is liable to repair.

Cathedrals Sustainability Funding enables the Commissioners to give discretionary section 23 grants to cathedrals to provide seed funding for projects aiming to help them become more financially sustainable.

**Pre-1998 clergy pensions**
The Commissioners meet the costs of clergy pensions for service up to 31 December 1997. This amount is the movement in the provision for clergy pensions until 31 December 1997 in the year to 31 December 2021 (with associated administration costs). The cash paid under the pre-1998 scheme was £116.1m (2020: £118.9m). Further details are provided in note 15.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2021**

## 4. EXPENDITURE ON CHARITABLE ACTIVITIES continued
**Other activities**

The Commissioners have a legal and advisory role in the reorganisation of parishes, sales and other transactions relating to clergy housing and glebe land, and settling the future of church buildings that have been closed for public worship. The Commissioners also contribute to their share of the liability for chancel repairs arising from their former and current ownership of rectorial property.

The Commissioners make a grant to the Churches Conservation Trust to support its work in preserving church buildings closed for regular worship which are of historic and archaeological interest and architectural quality. During the year, the Commissioners paid the statutory grant to the Churches Conservation Trust of £1.6m (2020: £1.6m). The Commissioners also applied income of £0.4m (2020: £0.9m) from its share of proceeds on the sale of closed churches to these grants. Therefore, net expenditure on the annual grant to the Churches Conservation Trust was £1.1m (2020: £0.7m).

The Church Commissioners are responsible for running the national payroll for most serving and retired clergy on behalf of dioceses, cathedrals and other Church bodies. This is a statutory responsibility of the Commissioners and one of its charitable objectives, with the cost of providing this service paid for by the Commissioners and not passed on to the Church bodies.

## 5. GRANT MAKING
All grants are made to institutions.

| | 2021 £m | 2020 £m |
|---|---|---|
| **Supporting dioceses and the local church** | | |
| Grants to the Archbishops' Council for: | | |
| Strategic Development Funding | **14.1** | 22.6 |
| Lowest Income Communities Funding | **27.5** | 26.4 |
| Transition Funding | **6.7** | 8.3 |
| Strategic Transformation Funding | **9.0** | 11.4 |
| Sustainability Funding | **9.3** | 14.9 |
| Strategic Ministry Funding | **11.3** | 5.4 |
| Additional Ordinands | **3.2** | 2.6 |
| National Giving Strategy | **2.5** | 1.7 |
| Innovation Funding | **0.3** | – |
| Other grants | **4.8** | 2.9 |
| Discounting adjustment (see note 14) | **(3.1)** | 1.6 |
| **Total grants to support dioceses and the local church** | **85.6** | 97.8 |
| **Bishops' and archbishops' ministry** | | |
| 114 (2020: 114) grants to bishops in 42 (2020: 42) dioceses | **21.5** | 20.8 |
| Return of unspent grants from bishops | **–** | (1.0) |
| **Total grants for bishops' and archbishops' ministry** | **21.5** | 19.8 |
| **Cathedrals' ministry** | | |
| 13 (2020: 96) grants to 11 (2020: 41) cathedrals – Cathedral Sustainability Fund | **1.9** | 9.0 |
| 83 (2020: 83) grants to 42 (2020: 42) cathedrals – other grants | **9.9** | 10.5 |
| **Total grants to pay for cathedrals' ministry** | **11.8** | 19.5 |
| **Other activities** | | |
| Statutory grant to Churches Conservation Trust | **1.6** | 1.6 |
| Other grants | **0.6** | 0.1 |
| **Total grants for other activities** | **2.2** | 1.7 |
| **Total grant funding** | **121.1** | 138.8 |

Long-term grant funding is, where material, discounted to reflect the net present value of future payments. The discount rate used varies based on the time until the grant award is due to be paid.

Grant-making creditors can be analysed as follows:

| | | Consolidated and Commissioners | |
|---|---|---|---|
| | Note | **2021 £m** | 2020 £m |
| As at 1 January | | **137.3** | 114.7 |
| Changes in liability due to: | | | |
| New grant commitments in the year | | **124.2** | 140.7 |
| Return of unspent grants | | **–** | (1.9) |
| Grant payments in the year | | **(116.6)** | (117.8) |
| Changes in discounting adjustment | 14 | **(3.1)** | 1.6 |
| **As at 31 December** | | **141.8** | 137.3 |

## 6. DIRECT FUNDING

| | 2021 £m | 2020 £m |
|---|---|---|
| **Bishops' and archbishops' ministry** | | |
| Bishops' and archbishops' housing and office premises | **5.7** | 5.1 |
| Lambeth Palace Library depreciation | **0.9** | – |
| Lambeth Palace Library running costs | **1.8** | 1.1 |
| Lambeth Palace Library project costs | **1.2** | – |
| Archbishops' office and working costs and stipends | **5.9** | 5.9 |
| Other national costs | **2.3** | 2.4 |
| Archbishops' advisers | **0.5** | 0.5 |
| Direct costs of administering bishops' and archbishops' ministry | **0.4** | 0.6 |
| **Total bishops' ministry costs** | **18.7** | 15.6 |
| **Cathedrals' ministry** | | |
| Direct costs of administering cathedrals' ministry | **0.2** | 0.2 |
| **Total cathedrals' ministry** | **0.2** | 0.2 |
| **Pre- 1998 clergy pensions** | | |
| Payments made to clergy | **116.1** | 118.9 |
| Actuarial adjustments | **(122.5)** | (38.4) |
| Other pre-1998 clergy pensions expenditure | **1.2** | 1.0 |
| **Total clergy pension obligation** | **(5.2)** | 81.5 |
| **Other activities** | | |
| National payroll for clergy | **0.6** | 0.3 |
| Chancel repair liability | **0.5** | 0.8 |
| Managing pastoral reorganisations and closed church buildings | **1.3** | 1.2 |
| **Total other activities** | **2.4** | 2.3 |
| **Total direct costs** | **16.1** | 99.6 |

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2021**

## 7. SUPPORT COSTS

| | Raising funds £m Note 3 | Charitable activities £m Note 4 | 2021 Total £m | Raising funds £m Note 3 | Charitable activities £m Note 4 | 2020 Total £m |
|---|---|---|---|---|---|---|
| Shared services | **3.1** | **2.7** | **5.8** | 3.1 | 3.2 | 6.3 |
| Accommodation costs | **0.5** | **0.7** | **1.2** | 0.5 | 0.8 | 1.3 |
| Governance costs | **0.9** | **0.9** | **1.8** | 0.7 | 0.7 | 1.4 |
| **Total support costs before staff pension costs** | **4.5** | **4.3** | **8.8** | 4.3 | 4.7 | 9.0 |
| Staff pension costs (note 16): | | | | | | |
| Interest on staff pension scheme liabilities | **1.0** | **0.7** | **1.7** | 1.3 | 1.0 | 2.3 |
| Other costs | **–** | **–** | **–** | – | – | – |
| **Total support costs** | **5.5** | **5.0** | **10.5** | 5.6 | 5.7 | 11.3 |

Overheads are apportioned according to an activity-based time split. Shared services include the Commissioners' share of the costs incurred by ChECS. Accommodation costs include rent and service charges payable on the office space used by the Commissioners. Governance costs comprise staff and non-staff costs relating to the general running of the Commissioners, including supporting the work of their Board and committees and audit costs paid to Grant Thornton UK LLP.

**Allocation of costs**
Most of the Commissioners' expenditure can be directly attributed to their various activities, however some costs are not directly attributable and need to be allocated across the Commissioners' investment and charitable activities.

Support costs are allocated to either charitable activities or raising funds based on the most appropriate apportionment method. Costs are also allocated to specific charitable activities or investment types using the same method. Apportionment methods used are estimated time spent on each activity, headcount, or expenditure incurred.

Fees paid to Grant Thornton UK LLP, excluding VAT, are shown in the table below:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Audit of Church Commissioners: | | |
| Current year | **185** | 181 |
| Audit of subsidiary undertakings | **44** | 44 |
| **Total audit fees** | **229** | 225 |
| Non-audit fees | **210** | – |
| **Total fees paid to Grant Thornton UK LLP** | **439** | 225 |

Non-audit fees relate to forensic accounting services provided to support a research project into the fund of Queen Anne's Bounty, one of the Commissioners' predecessor bodies.

## 8. STAFF NUMBERS AND REMUNERATION
The Secretary and staff employed to manage the Commissioners' investment assets are employed directly by the Commissioners.

In addition to staff employed directly, the work of the Commissioners is supported by staff in shared service departments provided by ChECS which provides finance, HR, technology, communications, legal, internal audit and other services to the NCIs. The costs of all ChECS staff are shown in aggregate in the tables below – the Commissioners' share of which was £5,068,000 (2020: £5,066,000).

The cost of staff for which the Commissioners are the managing employer and for ChECS (in aggregate) was:

| | Commissioners' own staff | | | | ChECS | |
|---|---|---|---|---|---|---|
| | Asset management | | Church functions and secretariat | | Shared services | |
| | **2021 Number** | 2020 Number | **2021 Number** | 2020 Number | **2021 Number** | 2020 Number |
| Average number employed | **56** | 49 | **32** | 33 | **177** | 178 |

| | **£m** | £m | **£m** | £m | **£m** | £m |
|---|---|---|---|---|---|---|
| Salaries | **7.9** | 7.4 | **1.6** | 1.7 | **8.5** | 8.2 |
| National Insurance costs | **0.6** | 0.6 | **0.2** | 0.2 | **0.9** | 0.9 |
| Pension contributions | **0.7** | 0.6 | **0.3** | 0.3 | **1.1** | 1.1 |
| **Total cost of staff** | **9.2** | 8.6 | **2.1** | 2.2 | **10.5** | 10.2 |

Salaries of the Commissioners' own staff include £3,000 (2020: £136,000) paid by way of termination costs to 1 person (2020: three people).

The Commissioners are obliged to pay pension benefits to staff, former First and Third Church Estates Commissioners, bishops' staff and staff of the Church of England Pensions Board who accrued years of pensionable service until 31 December 1999 as members of the Church Commissioners Superannuation Scheme ("CCSS").

Pension benefits earned on or after 1 January 2000 are provided by the Church Administrators Pension Fund ("CAPF"), administered by the Church of England Pensions Board. The Pensions Board publishes the Scheme's financial statements, and is its custodian trustee. From 1 April 2019, defined contribution pension arrangements for some staff transferred from the CAPF to a separate pension arrangement on the same terms.

Pensions are described in more detail in note 16.

**Asset management and national Church functions**
The cost of the management of the Commissioners' assets is included in internal management costs (note 3) and the cost of the administration of national Church functions is included in the direct costs of those activities (note 5). Secretariat costs are included in support costs (note 7).

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2021**

## 8. STAFF NUMBERS AND REMUNERATION continued
**Staff emoluments**

The numbers of staff whose employee benefits for the year fell in the following bands:

| | Commissioners' own staff | | | | ChECS | |
|---|---|---|---|---|---|---|
| | Asset management | | Church functions and secretariat | | Shared services | |
| | **2021 Number** | 2020 Number | **2021 Number** | 2020 Number | **2021 Number** | 2020 Number |
| £60,001 to £70,000 | **5** | 7 | **–** | 2 | **17** | 14 |
| £70,001 to £80,000 | **9** | 6 | **1** | 1 | **4** | 7 |
| £80,001 to £90,000 | **1** | 1 | **3** | 2 | **3** | 2 |
| £90,001 to £100,000 | **4** | 3 | **–** | – | **2** | 3 |
| £100,001 to £110,000 | **3** | 1 | **–** | – | **7** | 5 |
| £110,001 to £120,000 | **2** | 2 | **–** | – | **–** | – |
| £120,001 to £130,000 | **–** | – | **–** | – | **1** | – |
| £130,001 to £140,000 | **–** | 1 | **–** | – | **1** | 1 |
| £140,001 to £150,000 | **1** | – | **–** | – | **–** | – |
| £150,001 to £160,000 | **1*** | 1 | **–** | – | **–** | – |
| £160,001 to £170,000 | **–** | 1 | **–** | 1** | **–** | – |
| £170,001 to £180,000 | **1** | – | **1**** | – | **–** | – |
| £180,001 to £190,000 | **1*** | – | **–** | – | **–** | – |
| £190,001 to £200,000 | **1** | 2* | **–** | – | **–** | – |
| £200,001 to £210,000 | **2*** | – | **–** | – | **–** | – |
| £210,001 to £220,000 | **1*** | 1* | **–** | – | **–** | – |
| £220,001 to £230,000 | **1*** | – | **–** | – | **–** | – |
| £230,001 to £240,000 | **3*** | 1* | **–** | – | **–** | – |
| £260,001 to £270,000 | **–** | 2* | **–** | – | **–** | – |
| £270,001 to £280,000 | **1*** | 1* | **–** | – | **–** | – |
| £320,001 to £330,000 | **1*** | – | **–** | – | **–** | – |
| £330,001 to £340,000 | **1*** | – | **–** | – | **–** | – |
| £380,001 to £390,000 | **–** | 1 | **–** | – | **–** | – |
| £480,001 to £490,000 | **1*** | – | **–** | – | **–** | – |
| £520,001 to £530,000 | **–** | 1* | **–** | – | **–** | – |
| £600,001 to £610,000 | **1*** | – | **–** | – | **–** | – |

* Including LTIP payment

** Secretary to the Church Commissioners (Chief Executive)

Employee benefits include gross salaries and termination payments but do not include employer pension contributions.

Of those staff managed directly by the Commissioners, 40 (2020: 32) accrue benefits under a defined contribution scheme for which contributions for the year were £510,000 (2020: £415,000). The remaining 5 (2020: 5) staff accrue benefits under a defined benefit scheme. Of those managed by ChECS, 30 (2020: 28) accrue benefits under a defined contribution scheme for which contributions for the year were £330,000 (2020: £295,000). The remaining 5 (2020: 4) staff accrue benefits under a defined benefit scheme.

The highest-paid member of staff was the Chief Investment Officer who earned £305,000 (2020: £305,000) and an LTIP of £301,000 (2020: £215,000) based on the long-term performance of the fund. Including the Chief Investment Officer, 15 (2020: 10) members of staff received LTIPs in the year totalling £1,673,000 (2020: £753,000). Further details of the Commissioners' remuneration policy are included in the Governance section of the Board's report on page 54.

The Commissioners' senior executive leadership team comprises six posts, four of which are employed directly by the Commissioners and two by ChECS. Their aggregate remuneration, including LTIPs, National Insurance and pension contributions, is £1,433,000 (2020: £1,152,000).

## 9. TRUSTEES' EMOLUMENTS AND EXPENSES
The First and Third Church Estates Commissioners are paid a salary in accordance with the Ecclesiastical Commissioners Act 1850, as amended by the Ecclesiastical Commissioners (Powers) Measure 1938. Other trustees have no entitlement to a salary or pension in their capacity as trustees.

| | **2021 £000** | 2020 £000 |
|---|---|---|
| First Church Estates Commissioner (Loretta Minghella to 30 September 2021) | | |
| Salary | **118** | 79 |
| National Insurance costs | **15** | 10 |
| Pension | **8** | 10 |
| Third Church Estates Commissioner (Eve Poole to 15 October 2021) | | |
| Salary | **73** | 47 |
| National Insurance costs | **8** | 5 |
| Pension | **5** | 7 |
| **Total Church Estates Commissioners' costs** | **227** | 158 |

Alan Smith was appointed First Church Estates Commissioner on 1 October 2021 but waived his remuneration for 2021.

Pensions paid to former First and Third Church Estates Commissioners of £27,000 (2020: £27,000) were charged to the staff pension provision.

The Commissioners meet the expenses incurred by the trustees in carrying out their duties. During the year, 11 (2020: 15) trustees claimed expenses or had their expenses met by the charity totalling £2,702 (2020: £11,000) in respect of travel and subsistence. The Commissioners meet the expenses of committee members in carrying out their duties. During the year, 1 (2020: 6) committee members claimed expenses or had their expenses met by the charity totalling £272 (2020: £1,000) in respect of their travel and subsistence.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2021**

## 10. TAXATION

| | US Withholding Tax £m | Australian Corporate Income Tax £m | Australian Withholding Tax £m | 2021 £m |
|---|---|---|---|---|
| Consolidated | | | | |
| Current tax | – | – | – | **–** |
| Deferred tax | – | – | 0.5 | **0.5** |
| **Total taxation charge** | – | – | 0.5 | **0.5** |
| Commissioners | | | | |
| Current tax | – | – | – | **–** |
| Deferred tax | – | – | 0.5 | **0.5** |
| **Total taxation charge** | – | – | 0.5 | **0.5** |

| | US Withholding Tax £m | Australian Corporate Income Tax £m | Australian Withholding Tax £m | 2020 £m |
|---|---|---|---|---|
| Consolidated | | | | |
| Current tax | 0.1 | – | – | 0.1 |
| Deferred tax | – | – | 0.5 | 0.5 |
| **Total taxation charge** | 0.1 | – | 0.5 | 0.6 |
| Commissioners | | | | |
| Current tax | – | – | – | – |
| Deferred tax | – | – | 0.5 | 0.5 |
| **Total taxation charge** | – | – | 0.5 | 0.5 |

The Church Commissioners are a registered charity. As such, under UK tax law, they are exempt from Corporation Tax on all their Investment Income and Chargeable Gains. The UK resident subsidiaries of the Church Commissioners are, prima facie, subject to Corporation Tax on their income. However, all these subsidiaries have Deeds of Covenants to distribute all taxable profits to the Church Commissioners. As such distributions are tax deductible, no tax liability arises in the subsidiaries.

## 11. TANGIBLE ASSETS

| Consolidated | Freehold buildings | Green energy generation £m | IT systems £m | Leasehold improvements £m | Operational properties and contents £m | Total £m |
|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | |
| Balance at 1 January | 30.5 | 0.7 | 1.9 | 2.1 | 91.7 | **126.9** |
| Additions | – | – | – | – | – | **–** |
| Transfers/disposal | – | – | – | – | (0.4) | **(0.4)** |
| **Balance at 31 December** | 30.5 | 0.7 | 1.9 | 2.1 | 91.3 | **126.5** |
| **Accumulated depreciation** | | | | | | |
| Balance at 1 January | – | – | (1.9) | (2.1) | – | **(4.0)** |
| Charge for the year | (0.9) | – | – | – | – | **(0.9)** |
| **Balance at 31 December** | (0.9) | – | (1.9) | (2.1) | – | **(4.9)** |
| **Net book value** | | | | | | |
| Balance at 1 January | 30.5 | 0.7 | – | – | 91.7 | **122.9** |
| **Balance at 31 December** | 29.6 | 0.7 | – | – | 91.3 | **121.6** |

| Commissioners | Freehold buildings | IT systems £m | Leasehold improvements £m | Operational properties and contents £m | Total £m |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| Balance at 1 January | 30.5 | 1.9 | 2.1 | 91.6 | **126.1** |
| Additions | – | – | – | – | **–** |
| Transfers/disposal | – | – | – | (0.3) | **(0.3)** |
| **Balance at 31 December** | 30.5 | 1.9 | 2.1 | 91.3 | **125.8** |
| **Accumulated depreciation** | | | | | |
| Balance at 1 January | – | (1.9) | (2.1) | – | **(4.0)** |
| Charge for the year | (0.9) | – | – | – | **(0.9)** |
| **Balance at 31 December** | (0.9) | (1.9) | (2.1) | – | **(4.9)** |
| **Net book value** | | | | | |
| Balance at 1 January | 30.5 | – | – | 91.6 | **122.1** |
| **Balance at 31 December** | 29.6 | – | – | 91.3 | **120.9** |

The original cost of tangible fixed assets is not disclosed given the historic nature of many of the assets owned.

The deemed cost of operational see house properties was the valuation at the FRS 102 transition date. This valuation was carried out by Knight Frank LLP as at 31 December 2013.

Operational properties includes the contents of see houses, which were valued by Gurr Johns Limited as at 31 December 2007.

All tangible fixed assets are located in the United Kingdom.

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2021**

## 12. HERITAGE ASSETS
**Analysis of heritage assets**

| | Lambeth Palace £m | Contents of Lambeth Palace Library £m | Historic contents of Lambeth Palace £m | Historic contents of former see houses £m | **Total £m** |
|---|---|---|---|---|---|
| Balance at 1 January | – | 0.3 | 1.1 | 2.1 | **3.5** |
| **Balance at 31 December** | – | 0.3 | 1.1 | 2.1 | **3.5** |

**Lambeth Palace**
Lambeth Palace has been the historic London residence of the Archbishops of Canterbury since the 13th Century. It was acquired by the Commissioners as a result of an Order in Council given in 1946 in accordance with the Episcopal Endowments and Stipends Measure 1943 and was transferred to the Commissioners at its original deemed cost. At the time of acquisition, the Commissioners' best estimate of the historic deemed cost was £1. Any developments or improvements to the building are capitalised at cost (within tangible fixed assets, note 11) and depreciated over the improvements' useful economic life. Whilst the building continues to have operational use, being used as the Archbishop's London residence and including a team of staff employed to support him in his work, it continues to be maintained by the Commissioners as a result of its historical and cultural significance as an important exhibit to the public of the history of the work of the Archbishops of Canterbury and the Church of England. The grounds of Lambeth Palace are also home to the Lambeth Palace Library. The Commissioners are responsible for the ongoing upkeep and maintenance of the building. Maintenance costs are charged to the SOFA in the period they are incurred.

**Contents of Lambeth Palace Library**
Lambeth Palace Library was founded in 1610 when Archbishop Richard Bancroft bequeathed to his successors as Archbishops of Canterbury his extensive collection of books and manuscripts. Ownership of the building and contents became vested in the Ecclesiastical Commissioners in 1946 and passed subsequently to the Commissioners. Responsibility for the maintenance of Lambeth Palace Library lies with the Commissioners. The collections of Lambeth Palace Library were designated by the Museums, Libraries and Archives Council in 2005 as outstanding in their national and international importance. The Library exists to preserve this unique heritage of the Church and the nation and to make it freely available for all to study and enjoy.

**Historic contents of Lambeth Palace**
Included within heritage assets are the historical contents of Lambeth Palace. These items are held primarily for their historical and artistic value. The contents' fair value has been calculated based on the market value last calculated at 31 December 2007. The Commissioners have performed a review of the historic contents of Lambeth Palace, which includes works of art, and are satisfied that there is no material difference between the fair value at 31 December 2021 and the full professional valuation obtained as at 31 December 2007.

**Historic contents of former see houses**
Included within heritage assets are the historical contents of former see houses that are on loan to various bodies. This includes the Hurd Library and other heirlooms at Hartlebury Castle and various objects at Fulham Palace. These items are held primarily for their historical and artistic value.

The contents' fair value has been calculated based on the market value last calculated at 31 December 2007. The Commissioners have performed a review of the historic contents, which includes works of art, and are satisfied that there is no material difference between the fair value at 31 December 2021 and the full professional valuation obtained as at 31 December 2007.

| | **2021 £m** | 2020 £m | 2019 £m | 2018 £m | 2017 £m |
|---|---|---|---|---|---|
| **Purchases** | | | | | |
| Lambeth Palace | **–** | – | – | – | – |
| Contents of Lambeth Palace Library | **–** | – | – | – | 0.1 |
| Contents of Lambeth Palace | **–** | – | – | – | – |
| **Donations** | | | | | |
| Lambeth Palace | **–** | – | – | – | – |
| Contents of Lambeth Palace library | **–** | – | – | – | – |
| Contents of Lambeth Palace | **–** | – | – | – | – |
| **Total additions** | **–** | – | – | – | 0.1 |

## 13. DEBTORS

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | **2021 £m** | 2020 £m | **2021 £m** | 2020 £m |
| Trade debtors | **19.7** | 6.6 | **6.3** | 5.4 |
| Subsidiary undertakings | **–** | – | **630.2** | 490.1 |
| Joint venture (ChECS) | **1.7** | 1.4 | **1.7** | 1.4 |
| Dioceses (Clergy Stipends and Diocesan Debtors Accounts) | **0.3** | 10.2 | **0.3** | 10.2 |
| Loans | **2.7** | 2.4 | **2.7** | 2.4 |
| Other debtors | **1.1** | 2.0 | **1.0** | 1.4 |
| Prepayments | **2.5** | 2.3 | **2.2** | 2.0 |
| Accrued income | **12.0** | 6.8 | **25.9** | 21.5 |
| Outstanding trades receivable | **9.1** | 56.8 | **9.1** | 56.8 |
| Derivative open contracts | **34.9** | 49.2 | **34.9** | 49.2 |
| **Total debtors** | **84.0** | 137.7 | **714.3** | 640.4 |

Loans are interest bearing and consist of mortgages and loans to Church bodies, cathedrals and staff, and car loans to clergy.

Derivative open contracts are used for risk management and efficient portfolio management purposes. The value above represents those derivative contracts that have a positive value at 31 December. There are also derivatives which have a negative value disclosed in creditors within note 14. The total gains or losses on derivatives for the year is shown on the Statement of Financial Activities, which when used for hedging purposes are offset by movements in the fair value of the investment portfolio. For further details on foreign currency hedging, see note 2(a).

# NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2021**

## 14. CREDITORS
**Falling due within one year**

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | **2021 £m** | 2020 £m | **2021 £m** | 2020 £m |
| Trade creditors | **4.7** | 5.6 | **4.5** | 5.3 |
| Subsidiary undertakings | **–** | – | **26.2** | 20.8 |
| Dioceses and other Church bodies | **4.9** | 5.4 | **4.9** | 5.4 |
| Other creditors | **4.8** | 3.6 | **4.3** | 3.4 |
| Taxation and National Insurance contributions | **10.3** | 7.4 | **7.5** | 7.4 |
| Accruals and deferred income | **49.0** | 36.6 | **40.6** | 33.6 |
| Grants payable | **43.3** | 38.9 | **43.3** | 38.9 |
| Outstanding trades payable | **4.8** | 7.2 | **4.8** | 7.2 |
| Derivative open contracts | **10.9** | 24.4 | **10.9** | 24.4 |
| **Total creditors** | **132.7** | 129.1 | **147.0** | 146.4 |

Derivative open contracts are used for risk management and efficient portfolio management purposes. The value above represents those derivative contracts that have a negative value at 31 December. There are also derivatives which have a positive value disclosed in debtors within note 13. The total gains or losses on derivatives for the year is shown on the Statement of Financial Activities, which when used for hedging purposes are offset by movements in the fair value of the investment portfolio. For further details on foreign currency hedging, see note 2(a).

Unrealised losses on derivative financial instruments are described in note 2.

**Falling due after one year**

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | **2021 £m** | 2020 £m | **2021 £m** | 2020 £m |
| Grants payable | **101.7** | 98.5 | **101.7** | 98.5 |
| Discounting adjustment | **(3.2)** | (0.1) | **(3.2)** | (0.1) |
| **Total creditors** | **98.5** | 98.4 | **98.5** | 98.4 |

## 15. PROVISIONS
**Provision for clergy pre-1998 pension obligation under the Church of England Pensions Scheme**

| | Notes | Consolidated and Commissioners | |
|---|---|---|---|
| | | **2021 £m** | 2020 £m |
| As at 1 January | | **1,477.2** | 1,515.6 |
| Release of provision for: | | | |
| Pensions to clergy for service prior to 1998 | | **(79.4)** | (82.1) |
| Lump sum payments on retirement for service prior to 1998 | | **(6.2)** | (5.6) |
| Pensions to clergy widows and children for service prior to 1998 | | **(30.3)** | (30.4) |
| Benefits under the Deaconesses and Lay Workers (Pensions) Measure 1980 | | **(0.1)** | (0.1) |
| Transfers out of scheme | | **(0.1)** | (0.7) |
| | | **(116.1)** | (118.9) |
| Changes in provision for: | | | |
| Interest on provision | | **57.0** | 57.6 |
| Changes in assumptions and due to experience | | **(63.4)** | 22.9 |
| | 6 | **(6.4)** | 80.5 |
| **As at 31 December** | | **1,354.7** | 1,477.2 |

***History***
Prior to 1998, the Commissioners were responsible for paying the pensions benefits to clergy who accrued years of pensionable service as members of the Church of England Pensions Scheme. In 1997, legislation was enacted to provide for new pensions schemes to be established and administered by the Church of England Pensions Board, with contributions for future service to be paid by all responsible bodies and employers (dioceses, cathedrals, the NCIs, and other Church organisations). This effectively capped the Commissioners' obligation for clergy pensions for clergy for which they are not the "responsible body" to service up until 31 December 1997 only.

Details of the Commissioners' financial responsibilities in respect of their role as "responsible body" for bishops, cathedral clergy and certain other clergy for service since 1 January 1998 are described in note 16(a).

***Church of England Pensions Scheme***
The Commissioners are obliged to pay pension benefits to clergy who accrued years of pensionable service until 31 December 1997 as members of the Church of England Pensions Scheme. The Scheme is administered by the Church of England Pensions Board on behalf of the Commissioners. The obligation is recognised in full using the actuarial valuation carried out by Hymans Robertson LLP, independent qualified actuaries. A full valuation is carried out every three years and it is rolled forward in other years. A full valuation was carried out as at 31 December 2021.

The valuation uses the projected unit method and assumes all benefits including post-retirement increases continue to be paid in accordance with current practice. It uses financial assumptions reflecting the term structure of interest rates and inflation. These assumptions include the prospective rate of investment returns, future increases in the RPI, the starting level of pensions and the rate of post-retirement pension increases.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2021**

## 15. PROVISIONS continued
The principal assumptions used in deriving the Commissioners' obligation were:

| | **2021 %** | 2020 % | 2019 % | 2018 % | 2017 % |
|---|---|---|---|---|---|
| Prospective annual rate of return on investments | **4.6** | 3.8 | 3.9 | 4.2 | 4.4 |
| Rate of increase of future stipend and increases in the starting pension | **2.9** | 3.3 | 3.2 | 3.2 | 3.1 |
| Rate of post-retirement pension increases | **3.7** | 3.3 | 3.2 | 3.2 | 3.1 |
| Retail price inflation | **3.7** | 3.3 | 3.2 | 3.2 | 3.1 |

The assumptions were made on a best estimate basis over a time period reflecting the long-term nature of the fund and its objectives over 30 years. In their assessments of the pensions obligation, Hymans Robertson LLP have used bespoke Club Vita mortality tables. The life expectancy for beneficiaries aged 65 is 21.4 years (2018 valuation: 22.8 years) for men and 23.7 years (2018 valuation: 26.4 years) for women. In respect of future improvements in mortality rates the projection model from the 2020 Continuous Mortality Investigation has been used.

## 16. PENSIONS

| | Clergy | Staff | | | Clergy | Staff | | |
|---|---|---|---|---|---|---|---|---|
| | **Post-1997 service Note 16(a) £m** | **Pre-2000 service Note 16(b) £m** | **Post-1999 service Note 16(c) £m** | **2021 £m** | Post-1997 service Note 16(a) £m | Pre-2000 service Note 16(b) £m | Post-1999 service Note 16(c) £m | 2020 £m |
| **Pension reserves at 1 January** | **1.1** | **128.6** | **4.1** | **133.8** | 2.0 | 119.8 | 5.8 | 127.6 |
| Benefits / contributions paid | **(0.6)** | **(5.2)** | **(1.5)** | **(7.3)** | (0.9) | (5.7) | (1.7) | (8.3) |
| Interest on liability | **–** | **1.5** | **–** | **1.5** | – | 2.3 | – | 2.3 |
| Other movement | **–** | **–** | **0.2** | **0.2** | – | – | – | – |
| | **(0.6)** | **(3.7)** | **(1.3)** | **(5.6)** | (0.9) | (3.4) | (1.7) | (6.0) |
| Actuarial (Gain) / Losses | **–** | **(9.4)** | **–** | **(9.4)** | – | 12.2 | – | 12.2 |
| **Pension reserves at 31 December** | **0.5** | **115.5** | **2.8** | **118.8** | 1.1 | 128.6 | 4.1 | 133.8 |

The reduction in pensions reserves due to cash paid is £7.3m (2020: £8.3m) and the total amount shown in expenditure is £1.5m (2020: £2.3m). Actuarial gain of £9.4m (2020: losses of £12.2m) have been recognised in other gains or losses.

**(a) Clergy pensions post-1997: Church of England Funded Pensions Scheme**
Pensions in respect of the service of Church of England clergy from 1 January 1998 are provided by the Church of England Funded Pensions Scheme, administered by the Church of England Pensions Board. The Church of England Pensions Board publishes the Scheme's financial statements and is its custodian trustee.

The Commissioners are one of the "responsible bodies" in the Scheme, as they pay the stipends, National Insurance and pensions costs of bishops, archbishops, bishops' chaplains and cathedral clergy.

The Scheme is considered to be a multi-employer scheme, and it is not possible to attribute the Scheme's assets and liabilities to specific employers. Therefore, contributions are accounted for as if the Scheme were a defined contribution scheme. The pension costs charged to the SOFA in the year are contributions payable plus any impact of deficit contributions.

The most recent valuation of the Scheme was carried out by an independent qualified actuary using the projected unit method as at 31 December 2018. This revealed a deficit of £50 million, based on assets of £1,818 million and a funding target of £1,868 million. A full valuation as at 31 December 2021 is in progress.

The contribution rate of future pensionable stipends payable by the Commissioners is made up of the following components:

| | From 1 January 2022 % | From 1 April 2022 % | From 1 January 2023 % |
|---|---|---|---|
| Normal contributions | 31.3 | 31.3 | 31.3 |
| Deficit contributions | 7.1 | 3.5 | – |
| Contributions towards administration expenses | 1.2 | 1.2 | 1.2 |
| **Total contribution** | 39.6 | 36.0 | 32.5 |

Normal contributions relate to providing benefits in relation to ongoing pensionable service. Deficit contributions relate to recovery of the deficit until 31 December 2022. Following a review of the scheme's funding position a lower interim contribution rate has been set with effect from 1 April 2022. Administration expenses cover the day-to-day expenses of running the scheme.

This liability of £0.5m (2020: £1.1m) in the table above represents the present value of future deficit contributions and has been valued using assumptions set by reference to the duration of the deficit recovery payments.

**(b) Staff pensions pre-2000: Church Commissioners Superannuation Scheme**
The Commissioners are obliged to pay pension benefits to staff, former First and Third Church Estates Commissioners, bishops' staff and staff of the Church of England Pensions Board who accrued years of pensionable service until 31 December 1999 as members of the Church Commissioners Superannuation Scheme ("CCSS").

This is a multi-employer scheme where each employer is able to ascertain their share of the scheme assets and liabilities. The Commissioners' share is therefore provided for in the balance sheet in full. The liability is estimated each year by Hymans Robertson LLP, independent qualified actuaries.

Using the projected unit method, and assuming all benefits including post-retirement increases in pensions continue to be paid in accordance with current practice, the provision of £115.5m (2020: £128.6m) shown in the table above represents the Commissioners' share of the deficit on the CCSS.

Financial assumptions reflecting the term structure of interest rates and inflation have been used to estimate the value of the obligation. These assumptions include the prospective rate of investment returns, future increases in the RPI, the starting level of pensions and the rate of post-retirement pension increases. The principal assumptions used in estimating the provision were:

| | **2021 %** | 2020 % | 2019 % | 2018 % | 2017 % |
|---|---|---|---|---|---|
| Discount rate (annual rate of return on AA rated corporate bonds) | **1.85** | 1.20 | 1.95 | 2.75 | 2.45 |
| Rate of salary increases | **4.25** | 3.80 | 3.70 | 4.45 | 4.40 |
| Rate of increase of pensions in payment: | | | | | |
| for service before 1 April 1997 (CPI) | **3.00** | 2.50 | 2.35 | 2.50 | 2.40 |
| for service since 1 April 1997 (RPI) | **3.55** | 3.05 | 3.25 | 3.45 | 3.40 |

In their assessments of the pensions liability, Hymans Robertson LLP used bespoke Club Vita mortality tables. In respect of future improvements in mortality rates, the projection model from the 2020 Continuous Mortality Investigation has been used.

History of experience gains and losses:

| | **2021 £m** | 2020 £m | 2019 £m | 2018 £m | 2017 £m |
|---|---|---|---|---|---|
| Actuarial loss / (gain) | **(9.4)** | 12.2 | 6.7 | (18.3) | 4.7 |

**(c) Staff pensions post-1999: Church Administrators Pension Fund**
Pensions for staff in respect of service from 1 January 2000 are provided by the Church Administrators Pension Fund, administered by the Church of England Pensions Board. The Church of England Pensions Board publishes the Fund's financial statements and is its custodian trustee.

The Commissioners are one of the employers in the Fund. The Fund has two sections: the defined benefit and the defined contributions schemes. Staff who commenced service before 1 July 2006 are members of the defined benefit section of the scheme and staff who commenced service after 30 June 2006 are members of the defined contributions section.

The defined benefit section is considered to be a multi-employer, last man standing defined benefit pension scheme. This means that it is not possible to attribute the Fund's assets and liabilities to specific employers and that contributions are accounted for as if the Fund were a defined contribution scheme. The pension costs charged to the SOFA in the year are contributions payable for both defined contribution and defined benefit sections, plus any impact of defined benefit deficit contributions.

The most recent valuation of the Fund, completed on 29 January 2021, was carried out by an independent qualified actuary using the projected unit method at as 31 December 2019. This revealed a deficit of £9.1 million.

Following completion of the valuation in 2021, the employers have collectively entered into an agreement with CAPF to pay contributions of 27.6% of pensionable salaries. The employers have also agreed to make deficit payments of £2.4m per annum until December 2023 in respect of the shortfall in the defined benefit section. In addition, the employers have agreed to pay £500,000 per annum towards expenses, plus the full cost of any Pension Protection Fund levies. These contributions are made by each employer in proportion to pensionable salaries of those in the defined benefit section. For comparison, the deficit recovery plan in force at 31 December 2020 was for deficit payments of £2.7m per annum from 1 January 2018 until 30 June 2023 (increasing each 1 January by 3.3%).

## 17. FUNDS

An Order was made by the Charity Commission on 19 June 2012, at the request of the trustees, to enable them to account and report income and capital returns and charitable expenditure on a total return basis.

The Order requires the unapplied total return to be calculated at the point at which the Order is made, and subsequent movements are shown in the table below. The unapplied total return is the amount of the fund over and above the base level of endowment. The trustees agreed this base level should be the book value of assets of the Ecclesiastical Commissioners and the Queen Anne's Bounty when they were transferred to the Commissioners in April 1948 (£155.8m), inflated in line with RPI and deducting clergy pensions paid from capital, since the Pensions Measure 1997 became effective. The base level of the endowment at 1 January 2012 was £3,000.4m and the unapplied total return was £2,202.0m. The base value and unapplied total return together with the general fund reserve made up the total fund value of £5,237.6m at 1 January 2012.

The total return each year remains part of the endowment fund, until it is transferred to the general fund and becomes "applied total return". The transfer is shown in the table below and on the face of the SOFA. The trustees agreed the base value of the endowment should be recalculated each year to reflect the permanent diminution of the fund as clergy pensions are paid out under the Pensions Measure 1997, and inflated in line with RPI. In 2020, the trustees agreed to change the inflation rate to the CPI, including Housing.

The pre-1998 clergy pension obligation set out in note 15 has been allocated to unapplied total return as the Commissioners do not have indefinite power to spend endowment on clergy pensions, but only for a seven year period ending in 2025. At that point, it is expected, but not presumed, that this power will be extended for a further seven years. As such, the base value of endowment is reduced each year by the clergy pensions paid in that year with movement in the provision being taken against the unapplied total return.

| | Notes | Base value of endowment £m | Unapplied total return £m | Total endowment fund £m | Other funds £m | Total funds £m |
|---|---|---|---|---|---|---|
| At 1 January 2021 | | **2,457.0** | **5,115.5** | **7,572.5** | **0.1** | **7,572.6** |
| Add investment return for the year: | | | | | | |
| Income return – gross income | | **–** | **144.8** | **144.8** | **3.3** | **148.1** |
| Income return – cost of raising funds | 3 | **–** | **(83.7)** | **(83.7)** | **(0.5)** | **(84.4)** |
| Capital return and foreign exchange | | **–** | **1,142.5** | **1,142.5** | **–** | **1,142.7** |
| Taxation payable | 10 | **–** | **(0.5)** | **(0.5)** | **–** | **(0.5)** |
| **Total investment return during the year** | | **–** | **1,203.1** | **1,203.1** | **2.8** | **1,205.9** |
| Less | | | | | | |
| Clergy pensions paid | 15 | **(116.1)** | **–** | **(116.1)** | **–** | **(116.1)** |
| Release of clergy pensions paid | | **–** | **116.1** | **116.1** | **–** | **116.1** |
| Movement on clergy pensions provision | 15 | **–** | **6.4** | **6.4** | **–** | **6.4** |
| Gain on defined benefit pension schemes (staff pre-2000) | 16 | **9.4** | **–** | **9.4** | **–** | **9.4** |
| Charitable expenditure: non-pensions | | **–** | **–** | **–** | **(148.6)** | **(148.6)** |
| **Total other movements during the year** | | **(106.7)** | **122.5** | **15.8** | **(148.6)** | **(132.8)** |
| Add indexation on base value of endowment | | **117.9** | **(117.9)** | **–** | **–** | **–** |
| Application of non-applied total return | | **–** | **(145.8)** | **(145.8)** | **145.8** | **–** |
| **At 31 December 2021** | | **2,468.2** | **6,177.4** | **8,645.6** | **0.1** | **8,645.7** |

| | Notes | Base value of endowment £m | Unapplied total return £m | Total endowment fund £m | Other funds £m | Total funds £m |
|---|---|---|---|---|---|---|
| At 1 January 2020 | | 2,567.6 | 4,429.0 | 6,996.6 | 0.6 | 6,997.2 |
| Add investment return for the year: | | | | | | |
| Income return – gross income | | – | 125.9 | 125.9 | 2.6 | 128.5 |
| Income return – cost of raising funds | 3 | – | (74.1) | (74.1) | (0.1) | (74.2) |
| Capital return and foreign exchange | | | 778.0 | 778.0 | – | 778.0 |
| Taxation payable | 10 | – | (0.6) | (0.6) | – | (0.6) |
| **Total investment return during the year** | | – | 829.2 | 829.2 | 2.5 | 831.7 |
| Less | | | | | | |
| Clergy pensions paid | 15 | (118.9) | – | (118.9) | – | (118.9) |
| Release of clergy pensions paid | | – | 118.9 | 118.9 | – | 118.9 |
| Movement on clergy pensions provision | 15 | | (80.5) | (80.5) | – | (80.5) |
| Loss on defined benefit pension schemes (staff pre-2000) | 16 | (12.2) | – | (12.2) | – | (12.2) |
| Charitable expenditure: non-pensions | 4 | – | – | – | (163.6) | (163.6) |
| **Total other movements during the year** | | (131.1) | 38.4 | (92.7) | (163.6) | (256.3) |
| Add indexation on base value of endowment | | 20.5 | (20.5) | – | – | – |
| Application of non-applied total return | | – | (160.6) | (160.6) | 160.6 | – |
| **At 31 December 2020** | | 2,457.0 | 5,115.5 | 7,572.5 | 0.1 | 7,572.6 |

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2021**

## 17. FUNDS continued
Other funds comprise the following balances:

| | At 1 January 2021 £m | Income £m | Expenditure £m | Transfers £m | At 31 December 2021 £m |
|---|---|---|---|---|---|
| *Restricted funds* | | | | | |
| Thy Kingdom Come | – | – | – | – | – |
| Reconciliation | – | 0.2 | (0.2) | – | – |
| Closed churches | – | 0.4 | (0.4) | – | – |
| Other restricted funds individually below £0.1m | 0.1 | 0.2 | (0.2) | – | 0.1 |
| **Total restricted funds** | 0.1 | 0.8 | (0.8) | – | 0.1 |
| *Unrestricted funds (designated)* | | | | | |
| Cathedral Sustainability Fund | – | – | – | – | – |
| *Unrestricted funds (general)* | | | | | |
| General fund | – | 2.5 | (148.3) | 145.8 | – |
| **Total unrestricted funds** | – | 2.5 | (148.3) | 145.8 | – |
| **Total other funds** | 0.1 | 3.3 | (149.1) | 145.8 | 0.1 |

| | At 1 January 2020 £m | Income £m | Expenditure £m | Transfers £m | At 31 December 2020 £m |
|---|---|---|---|---|---|
| *Restricted funds* | | | | | |
| Thy Kingdom Come | 0.1 | 0.1 | (0.2) | – | – |
| Reconciliation | 0.1 | 0.2 | (0.3) | – | – |
| Closed churches | – | 0.9 | (0.9) | – | – |
| Other restricted funds individually below £0.1m | 0.2 | – | (0.1) | – | 0.1 |
| **Total restricted funds** | 0.4 | 1.2 | (1.5) | – | 0.1 |
| *Unrestricted funds (designated)* | | | | | |
| Cathedral Sustainability Fund | 0.2 | – | (0.2) | – | – |
| *Unrestricted funds (general)* | | | | | – |
| General fund | – | 1.4 | (162.0) | 160.6 | – |
| **Total unrestricted funds** | 0.2 | 1.4 | (162.2) | 160.6 | – |
| **Total other funds** | 0.6 | 2.6 | (163.7) | 160.6 | 0.1 |

Details of the significant restricted and designated funds are given below.

**Thy Kingdom Come**
The Archbishop of Canterbury received external funding to plan and deliver the Thy Kingdom Come project, which is a global prayer movement. The funding is for staffing, events, communications and a very wide range of resources required to deliver the project in churches, cathedrals and online.

**Reconciliation**
The Archbishop of Canterbury receives external funding for his Reconciliation Ministry which is now based at Lambeth Palace. The scope of the funding covers staffing, office and IT costs, conferences and hospitality, UK and overseas travel, training and other resources in relation to the Archbishop's Reconciliation Ministry.

**Closed churches**
This fund represents the Commissioners' share of income received from the sale of closed churches. For further details, see note 4.

**Cathedral Sustainability Fund**
The fund is designated to promote the financial sustainability of cathedrals by setting aside monies that had been received from unrestricted legacies to make additional distributions to cathedrals under section 23 of the Cathedrals Measure 1999. The funding is approved by the Board upon receipt of a detailed bid and fully costed financial plans. The timing of expenditure on the fund is dependent on bids being received from cathedrals that meet the bid criteria.

The net assets of the Commissioners split between its funds, on a consolidated basis, are as follows:

| | General fund £m | Designated fund £m | Restricted £m | Pension reserve £m | Endowment fund £m | 2021 £m |
|---|---|---|---|---|---|---|
| Fixed assets | 29.6 | – | – | – | 9,247.9 | 9,277.5 |
| Current assets | 72.5 | 1.5 | 0.1 | – | 1,000.8 | 1,074.9 |
| Creditors: amounts falling due within one year | (4.2) | (0.9) | – | – | (127.6) | (132.7) |
| Creditors: amounts falling due after one year | (97.9) | (0.6) | – | – | – | (98.5) |
| Provisions | – | – | – | – | (1,356.7) | (1,356.7) |
| Defined benefit pension scheme liabilities | – | – | – | (118.8) | – | (118.8) |
| **Total funds** | – | – | 0.1 | (118.8) | 8,764.4 | 8,645.7 |

| | General fund £m | Designated fund £m | Restricted £m | Pension reserve £m | Endowment fund £m | 2020 £m |
|---|---|---|---|---|---|---|
| Fixed assets | 30.5 | – | – | – | 8,123.1 | 8,153.6 |
| Current assets | 123.5 | 1.5 | 0.1 | – | 1,133.9 | 1,259.0 |
| Creditors: amounts falling due within one year | (56.2) | (0.9) | – | – | (72.0) | (129.1) |
| Creditors: amounts falling due after one year | (97.8) | (0.6) | – | – | – | (98.4) |
| Provisions | – | – | – | – | (1,478.7) | (1,478.7) |
| Defined benefit pension scheme liabilities | – | – | – | (133.8) | – | (133.8) |
| **Total funds** | – | – | 0.1 | (133.8) | 7,706.3 | 7,572.6 |

## 18. CONTINGENT LIABILITIES
The Commissioners, dioceses and other Church bodies are the bodies responsible for the contributions to the Church of England Funded Pensions Scheme for clergy. In the event of defaults by any of the responsible bodies, the remaining responsible bodies, including the Commissioners, would continue to be responsible for the entire liabilities of the Scheme.

The Commissioners are joint employer, together with the other NCIs, of most of the staff of the NCIs and, as such, have a contingent liability for salaries and other employment costs in the event of a default by any of the other joint employers.

It is not practicable to reliably estimate the quantum of the above contingent liabilities.

## NOTES TO THE FINANCIAL STATEMENTS continued
**For the year ended 31 December 2021**

### 19. LEASES
The Commissioners have different types of leases in place for its investment properties, including:

| Tenancy | Break terms |
|---|---|
| **Residential** | |
| Assured shorthold tenancies (ASTs) | Minimum 6 months then 2 months' notice |
| Assured tenancies | 1 month's notice |
| Regulated tenancies | 1 month's notice |
| Ground rents | No break terms |
| Licence agreement | 1 month's notice by either party |
| **Rural** | |
| Farm business tenancies | In general, there are no breaks until lease end date |
| Agricultural Holdings Act | Minimum 12 months' notice period by the tenant |
| Licence agreement | Will range from 1 to 3 months' notice by either party |
| **Commercial** | |
| Full repair and insurance | No break term unless specifically requested |
| Internal repair and insurance | No break term unless specifically requested |
| Geared rents | No break terms |
| **UK forestry** | |
| Not applicable | |

Due to the nature of the Commissioners' leases, the vast majority of residential and rural property leases are cancellable within 12 months. Commercial property leases and residential ground rents are non-cancellable. The consolidated and Commissioners rents receivable under non-cancellable operating leases are:

| | 2021 £m | 2020 £m |
|---|---|---|
| Amounts due within one year | **8.9** | 8.1 |
| Amounts due after one year but not more than five years | **28.5** | 25.2 |
| Amounts due after five years | **230.2** | 150.7 |
| **Total rents receivable under non-cancellable operating leases** | **267.6** | 184.0 |

### 20. RELATED PARTY TRANSACTIONS
Church of England Central Services (ChECS) is a charitable company limited by guarantee and is a joint venture between the Commissioners, the Archbishops' Council and the Church of England Pensions Board, who are equal partners. The purpose of ChECS is to enhance the efficiency and effectiveness of the charitable national and diocesan institutions of the Church of England and of other charities with a church ethos, by facilitating the provision of cost-effective shared finance, HR, communications, legal, IT, internal audit and other services.

As at 31 December 2021, other than the amounts disclosed in debtors in note 13, £37,000 was owed by the Commissioners to ChECS (2020: £52,000). The Commissioners' share of net assets of ChECS was £nil (2020: £nil). In addition, the Church Commissioners charged ChECS a total of £265,000 during 2021 (2020: £500,000) to rent a building for use in ChECS' charitable activities and (in 2021 only) for staffing costs in respect of information management and governance activities undertaken by staff at Lambeth Palace Library.

Like many charities, subsidiary companies carry out certain activities on behalf of the Commissioners. The transactions disclosed below are included in the Church Commissioners' stand-alone financial statements, but are eliminated on consolidation. All transactions disclosed below are made between the Commissioners and one or more of its wholly owned subsidiaries, and so any cash or other assets transferred to a subsidiary are included within the consolidated financial statements.

If taxable profits are generated by the subsidiaries, these are paid to the Commissioners as donations made under gift aid. The Commissioners have recognised income relating to gift aid payments of £84.1m (2020: £18.0m) from its subsidiaries in the year.

During the year, two (2020: none) properties were sold; one from CC Trading to Commissioners (£10.5m) and one from the Commissioners to CC Projects (£8.0m); a total of £18.5m (2020: £nil).

As disclosed in notes 13 and 14, the Commissioners maintain inter-company accounts between themselves and their subsidiaries. The total debtors and creditors relating to subsidiary undertakings, excluding loan notes in Jahr Tree Co Pty Ltd, are debtors of £601.2m (2020 £447.2m) and creditors of £26.2m (2020: £20.8m). The Commissioners use these accounts for efficient cash management across the group and charge or pay interest at 1% above Bank of England Base Rate on these balances. The balances are unsecured with no fixed repayment date. During the year, the Commissioners received £4.3m (2020: £6.4m) and paid £0.3m (2020: £0.3m) interest in the year.

The Commissioners hold loan notes issued by its subsidiary Jahr Tree Co Pty in Australia totalling £29.0m (2020: £24.9m) at year-end. The interest accrued on these loan notes in the year was £5.2m (2020: £4.2m). This transaction was made at open market value.

During the year, Palace Public Occasions Limited was charged less than £0.1m (2020: less than £0.1m) by the Commissioners for costs incurred by the Commissioners on behalf of the company. An additional amount of less than £0.1m (2020: less than £0.1m) was charged to the company by the Commissioners for the use of premises owned by the Commissioners.

### 21. FUNDS HELD ON BEHALF OF OTHERS

| | 2021 £m | 2020 £m |
|---|---|---|
| Residential service charges, sinking funds and tenants' deposits | **13.7** | 15.8 |
| Trust funds | **11.0** | 9.8 |
| **Total funds held on behalf of others** | **24.7** | 25.6 |

The Commissioners hold monies on behalf of others. The sums are not included in the Commissioners' balance sheets.

**Residential service charges, sinking funds and tenants' deposits**
The service charges and sinking funds are paid in advance by tenants of properties owned by the Commissioners in order that property repairs and maintenance works can be carried out.

**Trust funds**
The Commissioners are trustees of 38 funds, mainly restricted permanent endowment funds. Their income, £0.4m (2020: £0.3m), is applied in accordance with the terms of the trusts.

Certain other trustees are directed to pay some or all of their income to the Commissioners for specified purposes. The total amount received in the year was £0.2m (2020: £0.1m).


CHURCH COMMISSIONERS FOR ENGLAND
QUEEN ANNE'S BOUNTY
1704
1836
ECCLESIASTICAL COMMISSION
1948

**CHURCH COMMISSIONERS FOR ENGLAND**

England & Wales - Charity number 1140097

# Accounts

# Supporting the work and mission of the Church of England

The Church Commissioners for England
Annual Report 2020

The Church Commissioners for England

THE CHURCH OF ENGLAND



The Church Commissioners
Annual Report 2020

Supporting the work and mission
of the Church of England

Presented to Parliament pursuant to section 12(2)
of the Church Commissioners Measure 1947

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THE CHURCH COMMISSIONERS FOR ENGLAND

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Registered Charity Number 1140097

**This document is available for download at:**
cofe.io/CCAnnualReport2020

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Cover image: *Portsmouth Cathedral.*









# Foreword by the Archbishop of Canterbury and the First Church Estates Commissioner





It is with real gratitude that we are able to report on the work of the Church Commissioners at the end of 2020, a year which challenged us all. The Commissioners continued to show leadership and support for dioceses, cathedrals and churches whilst upholding the good stewardship of the historic assets entrusted to them.

The Commissioners stepped in with financial support as people looked to the Church during this time of tremendous spiritual and practical need. At the same time, the Church itself was challenged by the impact of the COVID-19 pandemic, not least by its acute consequences on finances at the local, diocesan and national level.

In March, the Church Commissioners, in partnership with the Archbishops' Council, announced liquidity measures to assist dioceses and cathedrals whose finances were adversely affected by the pandemic. The first package totalled £75m of liquidity support, and the second was a £35m diocesan sustainability fund. Together with the Cathedral Sustainability Fund, which was replenished during 2020 with an additional £10m on top of the originally budgeted allocation, these were prioritised to give short-term assistance to dioceses and cathedrals in 2020 and 2021.

Aside from this emergency backing, supporting the work and mission of England's cathedrals has always been a priority for the Church Commissioners. Our thanks go especially to Eve Poole, the Third Church Estates Commissioner, who played a pivotal role in preparing the way for the safe passage and implementation of the Cathedrals Measure, which gained final approval from General Synod and is on track for Royal Assent in 2021. The Cathedrals Measure is set to strengthen operational and governance frameworks and bring cathedrals within the ambit of Charity Commission legislation, ensuring alignment with best practice elsewhere in the third sector.

Providing support for the Church is only possible because of the positive financial returns we have achieved. The Commissioners' investments beat their 2020 target despite the volatility and uncertainty in the markets. Our longer-term results also remained strong, with performance over five, ten and 30 years all ahead of our target returns. We extend our thanks to those in the Investment division for their excellent management of the fund.

As signatories to the United Nations-backed Principles for Responsible Investment, we are committed to integrating ESG (environmental, social and governance) considerations into the stewardship of assets across our portfolio. Being Responsible Investors is essential to managing the Church's assets and our efforts achieved external recognition in 2020 with several industry awards. Our approach to Responsible Investment ('RI') includes and goes beyond ethical exclusions to encompass stewardship of climate change impacts, proactive company engagement on other issues of concern, impact investing and collaboration with other asset owners.

We and our National Investing Bodies colleagues restricted investment in nine companies that fail to meet our climate standards, while 12 companies made changes to stay off the restricted list. This was the first time investment was restricted in companies that fall short of specific carbon emissions standards, and demonstrated our commitment to delivering on our 2018 agreement with Synod.

In 2020 we moved towards our goal of a net zero carbon portfolio by 2050 by engaging with companies and policy makers and through joining the Net-Zero Asset Owner Alliance. The Church Commissioners also began to develop a framework with independent specialists, which we will use to assess the ESG aspects of our real estate holdings. This ESG framework will underpin management of our development land and ensure it is used in the most sustainable way possible.

We extend our thanks to Bishop David Walker for his excellent chairing of the Commissioners on Justin's behalf, to Andrew Brown for his long and dedicated service as CEO until his retirement in January and to Gareth Mostyn for a tremendous first year as Andrew's successor.

Our colleagues showed exceptional commitment in 2020, especially given the extraordinary circumstances and added pressures of working from home, caring duties and social isolation. We remain grateful to them and appreciate the resilience they have demonstrated.

It is our prayer for the future, as we emerge from the COVID-19 pandemic, that we share the good news of Jesus Christ through the work of the Church with the support of the Church Commissioners.

**Justin Welby**
**Archbishop of Canterbury**

**Loretta Minghella**
**First Church Estates Commissioner**

# The Church Commissioners at a glance

## 2020

**£162.5m**
Total charitable expenditure
excluding clergy pensions obligation*

**10.4%**
Total return 2020

**9.5%**
Total return (30 years)




**£118.9m**
* Total cash paid on clergy pensions in 2020

**Investment fund: £9.2bn**

## 2019

**£117.5m**
Total charitable expenditure
excluding clergy pensions obligation*

**10.0%**
Total return 2019

**8.5%**
Total return (30 years)




**£120.1m**
* Total cash paid on clergy pensions in 2019

**Investment fund: £8.7bn**

## Aims and objectives

## Our strategic priorities

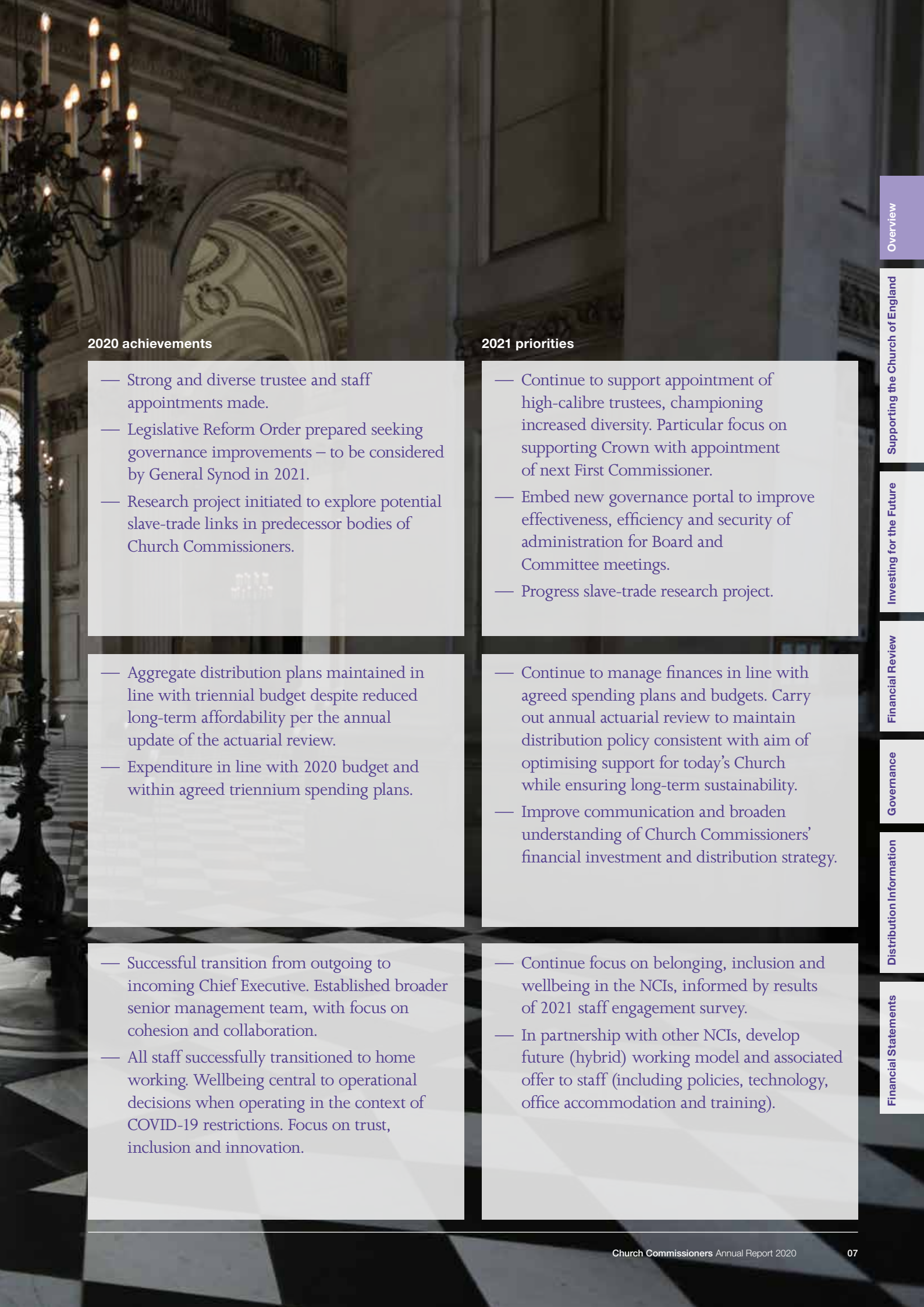
The Church Commissioners' strategic focus is to support the Church of England's ministry, particularly in areas of need and opportunity.

| Aims | Strategic objectives |
| --- | --- |
| 1. Supporting Church's ministry through effective use of Commissioner funding | Help to ensure the Commissioners' funding is intentionally used for mission and growth |
| 2. Supporting Church's ministry through practical guidance and effective processes | Support different parts of the Church to enhance their use of resources to advance mission and growth |
| 3. To manage our investments responsibly | From a portfolio diversified to manage risk consistent with our ethical policies, achieve a real rate of return (target: CPIH+4%) to allow the Church Commissioners to meet their pension obligations and maintain and grow over time their support to the wider church, at the forefront of Responsible Investment globally |

| 2020 achievements | 2021 priorities |
| --- | --- |
| — New governance arrangements established for fund distribution, including new grant funding streams.<br>— Contributed substantial emergency COVID-19 liquidity and funding support to Church.<br>— Helped Archbishops' Council establish new social impact investment portfolio.<br>— Completed Lambeth Palace Library construction within budget. | — Work in partnership with the Archbishops' Council to ensure diocesan funding streams continue to be deployed in line with agreed criteria and in accordance with need, reflecting ongoing impact of COVID-19.<br>— Manage replenished Cathedral Sustainability Fund to address strategic priorities and COVID-19-related support.<br>— Complete the move into and open the new Lambeth Palace Library, realising the vision to collect, preserve and make accessible the collections so they can be explored and enjoyed by all. |
| — Cathedrals Measure received final approval at General Synod.<br>— Maintained effective operation of adjudicatory functions, providing additional support to diocesan teams during lockdown period.<br>— Issued guidance to dioceses on implementing Church Representation Rules. | — Implement new Cathedrals Measure and establish co-regulation function with the Charity Commission.<br>— Ensure continued fairness in adjudicatory functions under the Mission and Pastoral Measure while seeking to improve process efficiency through legislative change – prepare Green Paper for consideration by General Synod. |
| — Genuinely diversified portfolio helped navigate pandemic and resulting challenging markets, achieving returns in excess of target.<br>— Continued recognition as global leader in Responsible Investment. Recognised in PRI Leaders group for second year and won impact investing category at IPE awards.<br>— Joined Net–Zero Asset Owner Alliance at World Economic Forum. | — Maintain delivery of strong investment returns, above target over the long-term.<br>— Continue implementation of new investment systems and operational processes to support execution of investment strategy.<br>— Develop and deliver refreshed Responsible Investment strategy, centred on pillars of "respect for the planet," focussing on climate change and natural capital, and "respect for people," focussed on human rights and diversity and inclusion. |

## Our strategic objectives continued

| Aims | Strategic objectives |
| --- | --- |
| 4. To seek best governance practice | Maximise effectiveness of Board, Committees and Executive, to ensure objectives are met, and with appropriate accountability to Parliament and Church |
| 5. To manage finances effectively | Management and monitoring of costs and liabilities so Commissioners' support, especially for areas of need and opportunity, can be maintained and grown over time |
| 6. Supporting our people | Attract, retain and motivate high-calibre staff. Promote and support staff wellbeing, engagement, performance, belonging and inclusion to maximise effectiveness of the Executive's delivery of Commissioners' goals |



| 2020 achievements | 2021 priorities |
| --- | --- |
| — Strong and diverse trustee and staff appointments made.<br>— Legislative Reform Order prepared seeking governance improvements – to be considered by General Synod in 2021.<br>— Research project initiated to explore potential slave-trade links in predecessor bodies of Church Commissioners. | — Continue to support appointment of high-calibre trustees, championing increased diversity. Particular focus on supporting Crown with appointment of next First Commissioner.<br>— Embed new governance portal to improve effectiveness, efficiency and security of administration for Board and Committee meetings.<br>— Progress slave-trade research project. |
| — Aggregate distribution plans maintained in line with triennial budget despite reduced long-term affordability per the annual update of the actuarial review.<br>— Expenditure in line with 2020 budget and within agreed triennium spending plans. | — Continue to manage finances in line with agreed spending plans and budgets. Carry out annual actuarial review to maintain distribution policy consistent with aim of optimising support for today's Church while ensuring long-term sustainability.<br>— Improve communication and broaden understanding of Church Commissioners' financial investment and distribution strategy. |
| — Successful transition from outgoing to incoming Chief Executive. Established broader senior management team, with focus on cohesion and collaboration.<br>— All staff successfully transitioned to home working. Wellbeing central to operational decisions when operating in the context of COVID-19 restrictions. Focus on trust, inclusion and innovation. | — Continue focus on belonging, inclusion and wellbeing in the NCIs, informed by results of 2021 staff engagement survey.<br>— In partnership with other NCIs, develop future (hybrid) working model and associated offer to staff (including policies, technology, office accommodation and training). |

"The Board has agreed a demanding but exciting set of objectives for 2021, in order to maintain and improve upon the service we give to the Church."



As well as the many personal tragedies, COVID-19 has brought tremendous challenges for individuals and organisations around the world.

Amidst these challenges, there has been a need to refocus and reconsider our priorities. This has been equally true for the Church Commissioners, albeit in the confidence that we serve an unchanging God. In 2020, our Board of Governors specifically considered our own focus and priorities, guided by the Five Marks of Mission that are central to the "Emerging Church" Vision that was presented to the General Synod in November, and agreed some specific activities needed to deliver them.

We have placed particular emphasis on themes of equality, economy, effectiveness, environment, collaboration and innovation. This means building and sustaining a diverse team of trustees and staff, with a strong sense of belonging and inclusion. It means investing strategically to deliver strong and sustainable returns through volatile times, whilst having a broader lasting impact, and controlling expenditure in order to release the maximum sustainable amount possible to serve the wider church.

We also invest in the Church's capacity not only to survive the current financial and other challenges but also to flourish and grow in the future. This involves providing funding, but also information, guidance and support to dioceses, cathedrals and other beneficiaries, where that is best provided at a national level. It means using our asset ownership and estate management roles to become exemplars of environmental best practice and good stewardship, positively influencing corporate behaviour globally. We will play our part in speaking and acting more as one Church, despite the complexity of our structures.

And it means always looking for new ways to run our own operations more efficiently and effectively by embracing technology, seeking best governance practice, and simplifying or improving the legislation and processes under which we work.

The Board has agreed a demanding but exciting set of objectives for 2021, aimed at ensuring the Church Commissioners deliver on our aims, in order to maintain and improve upon the service we give to the Church. As we pursue these objectives, we are aware that it is a great privilege as well as a responsibility. We pray that God will give us wisdom and humility as we serve Him and the Church in the year ahead.

**Gareth Mostyn**
**Chief Executive**

# Supporting the Church of England

## Supporting dioceses and the local church

The Church Commissioners make funds available to the Archbishops' Council to support projects providing mission and ministry across England.

The Strategic Investment Board ('SIB') has responsibility, on the Archbishops' Council's behalf, for determining the distribution of grant funding, evaluating its impact, and advising the Council on funding strategy. The SIB's membership includes the First Church Estates Commissioner and two other members of our Board of Governors.

2020 was the first year of the new three-year spending plans period (2020–2022). However, the COVID-19 pandemic necessitated some significant changes to the spending plans.

**Sustainability Funding**
As part of a package of measures to support dioceses and, through them, parishes, during the COVID-19 pandemic, the Archbishops' Council allocated up to £35m of the funding made available to it by the Church Commissioners to create a new grant funding stream for dioceses – Sustainability Funding – in June 2020. The Council delegated responsibility to the SIB for distributing the funding.

The Diocesan Sustainability Funding aims to maintain some short-term financial stability for dioceses as they implement or develop their strategies for long-term mission health and financial stability. It comprises two grant schemes:
- Grant funding to help reduce a diocese's estimated deficit in 2020 and into 2021 as a result of the impact of COVID-19 on its income (this is the majority of the funding).
- Funding to offset interest payments on borrowing taken out by dioceses to help with the cash flow implications of COVID-19.

In 2020 the SIB made Sustainability Funding awards totalling £14.9m to 24 dioceses. The funding was targeted at dioceses with fewer investment assets and less affluent populations.

The impact of the pandemic on dioceses' income, whilst very significant, was less in 2020 than originally feared. However, the pandemic is continuing for far longer than many had anticipated and there is real concern amongst dioceses that 2021 may be an even more difficult year financially. The SIB will distribute further Sustainability Funding as needed in the second half of 2021 when the overall impact on dioceses' finances is clearer.

**Lowest Income Communities Funding**
The formula-based Lowest Income Communities ('LInC') funding was introduced in 2017. It is designed to support dioceses in developing mission and growth in lower-income communities. Dioceses report annually on their use of the funding.

Many dioceses use LInC funding to support parishes which, due to their deprivation, cannot meet their parish share, therefore ensuring ministry provision in these areas. The SIB continues to encourage dioceses to ensure that their LInC funding is targeted towards supporting their most deprived communities. In 2020, 26 dioceses received LInC funding totalling £26.3m. An additional £8.3m was paid to support dioceses that are receiving less funding than they did under the previous formula.

As part of a package of measures designed to provide cash flow relief to dioceses during the pandemic, the Council and Commissioners paid all the LInC funding and transitional funding to dioceses in receipt of the funding in one lump sum in April 2020. This provided a short-term liquidity boost totalling approximately £25m.

As the Church continues to grapple with the ongoing challenges caused by the pandemic, the Council and Commissioners similarly paid all the 2021 LInC funding and transitional funding upfront in January to help dioceses with their cash flow.

**Strategic Development Funding**
Established in 2014, and significantly expanded in 2017, Strategic Development Funding supports major change projects which fit with dioceses' strategic plans and make a significant difference to their mission and financial strength.

In 2020–22, SDF is being targeted towards promoting growth in the largest urban areas of the country and on one or both of younger generations and deprived communities. The SIB will consider programmes not targeted on the largest urban areas if they are focused on areas of particular deprivation or younger generations and have reach and impact in keeping with the other priorities for SDF.

The agreed focus for the funding in 2020–22 reflects the nature and scale of the key strategic challenges that face the Church, channelling the limited funding available towards people and areas in which the Church has long under-invested. The largest urban areas contain:
- 62% of the population.
- 67% of 18-29 year olds.
- 84% of the most deprived areas.

In 2020 £24.2m of SDF was awarded to eight projects in eight dioceses which will be drawn down over more than one year. SDF is awarded on the basis that the cash drawdown keeps within the limits of the monies allocated for this funding in the three-year spending period, reflecting the fact that the projects supported can run for up to six years.

The 2020 awards brought the number of major change programmes that have been supported by SDF to a total of 77. Of these, 61 projects have been funded since January 2017.

# Supporting the Church of England

## Supporting dioceses and the local church continued

In autumn 2020, staff launched a major exercise to work with projects supported by SDF to analyse the impact of the COVID-19 pandemic and of the measures taken to combat it, identify any changes to their project design and draw out key learnings. The first round of analyses was completed in early 2021.

The general picture is encouraging. The majority of projects have responded with great energy and creativity to the COVID-19 pandemic and resulting lockdown. In addition to offering worship services and small groups online, there have been many other online offerings, for example Messy Church, Alpha courses, discipleship courses and marriage courses. SDF programmes have also resourced other churches, helping to inspire and support their online and hybrid offerings and their participation in social engagement.

Inevitably, however, projects have also faced major challenges, including significant difficulties in recruitment to key posts, reduced ability to measure outcomes effectively, and increasing exhaustion on the part of clergy and other leaders.

The SIB and staff are continuing to work closely with projects to support them. Staff will undertake further impact analysis work with projects during the second half of 2021.

**Projects awarded SDF in June 2020**

- Birmingham – This was the final element of a 2018 application to support the diocese's People and Places strategy. The project will revitalise ministry across parishes in deprived areas by investing in St Mary's church Pype Hayes and launching Gas Street: Shirley. Awarded £1m towards project costs of £3.8m.
- Chelmsford – The project will renew mission in Newham deanery, which has high levels of ethnic diversity and deprivation and very low church attendance levels, by investing in All Saints church, West Ham; the East Ham Mission and Ministry Partnership; St Luke's church, Canning Town; and the E20 church in the Olympic Park. Awarded £3m towards project costs of £5.6m.
- Durham – The project will strengthen mission in deprived urban communities in South Tyneside, Sunderland, Hartlepool, Easington (East Durham former coalfields) and Stockton South by planting 14 replicable 'Communities of Hope' and investing in Stockton All Saints and Cleadon Park with St Peter's, Harton to enable six new congregations. Awarded £4m towards project costs of £5.8m.
- Liverpool – The project will develop mission to the 'missing generation' of 11-29 year olds in Liverpool and Wigan by creating a 'Liverpool Next Generation' network to undertake evangelistic activities in schools and city universities; investing in hubs at St James in the City and St Barnabas Penny Lane in Liverpool; creating a third hub in the northern end of Liverpool City Centre; and investing in a School of Discipleship to form young leaders. Awarded £4.6m towards project costs of £5.2m.
- Manchester – The project will grow the Church in the deprived urban areas of South Manchester (from St Werburgh's, Chorlton, in partnership with St Philip's, Salford and the New Wine Network), Central Manchester (from The Ascension, Hulme, in partnership with HeartEdge and St-Martin-in-the-Fields) and in Rochdale (in partnership with the Church Revitalisation Trust and Church Army). Awarded £5m towards project costs of £6.6m.
- Oxford – SDF will invest in four large urban areas where church attendance is low: Milton Keynes (St Mary's, Bletchley), High Wycombe (St Andrew's), Reading (Greyfriars) and Slough (St Paul's) will deliver a programme of church planting and revitalisation. The programme will also develop fresh expressions of church, supported by a diocesan Development Fund. Awarded £2m towards project costs of £4m.
- Winchester – The project will extend mission in the diocese's largest population areas through investment in Southampton City Centre (St Barnabas), West Southampton (St Winfrid's, Totton) and in the western side of Bournemouth town centre (St Michael). The project will also invest in a learning community and network of church planters. Awarded £3.2m towards project costs of £8.1m.
- York – The project will make new disciples and create new worshipping communities in the deprived areas of Middlesbrough, Scarborough, Cleveland/Redcar and Bridlington by training and mentoring parishes and local lay people to become effective in community evangelism and to equip lay pioneers to plant new worshipping communities. Awarded £1.4m towards total project costs of £1.9m.

# Southwell & Nottingham

## Developing mission in Newark and amongst rural communities, awarded 2017

The diocese is establishing two new church planting churches to grow and nurture new disciples especially amongst younger families, children, youth and younger adults. One of the two churches is a new church with a specific rural focus. 'The Potting Shed' will be a resource for grafting and planting new worshipping communities into villages and for developing more sustainable forms of mission for younger people in rural communities.
It will also encourage, nourish and grow disciples who remain engaged in the life and leadership of smaller local churches.
The overall cost of the project is £2.89m, towards which £1.06m of Strategic Development Funding was awarded in June 2017.



Meeting our aims:
Supporting Church's ministry through effective use of Commissioner funding

See more on **pages 4–7**

**Strategic Development Funding in 2021–22**
When the Archbishops' Council and Church Commissioners agreed their joint three-year spending plans for 2020–22, they reconfirmed that SDF is a ten-year programme (2017–26) totalling an estimated £276m of funding.

In 2017–19, the SIB gave early momentum to the SDF programme by awarding a significant proportion of the total funds expected to be available over the ten-year lifetime of the programme. It was expected that around £128m would remain for distribution to dioceses in 2020–26, depending on the outcome of future spending reviews.

The SIB had agreed that £64m would be made available for award to dioceses in 2020–22, with the remaining £64m being made available from 2023 onwards. However, in autumn 2020, £12m of SDF available for award to dioceses was reallocated to help finance the Sustainability Funding. Taking into account the June 2020 SDF awards of £24m, this leaves a total of approximately £30m of SDF available for award in 2021 and 2022 (£15m per annum).

**Strategic Transformation Funding**
In 2020–22, the Council and Commissioners have made £44m available as Strategic Transformation Funding (STF) for the SIB to distribute to help those dioceses facing significant financial challenges and planning a major restructuring programme to provide a platform for the Church's sustainable growth.

The overall aims of STF are the same as those of SDF i.e. to support major change programmes which fit with dioceses' strategic plans and make a significant difference to their mission and financial strength. The SIB has agreed that the funding will support a relatively small number of dioceses, targeted at those with the least historic and current resources.

The SIB made the first major award of STF in December 2020, awarding £4.9m to Sheffield diocese to take forward its major change programme. This follows an initial award earlier in 2020 for the diocese to begin the transformation process – the total support provided to the programme is £5.7m. The funding will support the diocese's plans for significantly increased engagement with young people, growth in deprived areas, new congregations across the diocese, and sustained improvement in the Common Fund, alongside implementing a new model of ministry.

The SIB made a further STF Stage 1 award of £1.7m to support Manchester diocese in developing its transformation plan.

Work is under way with several other dioceses on their plans for transformation and potential applications for STF.

**Capacity Funding**
All dioceses are eligible to apply for funding to strengthen their strategic capacity. This funding has previously been part of the SDF budget but in the 2020–22 triennium the awards are being made from the monies allocated for Strategic Transformation Funding.

£3.8m of Capacity Funding was awarded to 15 dioceses in 2020. The awards largely supported the employment of programme managers and other project staff to develop and deliver SDF projects but some released extra capacity for diocesan teams to tackle significant strategic challenges. A £0.2m award was made to HeartEdge at St Martin-in-the-Fields to support its partnership with the church of The Ascension, Hulme in the Revitalising Manchester Diocese SDF project.

**Innovation Funding**
The new Innovation Funding stream will support limited-scale projects which will generate learning about 'good growth' through trialling new approaches, scaling up or applying existing successful models in new contexts, that have the potential to be developed to generate further growth. Dioceses and non-diocesan organisations (e.g. mission agencies) will be eligible to apply.

The money available for Innovation Funding in 2020–22 was cut by 20% (from a total of £6m to £4.8m) to help support Sustainability Funding. In the light of the impact of the pandemic on dioceses' capacity to engage with this new funding stream, the SIB has delayed launching the Innovation Funding until later in 2021.

**Diocesan Peer Review Programme**
The peer review programme aims to ensure mutual accountability and facilitate shared learning between dioceses, while being conducted in a way which is of real value to each diocese being reviewed.

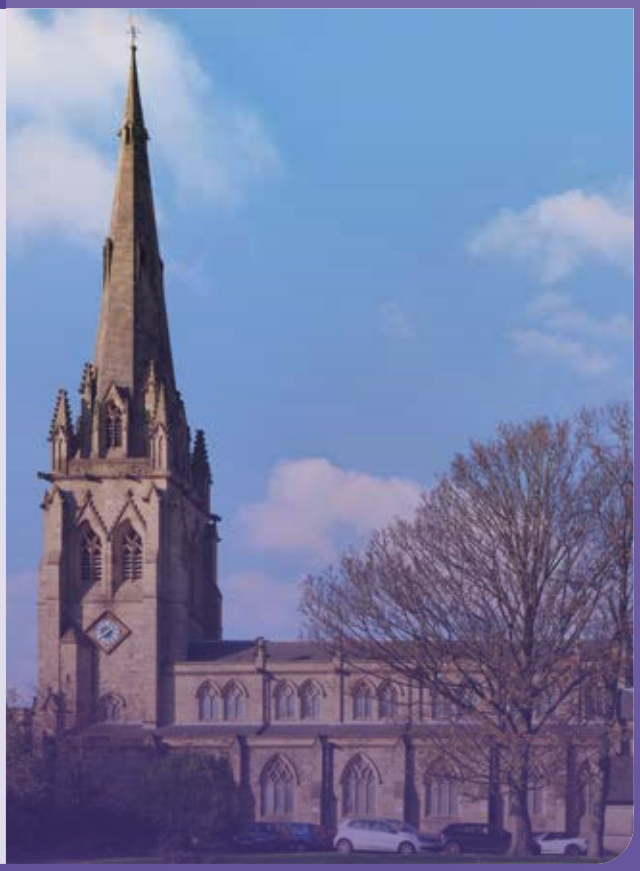
Every diocese participated in the first round of peer reviews which ran from 2016 to 2018 and by the end of 2020 36 dioceses had taken part in a second peer review. Programme delivery was hampered by the impact of COVID-19: several reviews had to be cancelled at relatively short notice although three were later held through video links, giving a total of seven peer reviews completed in 2020.

Any future arrangements for peer review will be shaped by the recommendations which emerge from the national Church's Vision and Strategy work.

# Blackburn

Growing mission and revitalising ministry in Preston city centre was awarded in 2018.

Preston Minster is a city centre church, with a focus on reaching under 25s and student ministry, which was revitalised through a grafted church plant from HTB. At Christmas the worshipping community took part in the Love Christmas campaign.
The diocese anticipates an increase in the combined Preston Minster and St George's regular weekly attendance from under 50 to at least 400, including a net growth of 275 new disciples, by 2023. The total cost of the project is £3.1m towards which Strategic Development Funding contributes over £1.5m was granted over five years.



Meeting our aims:
Supporting Church's ministry through effective use of Commissioner funding

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# Supporting the Church of England

## Bishops', Archbishops' and Cathedrals' ministry

The Church Commissioners meet the stipends, office and working costs of the archbishops and bishops, as well as cathedral senior clergy, supporting their ministry.

Diocesan bishops can spend their funding according to local needs, including decisions on the level of funding to their area and suffragan bishops.

**Lambeth Palace**
Lambeth Palace is owned and maintained by the Church Commissioners. The Palace needs repair, its infrastructure not having been updated since well before the Second World War. In 2020 we completed a master planning exercise to identify how Lambeth Palace can function as both the home and working office of the Archbishop of Canterbury and as a major central focal point for the worldwide Anglican Communion; design and planning work has started for the essential part of this work to ensure the Palace is a safe and secure place to live and work and providing the opportunity for this building to be a pioneer for sustainability.

**Bishops' housing**
The Commissioners have a statutory duty to support diocesan bishops with housing and to provide suitable accommodation which facilitates the bishops' work and mission. The work started at the end of 2019 at the Hereford See House was completed to enable the new Bishop to take up his new ministry and responsibility in spring 2020. The Chester See House was refurbished with the demands around undertaking the work during the COVID-19 pandemic including workforce challenges and the shortage of building materials. We took the opportunity to include some minor sustainability works including the installation of secondary glazing. The new Bishop was able to move in and take up his new ministry and responsibilities from autumn 2020.

To assist our commitment in encouraging more bishops to have plug-in hybrid and fully electric cars we have undertaken a small pilot project with providers of electric vehicle charging points to enable us to find a suitable provider. The work to roll out electric vehicle charging points will continue on a needs basis. We have undertaken a pilot project to review the sustainability of ten See Houses across the portfolio. There is more work to be done in order to review and implement any changes required along with the need to review the remaining houses within the portfolio in order to meet the Church's commitment to become 'net zero carbon' by 2030.

**Chancel repair liability**
The Church Commissioners have inherited a whole or partial chancel repair liability in respect of approximately 800 parish churches, and from 1 January 2019 the Commissioners also took on the full administrative and financial responsibility for keeping approximately 200 Cathedral Chapter chancels in good order.

Consequently, the Bishoprics and Cathedrals Committee became responsible for the oversight of the Commissioners' expenditure on all chancel repairs and related matters. In 2020, we approved 45 new chancel repair projects which, with the existing projects from previous years, enabled us to provide financial and administrative support to approximately 85 parishes during the year.

Similarly, we also supported six cathedrals by taking on the financial responsibility for the repair of approximately 20 chancels which those cathedrals have liability for.

**Cathedrals**
Cathedrals are focal points not only for the Church but for the communities they serve and open their doors to millions of visitors each year. We support the ministry of cathedrals through two funding streams under the Cathedrals Measure 1999. In 2020, £6.5m provided under section 21 of the Measure supported the stipends and pension costs of the dean and two residentiary canons at all cathedrals except Oxford and the Isle of Man. Any part of the grant unused as a result of a vacancy can, at our discretion, be used to support the employment costs of other cathedral staff.

A further £4m in grant funding was provided under section 23 of the Measure to fund staff costs at cathedrals with the lowest unrestricted income. This funding frees up cathedral resources and helps facilitate their mission and ministry to their local communities. Following the outbreak of the pandemic, this was paid upfront to support cash flows at a critical time.

The Church Commissioners continued to make grants from the Cathedral Sustainability Fund in 2020, which was established in 2017. This fund enables the Commissioners to give discretionary section 23 grants to cathedrals to provide seed funding for projects aiming to help them become more financially sustainable.

In 2020, £6.0m was awarded to 36 cathedrals, bringing the total to date from the fund of £8.6m to 38 cathedrals. More applications are in the pipeline to help cathedrals look towards a financially sustainable future. During 2020 a further £3.0m was distributed in response to the COVID-19 crisis (to 41 cathedrals) including for emergency funding and supporting heritage trades and lay clerks. An additional £10m was made available for spending in 2020–22, on top of the original £10m allocation, to support cathedrals through the pandemic and to ensure future sustainability.

**The new Cathedrals Measure**
Following the 2018 Cathedrals Working Group ('CWG') report and the draft new Cathedrals Measure debated and passed to revision stage in 2019, General Synod gave final approval to this Measure in 2020. Guidance continued to be drafted to support and incorporate this new Measure (assuming Royal Assent is granted in 2021) to align cathedrals with their new charitable status, co-regulated by the Church Commissioners and the Charity Commission.

# Lambeth Palace Library

The Church Commissioners in their 2004 Documentary Heritage review recognised the challenges facing the central libraries and archives of the church.

Having grown over centuries they were housed in spaces never intended to protect archives; and at Lambeth Palace especially, impossible to adapt to meet modern standards. It was a significant problem. Their recommendation was the creation of "a single national library and archive for the Church". The Commissioners have addressed that problem with a new Library building, delivered almost to time despite lockdown and within its budget.

There is now an opportunity to grasp – not only by delivering on the Library's vision for its collections to be explored and enjoyed by all – but for the new building to be a beacon for the mission and work of the Church of England.

Designed to be a sustainable, low energy use building, the Library, rated 'excellent', is due to open in 2021. We look forward to welcoming as many people as possible not only to explore the collections but also to find out more about the Church and its past, present, and ongoing mission to the nation.



Meeting our aims:
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# Supporting the Church of England

## Parish Reorganisation and Church Property

The Church Commissioners have a responsibility to work with bishops and dioceses to further the mission of the Church by helping them to make changes to the patterns of ministry within their dioceses.

**Parish reorganisation and Church property**
This work is fundamental to the mission of the Church, as it enables dioceses to respond to changing factors such as demography and population shifts and to encourage growth.

The Commissioners have a quasi-judicial role and are responsible for the management and delivery of the processes of the Mission and Pastoral Measure (2011), the Church Property Measure (2018) and related legislation. This work is overseen by the Mission, Pastoral and Church Property Committee ('MPCPC'). The Committee is chaired by the Third Church Estates Commissioner and met six times in 2020. The Committee considers strategy and policy and adjudicates on schemes for pastoral reorganisation, for church closure and for the reuse of churches which are no longer needed for regular Anglican worship, and other matters. We also continue to work with teams across the NCIs, through the Strategic Buildings Support Group, and wider partners.

The COVID-19 pandemic had a significant impact on our work in 2020, but the staff team managed the demands of transitioning processes very well. The MPCPC was able to continue virtually from March 2020 onwards, but the publication of draft schemes was halted during the first national lockdown. Publication did gradually start again, and the flow of work has been comparable with recent years.

- 90 pastoral schemes and orders were made, from a caseload of 175.
- 88 new schemes were received in year. The majority of the schemes were for the union of benefices and the rest for the union of parishes.
- 24 draft schemes were published which proposed a new use for churches no longer needed for regular Anglican worship, and the disposal of 12 churches was completed. One will retain its worship use, and three others will have a community use as a heritage centre, as a Girl Guides centre for education and culture, and as a workshop and studio for a glass artist.
- Eight pastoral schemes and six schemes for the reuse of closed church buildings were referred to the MPCPC for decision.
- The demolition of St Elizabeth's, Eastbourne was completed, after the important murals by Jewish artist Hans Feibusch were removed. The site will now be marketed and is likely to be sold for social housing development.
- Where appropriate the team obtain their own planning and listed building consents to speed up building or site disposal and maximise value. Permissions were obtained for the residential development of Fraisthorpe St Edmund (Diocese of York) and the property was sold in July 2020.
- In-house research was completed on the reasons for church closure and the trends in reuse over the last 50 years.

In total, just over £2m in net proceeds from the disposal of closed churches and sites was allocated to dioceses to support mission and ministry and new initiatives in 2020. In the past ten years we have transferred £20.5m from proceeds to dioceses to support ongoing mission.

**Review of the Mission and Pastoral Measure**
The Legislative Reform Committee has commissioned a review of the Mission and Pastoral Measure, as part of further work on simplification. This is being led by the team, and a Green Paper will be published for consultation in the summer of 2021.

**Training**
The team moved its training function online in March 2020 and provided sessions on Deanery planning for Ely and Ipswich. In addition, training on the disposals of parsonages, glebe and corporate housing was provided to 18 dioceses.

**Churches Conservation Trust (CCT)**
The MPCPC is also responsible for overseeing the strategy and performance of the CCT, which is jointly funded by the Commissioners and the Department for Digital, Culture, Media and Sport. The CCT works in partnership with communities to conserve the most historically significant church buildings, and is responsible for 356 churches. During the pandemic they were able to keep them open when allowed for worship, providing community and pastoral support at a difficult time. The CCT Chief Executive attended the MPCPC and presented the Annual Report and Accounts for 2020 and gave an update on the impact of COVID-19 on the work of the charity.

## Hockerton St Nicholas

During 2020, the Grade II-listed and unused church, St Nicholas, Hockerton, was given a new lease of life, thanks to the work of the Church Commissioners.

The scheme developed by the Commissioners delivered a new community glassblowing studio and workshop in the empty church, enabling local people to take part in future classes on glass making. Visits to support local tourism are also planned and the scheme created new jobs in the glass studio for the local community.

The Church Commissioners worked with the diocese and local planning authority to make the necessary changes to the building, including the installation of a furnace and kilns to enable the sale of the building to go ahead.

Conservation of historic places is key in any conversion, and in this case minimal impact on the fabric of the building was achieved. The final development included retaining the church's pews and keeping the nave area largely unaltered to allow the glassblowing and fabrication process to be viewed by visitors.



Meeting our aims:
Supporting Church's ministry through practical guidance and effective processes

See more on **pages 4–7**

# Investing for the future

## Investment policy and investment objectives

The Church Commissioners manage an investment fund of £9.2bn in an ethical and responsible way. The fund has delivered an average return of 9.7% per annum over the last ten years.

**Objectives**
- To manage the fund to ensure sustainable distributions for our beneficiaries
- To achieve a total return of CPIH+4.0% per annum measured over the long term
- To meet performance benchmarks for individual asset classes
- To manage risks appropriately
- To act within our ethical guidelines and be at the forefront of responsible investment globally

**Fund strategy and performance**
The Church Commissioners manage a diversified portfolio spread across a broad range of asset classes, consistent with our ethical guidelines.

**Fund strategy**
Our investment objective is to generate a return of CPIH+4.0%, on average, over the long term to support the work and mission of the Church of England today and for future generations. We have managed to match or exceed our target over 1, 3, 5, 10, 20 and 30 years. Over the last ten years, the fund has achieved an average return of 9.7% every year.

Meeting or exceeding our performance objective allows us to meet our pension obligations and to grow, in real terms, our support for the Church, balancing the needs of both current and future beneficiaries.

The Commissioners' investment policy is to hold a diversified portfolio of investments across a broad range of asset classes consistent with our ethical guidelines and our Responsible Investment ('RI') Framework. Our ambition is to be at the forefront of responsible investment globally and this is discussed in more detail on pages 22 to 23. The chart (overleaf) shows our asset weightings at the end of 2020.

**Fund performance**
At the start of 2020 no-one could have predicted the upheaval that crushed the economy.

2020 was a year where there was a 'tug of war' between the economic damage caused by the pandemic and the unprecedented monetary and fiscal stimulus response by authorities. This gave investors a roller coaster ride in 2020. The economic impact across different countries/regions and returns across and within asset classes was widely divergent.

In response to the pandemic, interest rates were cut to zero across the globe, Central Banks launched successive rounds of quantitative easing (QE) and governments have provided unprecedented fiscal stimulus. For financial assets, like equities, this has more than offset the impact of the economic drag caused by the pandemic. Investor optimism and markets were given a further boost towards the end of the year with the positive news on the efficacy of vaccines (Pfizer, Moderna and AstraZeneca/Oxford). Real assets, like property, had a much more mixed year.

While there were differences across asset classes, 2020 turned out to be a year where the Commissioners' portfolio overall was able to deliver a positive return of 10.4%, which compares favourably to our CPIH+4.0% target. Our longer-term performance, which is significantly more important in terms of determining our distributions, also remains strong. Our 3, 5, 10, 20 and 30-year numbers are all ahead of our target.

Based on these returns the value of the Commissioners' investment assets at 31 December 2020 stood at £9.2bn compared with £8.7bn at the start of the year.

**Responsible Investment**
The Church Commissioners are committed to being at the forefront of Responsible Investment. A key highlight was the UN-backed Principles for Responsible Investment (PRI) inclusion of the Commissioners in their PRI Leaders' Group for the second year in a row.

More information about our approach to RI, which goes to the heart of the character and objectives of the Commissioners as investors, can be found in the Responsible Investment section of the report.

**Public Equities**
In aggregate, global equities have benefited from the policy response and delivered a strong return with the MSCI Global index up 13.2% in sterling terms having rallied 70.5% off the lows in March 2020. Although the aggregate index delivered a strong return there was a wide dispersion within the market. The winners and losers, in a wild year for equity markets, were determined by what defined the year for everyone: a global pandemic.

This dispersion within markets proved beneficial for the Commissioners' active strategy. Overall our public equity portfolio returned 18.3% versus the benchmark of 13.2%. This successful active management continues the longer-term outperformance we have been able to achieve in global equities where our portfolios are ahead of the respective indices over 5, 10, 20 and 30 years.

**Other securities**
The private equity and venture capital portfolio, which invests in unlisted companies, achieved a total return of 33.6% in 2020. The portfolio experienced exceptionally strong gains in the last quarter, which cannot be immediately realised given the long term and illiquid nature of these assets, but contribute to the strong full year out-turn for these portfolios. We agreed further commitments to the private equity portfolio totalling £429m during the year. In Venture we were

very pleased to be able to commit c.£55m to 7 managers across 20 funds during 2020. Over the long-term, our private equity and venture portfolio have significantly outperformed public equity markets, returning 19.9% and 16.3% per annum over the last 5 and 10 years respectively.

Our absolute return portfolio, which represents around 7%, of the fund is designed to generate returns which are largely independent of the external environment. In 2020 it returned 5.1% which is less than equity markets but still ahead of our CPIH+4.0% target.

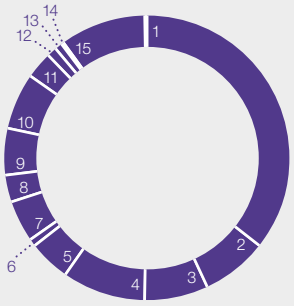
### Fixed Income

Our fixed income portfolio invests in credit strategies, both liquid and illiquid, but is a small allocation within the fund at present. The liquid portfolio, which includes investments in global high yield bonds, emerging market debt and structured credit, delivered a positive return of 7.6%.

### Tactical Asset Allocation and Currency Hedging

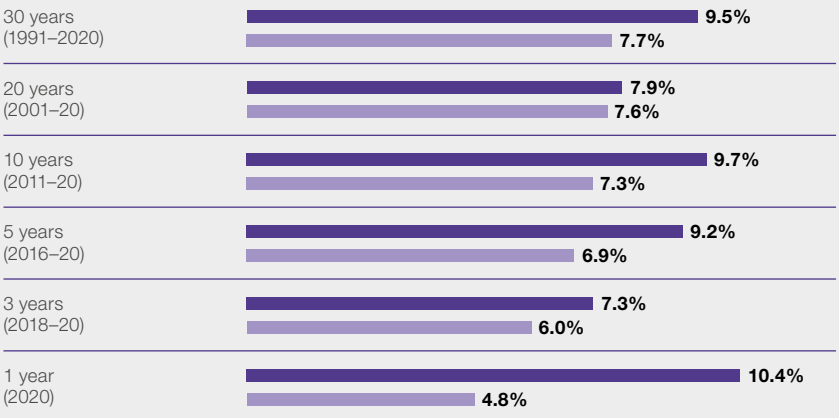
In 2020 we added the internal capability to make use of derivatives to enable the investment team to hedge our equity market risk and to support the dynamic implementation of asset allocation decisions. This builds on our existing capability to manage currency risk. These programmes have been used at various points in the year to manage specific identified risks. During 2020, our currency hedging programme showed a cumulative realised and unrealised loss of £56.6m, however included within the total was a realised gain of £24m. Profits and losses partially offset the contrary movement in value of the asset portfolio due to foreign exchange movements. The equity hedging capability was implemented partway through the year, and contributed £34m from the use of derivatives to manage our equity market risk, enabling increased efficient portfolio management activity. Both programmes operate under specific guidelines and limits, set by and reviewed on a regular basis by the Assets Committee.

### Commissioners' asset allocation (as at 31 December 2020)




| | | |
|---|---|---|
| 1 | Public equities | 35.6% |
| 2 | Defensive equities | 7.5% |
| 3 | Multi-asset | 7.3% |
| 4 | Private equity | 9.5% |
| 5 | Timber | 4.7% |
| 6 | Infrastructure | 0.9% |
| 7 | Credit strategies | 4.7% |
| 8 | Commercial property | 2.9% |
| 9 | Residential property | 5.3% |
| 10 | Farmland | 6.5% |
| 11 | Strategic land | 2.9% |
| 12 | Indirect property | 1.2% |
| 13 | Value linked loans | 0.9% |
| 14 | Currency hedging | 0.2% |
| 15 | Cash and equivalents | 9.9% |

### Long-term total returns per annum (against the Church Commissioners' target return)




Note: Target return was RPI+5% per annum to end 2018, CPIH+4% thereafter

### Cash Allocation

The cash allocation of the portfolio remains relatively high, at 10% as at 31 December 2020. Whilst this is slightly above our typical long-term level, this reflects our overall strategy as a long-term investor, with a commitment to manage liquidity and minimise any volatility in distributions that might otherwise flow through from short-term market impacts, This is consistent with our distribution strategy informed by our actuaries' report referenced below and the Going Concern approach set out on page 28. It ensures we do not need to realise short-term negative market impacts in the wider portfolio, and works in tandem with our approach to hedging these risks.

Meeting our aims:
To manage our investments responsibly

See more on **pages 4–7**

## Investment policy and investment objectives continued

**Real Assets**
The Church Commissioners' real asset portfolios consist of a diverse range of property-related investments enabling us to take a long-term approach in line with good stewardship.

**Rural**
Capital receipts in 2020 totalled £56.5m. A further £7.4m of assets were transferred to the strategic land portfolio to facilitate residential development. The total return for the rural portfolio in 2020 was 3.2%.

Management of the rural portfolio has resulted in active dialogue with our agricultural tenants to explore higher value opportunities where they arise, as well as continuing to drive the revenue and capital performance of the portfolio.

We began a natural capital baseline assessment in 2020, engaging with the Commissioners' net zero ambitions. The output will enable a strategy for environmental impact and reporting to be developed.

**Hyde Park Estate**
In 2020, £38.8m was generated by the Estate in capital receipts through open market sales and leasehold reform transactions. £3.7m was reinvested in completing refurbishments across the Estate. The total return for the portfolio in 2020 was 3.6%.

Despite the challenges of the pandemic across the residential sector we continued to maintain a low void rate in both new residential lettings and the renewal of existing tenancies. Being supportive of tenants and the changing needs presented by the COVID-19 pandemic has been a priority for the team. Despite the difficult retail market during the pandemic, at Connaught Village we completed two new lettings to independent retailers and agreed terms for two more lettings due to complete in early 2021. In the autumn we collaborated with one of our artist tenants to display an interactive piece of public art, *Wavelengths*, that received national press coverage.

**Timberland**
The Commissioners' timberland portfolio delivered an exceptionally strong return of 41.3% during 2020. Capital receipts in 2020 totalled £36.2m. Our UK forests had a very strong year buoyed by continued strong demand from investors in high-quality forest properties. We completed the sale of five forests in Scotland during the year and the sale of our timberlands in Louisiana, US. COVID-19 caused some timber price volatility during the year, and we adjusted our timber sale plans to benefit from market conditions.

Construction commenced on a 168MW wind power development in South Scotland, which will add to the existing 31MW of sustainable wind power generated on our forest properties. We signed two new solar option agreements in Virginia, US, with our current options potentially worth up to $33.7m to the Commissioners in the coming years.

We have been working with third party consultants to assess the natural capital benefits of the portfolio and calculate carbon sequestration.

All 92,700 acres of our directly owned commercial forest properties as well as our fund and joint venture interests in the UK, US and Ireland are fully certified to high sustainable standards. During 2020 we planted 2.5m trees, including the establishment of a new 154-acre woodland in Perthshire comprising 142,000 trees.

**Commercial**
During 2020 we purchased Wycombe Retail Park, High Wycombe, taking advantage of opportunities within this sector, and 83 Clarence Street in Kingston upon Thames to add to an existing holding. At Catford Retail Park we have identified a joint venture partner and work is under way on a development agreement to redevelop the site for a mix of uses. A significant focus throughout the year has been on rent collection in light of the pandemic's impacts. The commercial portfolio delivered capital receipts of £9.2m and a total return of -12.8% in 2020.

**Strategic Land**
The strategic land portfolio delivered a return of 3.7% and receipts of £7.9m in 2020. Five new sites were delivered into the portfolio through the year, with the potential to deliver approximately 2,600 new homes and 50 hectares of employment land, new education and community facilities, as well as areas of open space and biodiversity improvement.

Planning applications for new communities were submitted at Dewsbury, West Yorkshire and at Bracebridge Heath, Lincolnshire. The proposals at Dewsbury will see the delivery of 1,535 new homes, 35 hectares of land for employment uses, a new primary school and a local centre. At Bracebridge Heath, 1,211 new homes and 2.6 hectares of employment space will be delivered. Further applications were submitted at Northallerton, North Yorkshire, for 145 houses, and at Darton, South Yorkshire, for 73 new houses. In December, planning permission was granted for 1.36m square feet of new employment space to the east of Peterborough. In all schemes, affordable housing is provided in line with the needs of the local community.

We have seen continued house sales at our development sites in Ashford, Kent and in Peterborough through 2020, following a resurgence in the housing market through the second half of the year. Further sales were completed at Thorverton, Devon and at Haskayne, West Lancashire.

**Infrastructure**
Despite the challenges of COVID-19, 2020 was an active year for the infrastructure portfolio as we continued our focus on energy efficiency and environmentally innovative infrastructure investments. In aggregate we committed over £60m to new areas including supporting the roll-out of electric vehicle charging infrastructure in the UK. We also invested in wind and solar developments in Ireland and a renewable diesel facility in the US creating diesel from animal and vegetable oils – displacing fossil fuel usage. Overall the infrastructure portfolio is estimated to have positively sequestered 32,900 tonnes of carbon dioxide during the year. The infrastructure portfolio delivered a return of -4.1% in 2020.

**Indirect Property**
COVID-19 presented significant challenges to property, especially retail investments, which were impacted during the year as retailers faced considerable pressures. We focused on resilient sectors, and committed $30m to the Avanath Affordable Housing Fund, which provides support to lower-income families. We also established a co-investment vehicle targeting UK deals with Patron. The indirect portfolio delivered a return of -8.7% in 2020.

**Value linked loans**
In 2020 £4.6m in capital receipts were generated from the portfolio which delivered a total return of 2.1%. We have continued to work alongside colleagues at a diocesan level to develop relationships with those who manage properties within the portfolio.

## West Sussex

The Commissioners have been working with neighbouring landowners to bring together proposals for a new community in West Sussex. In 2020 the masterplan went through an extensive programme of stakeholder, council and public engagement and the site will be the subject of an outline planning application shortly.

The consultation undertaken has culminated in the preparation of a Framework Masterplan for the site, which is currently allocated in the Arun District local plan and which will deliver c.4,300 market and affordable new homes, two new local centres, including two primary schools, community halls/ library facilities, as well as extensive areas of green space, and a new sports hub. The Framework Masterplan, which sets the overarching principles for the development and will be used to inform and monitor forthcoming planning applications, was endorsed by Arun District Council in 2020.

Meeting our aims:
To manage our investments responsibly

See more on **pages 4–7**



# Investing for the future

## Social, environmental and ethical considerations in our Responsible Investment policy

Our ambition remains the same: to be at the forefront, globally, of responsible investment.

**Responsible Investment**
The Church Commissioners' approach to RI is shaped by the ethical policies we have adopted on the recommendation of the Church of England Ethical Investment Advisory Group ('EIAG') and by our commitment to the UN-backed Principles for Responsible Investment.

Our approach involves ethical exclusions; incorporation of Environmental, Social and Governance (ESG) issues into our investment processes; action on climate change risks and opportunities; engagement and voting; impact monitoring and impact investments.

The Commissioners were rated A+ for RI Strategy & Governance by PRI in our annual assessment in 2020 and gained A+ ratings for Manager Selection, Appointment and Monitoring for all asset classes. We were rated A for engagement and voting, and for our management of our directly held property assets.

We were again recognised in RI awards, winning IPE's inaugural award for Best in Impact Investing in 2020 and being included in the PRI Leaders' Group 2020, which recognises signatories at the cutting edge of RI.

**Ethical exclusions**
The Church Commissioners maintain a comprehensive range of ethical investment exclusions. We exclude from our direct investments companies involved in indiscriminate weaponry, conventional weaponry, non-military firearms, pornography, tobacco, alcohol, gambling, high interest rate lending, and extraction of thermal coal and production of oil from oil sands, subject to revenue thresholds.

Our policies also allow for investment restrictions on a case-by-case basis, usually as a last resort if we are not satisfied with a company following extensive engagement.

Our approach to indirect investments is shaped by our Pooled Funds Policy. This sets parameters for our use of pooled funds and a cap on indirect exposure to restricted investments.

**Integration of environmental, social and governance issues**
As PRI signatories, the Commissioners are committed to integrating ESG issues into our investment approach. Our RI Framework sets out how we do this and the way in which we select, appoint and monitor external asset managers.

We rate the RI practices of managers to determine whether they meet our minimum required standards, or are good or outstanding RI practitioners. We regularly engage with our managers on RI trends and practices in an effort to ensure continuous improvement.

**Climate risk and opportunities**
We regard climate change as a vital issue for responsible investors. The Church Commissioners have pledged to transition our portfolio to net zero greenhouse gas emissions by 2050 as members of the UN-convened Net-Zero Asset Owner Alliance, and we are actively involved in all workstreams of the Alliance: Engagement, Policy, Monitoring Review and Verification, and Financing Transition.

**External Assessment of our Portfolio**
In 2020, we engaged an investment consultant to assess our portfolio's resilience to climate change. We were reassured that our portfolio scores well, considering both the physical risks and transition risks and opportunities presented by climate change. At an asset class level, our exposure to sustainable listed equity, emerging markets equity, infrastructure and sustainable forestry provide the most positive contribution to resilience.

**Carbon footprint**
We use data from Trucost to monitor the carbon footprint of as much of our public equities portfolio as possible. We compare our portfolio emissions with those of our globally listed equities benchmark, which slightly changed in 2020 from previous years.

This data indicated that at the end of 2020 the carbon footprint of our portfolio was 335 tonnes of 'carbon dioxide equivalent' per £1m of corporate revenue compared to 222 $tCO_2e$ for our benchmark.

Our carbon footprint is above benchmark as a result of a small number of stock selection decisions by some of our fund managers. The 2020 figure also does not take into account the climate-related investment restrictions that we announced in December 2020. These will be shown in our 2021 carbon footprint figures.

In Q1 2021 we will set our first emissions reduction target on the road to a net zero portfolio by 2050, as members of the Net-Zero Asset Owner Alliance. This target will cover the period 2019 to 2025. Our primary goal is decarbonisation of the real economy, which we actively seek to realise through engagement with policy makers and companies. Our vision is a net zero emissions global economy by 2050.

**Engagement**
In 2020, in addition to our own extensive engagements with portfolio holdings, the Commissioners continued to work with external provider EOS at Federated Hermes ('EOS'). EOS's extensive engagement activities across a wide range of ESG issues complement our own work to promote responsible and sustainable business practice. Details of our engagement and stewardship activities can be found in our annual Stewardship Report.

**Climate change divestments**
The climate change engagement of the Church of England National Investing Bodies ('NIBs'), including the Commissioners, is guided by the commitments made by the NIBs in a July 2018 General Synod debate on climate change and investment.

The NIBs reaffirmed their commitment to engage urgently and robustly with companies rated poorly by the Transition Pathway Initiative (TPI) and, beginning in 2020, to start to disinvest from the ones that are not taking seriously their responsibilities to assist with the transition to a low carbon economy.

Following extensive engagement efforts by the NIBs, in December 2020, 12 companies made changes to meet the NIBs' 2020 climate change hurdles. However, the NIBs have restricted investment in nine companies because they don't meet the standards of the climate change hurdles.

**Impact investment, monitoring and management**
We continue to seek to improve our understanding of the environmental and social impact that our investment portfolio has on the world.

After we agreed our Impact Investment Framework in 2019, the Commissioners published a white paper alongside the UK's Impact Investing Institute on this process and the first impact analysis of our portfolio. This can be found on our website.

In 2020 we invested over £65m into dedicated impact investments and allocated £16m to the Archbishops' Council to create an 'impact-first' portfolio, which will focus on investing into catalytic social impact investments in the UK.

**Collaborative work**
The Church Commissioners continue to work with and support the Transition Pathway Initiative and Climate Action 100+.

In 2020 the Church Commissioners joined the UN Net-Zero Asset Owner Alliance.

The Church of England's EIAG continues to provide timely and practical advice to the three National Investing Bodies to enable investment in a way that is distinctly Christian and Anglican. The Commissioners work closely with the EIAG to develop investment policy.

Meeting our aims:
To manage our investments responsibly

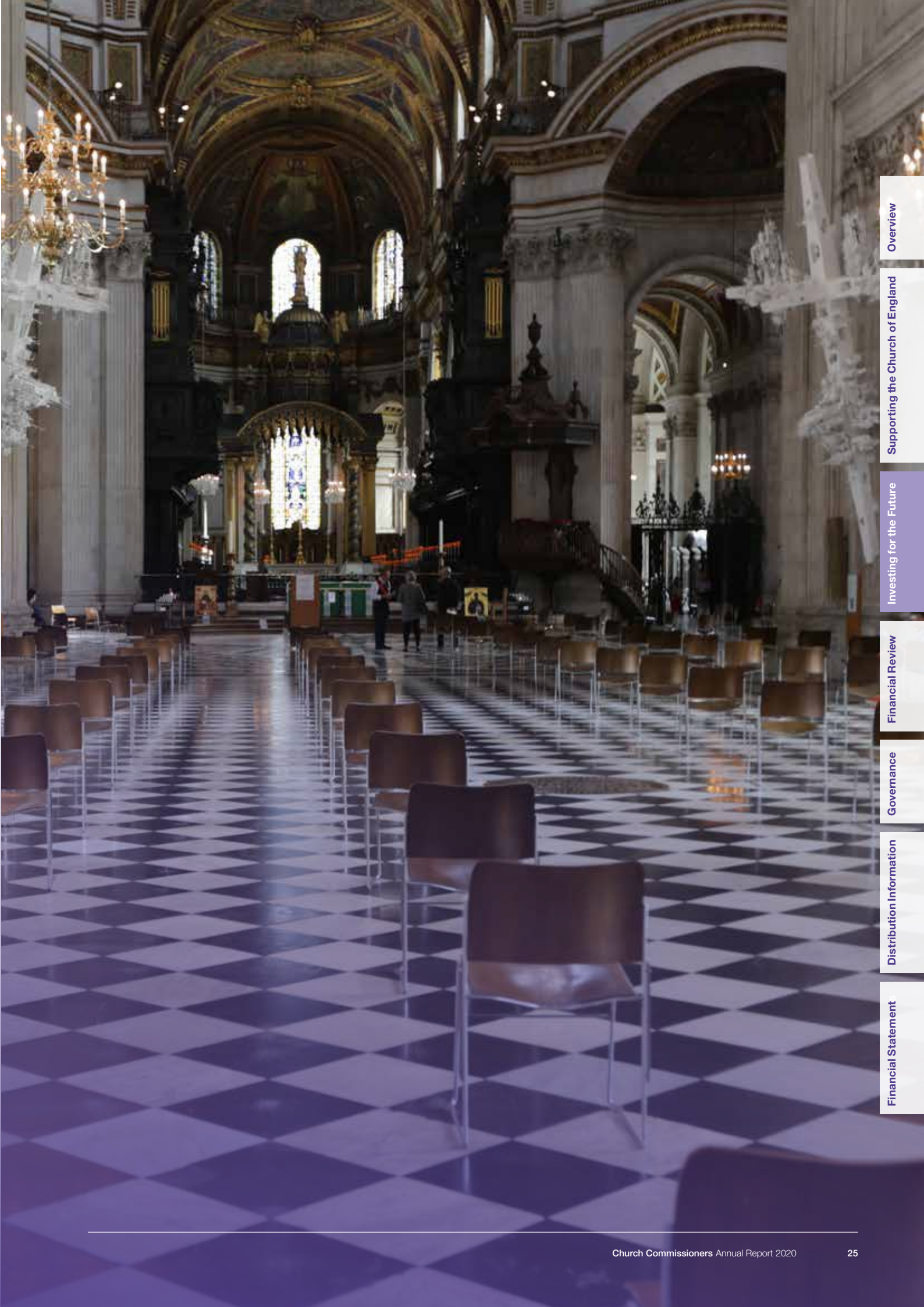
See more on **pages 4–7**



## List of larger holdings, property and equity

| Top 20 Property Holdings |
|---|
| 19–26 Long Acre & 28–30 Floral Street |
| Arbol Tree LLC, US Timberland |
| Ashford Estate |
| Brownhills, UK Forest |
| Canterbury Estate |
| Carlisle Estate |
| Cherry Tree LLC, US Timberland |
| Chichester Estate |
| Ely Estate |
| Huntingdon Estate |
| Hyde Park Estate |
| MetroCentre |
| Millbank Estate |
| Peterborough Estate |
| Rochester Estate |
| Royal Lancaster Hotel, Bayswater Road |
| Signature Senior Living Fund III |
| South Lincoln Estate |
| West Buccleuch, UK Forest |
| Wycombe Retail Park |

| Top 20 Equity Holdings |
|---|
| Alphabet |
| Amazon |
| Analog Devices |
| Baxter International |
| Becton Dickinson |
| Charles Schwab |
| Cisco Systems |
| Cognizant Technology |
| Dentsply Sirona |
| Equifax |
| Facebook |
| Gartner |
| Henry Schein |
| Illumina |
| Microsoft |
| Naspers |
| Palo Alto |
| Ping An |
| Samsung Electronics |
| Taiwan Semiconductor |



## A review of our 2020 financial activity

Despite challenging circumstances the Church Commissioners were pleased to be able to distribute £244.1m in 2020 including support for the wider Church to respond to the financial impact of the COVID-19 pandemic.

| | 2020 £m | 2019 £m | Difference £m |
|---|---|---|---|
| Charitable activities | | | |
| Supporting dioceses and the local church | **99.1** | 59.4 | 39.7 |
| Bishops' and Archbishops' ministry | **37.9** | 42.5 | (4.6) |
| Cathedrals' ministry | **20.0** | 10.5 | 9.5 |
| Other activities | **5.5** | 5.1 | 0.4 |
| Pre-1998 clergy pensions | **81.6** | 94.2 | (12.6) |
| **Total charitable expenditure** | **244.1** | **211.7** | **32.4** |
| Raising funds | **74.2** | 77.2 | (3.0) |
| **Total expenditure** | **318.3** | **288.9** | **29.4** |

Total income for the year was £128.5m (2019: £175.3m), £46.8m lower than the previous year due to a reduction in investment income, including the impact of equity dividend reductions due to COVID-19. Total gains on investment assets, including movements on derivatives, foreign currencies and taxation, was £777.4m (2019: £668.4m). Investment performance is described on page 18 of this report.

Expenditure during 2020 totalled £318.3m (2019: £288.9m), an increase of £29.4m on the previous year. A summary of the expenditure in 2020 and 2019 and the difference between the two is shown above.

The amount spent on supporting dioceses and the local church increased by £39.7m to £99.1m (2019: £59.4m) as the Commissioners were pleased to be able to make additional funding available to the Archbishops' Council for distribution within the 2020–22 spending plans. This included support for the growth of vocations through funding for additional ordinands (£2.6m) and curates; (Strategic Ministry Funding: £5.4m); a national strategy to increase giving and generosity across the Church (£1.7m); and a Strategic Transformation grants programme (£11.4m) to dioceses to help support them with restructuring programmes to better align with their strategic plans. The Commissioners also worked with the Archbishops' Council to respond to the impact of COVID-19, making grants of £14.9m (from an available £35m) to dioceses in the form of Sustainability Funding to help mitigate the loss of income resulting from the pandemic. Further details of expenditure in this category can be found in note 5 to the financial statements and are discussed on pages 9 to 17 of this report.

The other key area where expenditure increased in the year was on Cathedrals' ministry, which increased by £9.5m to £20.0m in 2020 (2019: £10.5m). This reflected additional funding made available in 2020–22 for cathedral sustainability projects, but which was primarily expended in 2020 as part of the response to the impact of COVID-19 as cathedrals saw significant reductions in income as a result of the restrictions imposed. A further £10m has been made available for future years, which will include support for the implementation of the new Cathedrals Measure.

The pre-1998 clergy pensions expenditure decreased by £12.6m to £81.6m (2010: £94.2m) as a result of changes in actuarial assumptions from 2019 to 2020. The Church Commissioners meet the cost of clergy pensions earned in service until the end of 1997. The Commissioners have provided in full for the future clergy pension payments earned until the end of 1997. The most recent annual actuarial update has generated a charge to expenditure in 2020 of £80.5m, with scheme administration costs of £1.0m and support costs of £0.1m resulting in overall spend of £81.6m. In 2020 the Commissioners' cash payments for clergy pensions were £118.9m (2019: £120.1m).

# Long-term financial strategy

**Reserves policy**
The Church Commissioners' policy is to invest its endowment to provide long-term financing to pay the pre-1998 clergy pension obligations and to make charitable distributions to support the mission of the Church of England in perpetuity. There is an aspiration to increase the in-perpetuity distributions in line with an inflationary factor, where such an increase does not hinder the Commissioners' ability to make similar distributions to future beneficiaries. The level of distribution each year is determined having regard to actuarial advice from Hymans Robertson LLP. Further details are provided in the Independent Actuaries' Report on page 45, including their qualifications for providing such advice.

The Commissioners account for and report returns (whether capital or income) on a total return basis under the terms of the Total Return Order obtained from the Charity Commission on 19 June 2012. This splits the fund into two components: the base level of the endowment and the unapplied total return. At 19 June 2012, the initial value of the base level of the endowment was £3bn and the initial value of the unapplied total return was £2.2bn.

Further information on the Total Return Order is provided in note 17 to the financial statements.

In addition to being able to spend unapplied total return, the Commissioners have a time-limited power, which expires in December 2025, to spend endowment capital on its clergy pension obligations. In 2020, this resulted in £118.9m (2019: £120.1m) being charged to the base level of the endowment.

The total endowment fund of the Commissioners as at 31 December 2020 stood at £7.6bn, including the provision for the pre-1998 clergy pension liability of £1.5bn which is due for payment in future years. The base level of the endowment was valued at £2.5bn at 31 December 2020 (2019: £2.6bn). with the unapplied total return at the end of 2020 being £5.1bn (2019: £4.4bn). The trustees consider the level of unapplied total return to be sufficient, in light of their distribution policy, to meet their expenditure plans.

**Spending plans**
The Church Commissioners and Archbishops' Council prepare joint three-year spending plans. A Triennium Funding Working Group, with members from the House of Bishops, Archbishops' Council and Church Commissioners, advised on how our funds should be most effectively distributed in 2020–22, informed by three priorities agreed by the House of Bishops:

- Investment in recruiting and training new ministers – helping dioceses deliver the Church-wide goal of increasing the number of ordinands by 50%;
- Supporting dioceses in making strategic investment in change programmes designed to produce 'good growth';
- The continuation of specific funding to help dioceses to support mission in lowest income communities.

We continued to make funding available for these priorities in 2020, and no changes were made to the overall amount expected to be available for distribution in 2020–22. However, in light of the impact of COVID-19, decisions were taken in the year to reallocate available expenditure within the agreed spending plans in order to provide Sustainability Funding to dioceses and cathedrals to help mitigate the loss of income which they experienced as a result of the pandemic.



## Going concern and carbon reporting

**Going Concern**
The Commissioners' role in funding the Church's ministry comprises certain legal obligations and discretionary funding. In assessing the going concern status of the Commissioners, the trustees have considered the Commissioners' role in funding the Church's ministry, the spending strategy, the application of total return and the legislation to allow endowment to be spent for specific pension purposes. In addition, the trustees take account of independent actuarial advice provided by Hymans Robertson LLP on the affordability in perpetuity of their planned distributions. This advice is provided every three years when setting the spending plans for the next three-year period (the "triennium"), and this is updated annually to ensure that the spending plans for the current and next triennium remain affordable. The approach adopted includes a smoothing mechanism which aims to give a full triennium's notice of any reduction in distributions unless there has been a significant deterioration in the balance between the Commissioners' assets and their spending plans. This means that while events such as COVID-19 are factors for consideration, the Commissioners have a clear framework for assessing whether the events are sufficiently significant that they would change the amounts available for distribution to beneficiaries in the short term.

The annual actuarial update for the year ended 31 December 2020 includes stress testing scenario analysis which models the impact on distributions in the event of different levels of reduction in asset values. This includes consideration of the impact of changes in the performance of the asset portfolio, expected future returns or inflation on the affordability of distributions. In light of this analysis there was no reason to consider that any changes were required to the planned distributions for the 2020 to 2022 triennium and so the trustees have concluded that the Commissioners are able to sustainably meet both their legal obligations and planned discretionary funding for at least the period to 31 December 2022 notwithstanding the impact of COVID-19. In addition the trustees have given consideration to the availability of liquidity and have increased cash holdings in light of market turbulence caused by COVID-19 and other external factors such that they are satisfied that they have sufficient cash to meet their obligations in the short term. Therefore, the Commissioners continue to adopt the going concern basis of accounting in the preparation of these financial statements.

**Carbon Reporting**
In 2018 the Government published Regulations concerning Streamlined Energy and Carbon Reporting (SECR). These are designed to increase awareness of energy costs within organisations, to provide data to inform adoption of energy efficiency measures, and to help them to reduce their impact on climate change. The Commissioners are not required to follow these Regulations; however, they are mindful of the General Synod's resolution of February 2020 for the whole Church, including the National Church Institutions (NCI), to work to achieve year-on-year reductions in emissions and urgently examine what would be required to reach net zero emissions by 2030. The SECR Regulations concern direct energy usage, and the Commissioners disclose further information on this area below. The indirect energy costs incurred by the Commissioners via their investment portfolio are considered elsewhere in this report on page 22.

The Commissioners intend to monitor their emissions using an intensity ratio of tonnes of $CO_2e$ per total square metres of floor space or per headcount. However, the Commissioners do not intend to use 2020 as the base year for monitoring their emissions. As most energy usage relates to the use of offices, 2020 will not be a suitable base year since most staff were working from home for most of the year.

The direct energy usage by the Commissioners is incurred as a result of staff travel and in the operation of offices at Church House, Lambeth Palace, and Bishopthorpe Palace. The data available for energy costs incurred relating to staff travel in past years is limited. However, the NCIs are entering into an arrangement with a travel management provider which will enable travel costs and energy usage to be monitored effectively in 2021. In respect of 2020, travel and the associated energy usage was significantly reduced on previous years as a result of the COVID-19 pandemic. This reduction is likely to continue during 2021.

Energy usage in the buildings our staff occupy principally consists of electricity and gas used in respect of heating and lighting. Usage in 2020 was not normal because most staff worked from home for much of the year. We are unable to quantify whether the additional energy usage incurred as a result of staff working from home outweighs the savings on our buildings. We are working with NCI colleagues to consider all options regarding how to reduce energy usage in Church House. These discussions will also consider the implications of changes to working practices resulting from COVID-19. The Corporation of Church House (the owner of Church House) is now embarking on a programme of work to the building to improve energy efficiency with a commitment to move towards carbon zero. The new Lambeth Palace Library is designed to use no gas and has solar panels that are anticipated to provide approximately half of the annual electricity use of the building.

The total energy use by the Commissioners during 2020 at Church House, Lambeth Palace, and Bishopthorpe Palace was 2.2m kWh and the associated greenhouse gas emissions were 441 tonnes of carbon dioxide equivalent ($CO_2e$). This was calculated on the basis of energy usage as disclosed on utility bills and Government $CO_2e$ conversion ratios.



## Risk Management Statement

The Church Commissioners' risk management process assists the Board and management by facilitating the identification and assessment of significant risks to the achievement of objectives.

The Church Commissioners' risk management process assists the Board and management by facilitating the identification and assessment of significant risks to the achievement of objectives. The process is supported by a risk management policy which outlines the roles and responsibilities of Commissioners, management, and staff.

The Board of Governors is ultimately responsible for risk and reviews its risk management arrangements at least annually. The Board is supported by the Audit & Risk Committee, which regularly reviews the content of the Strategic and Operational risk registers and seeks assurance over the adequacy of arrangements in place to manage the risks. Operational risks related to investment operations are also subject to regular review by the Assets Committee.

There is a clearly defined Risk Appetite Statement that sets out the types and levels of risk the Board of Governors are prepared to accept. A five-category scale from zero tolerance to risk taking is used to express the Church Commissioners' appetite to risk. The evaluation of individual risks through this lens allows the Board to assess whether its risk taking is within the defined risk appetite and whether additional management actions are required.

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

During the year, the Internal Audit and Risk Management Department commissioned an independent review of risk management processes and a roadmap has been built to further develop good practice.

2020 has brought unprecedented challenges as a result of the COVID-19 pandemic. Whilst these have stretched all organisations, not least the Church Commissioners, the Church Commissioners have benefited from well-established risk management processes. The Investment fund has performed well through huge volatility, testament to the robust approach to Investment Risk and Operational Risk of the Assets Committee. The Commissioners' teams have also managed to maintain their various operational responsibilities, with previous work on addressing People, Business Continuity, and Technology Risks paying dividends.

**Major Risks**

The major inherent risks which the Board of Governors considers most significant are:

| Principal Risk Area | Key Management Actions and Plans |
|---|---|
| **Investment Return**<br>Failure to achieve investment returns required to meet pensions obligations and distributions to support the wider church, for example as a result of events such as Brexit and COVID-19. | — Effective and experienced Assets Committee oversight<br>— Disciplined valuation-led investment strategy and process<br>— Genuinely diversified portfolio<br>— Proactive monitoring of market and currency exposures<br>— Assets Committee has a strong focus on Environmental, Social & Governance matters and reviewed independent climate impact scenarios during the year<br>— Liquidity management policy<br>— Regular review of currency hedging strategy in light of Brexit and other macro-economic risks |



**Principal Risk Area**

## Operational Effectiveness

Failure to control costs, liabilities and manage stakeholder expectations impacts the ability to provide sustainable support and assistance to dioceses, cathedrals and other beneficiaries.

**Key Management Actions and Plans**

- Working closely with the Archbishops' Council, Dioceses and Cathedrals to understand their priorities and manage their expectations
- Assets Committee governance of money available for distribution, including independent actuarial review and advice
- Co-ordinating Group (formerly Triennium Funding Working Group) established to review spending priorities in light of the COVID-19 pandemic. Recognition of need to flex some distributions and to provide additional financial support where most needed, with robust process established
- Improved regular analysis on financial performance of cathedrals to better assess financial strength

## Risk Management Statement continued

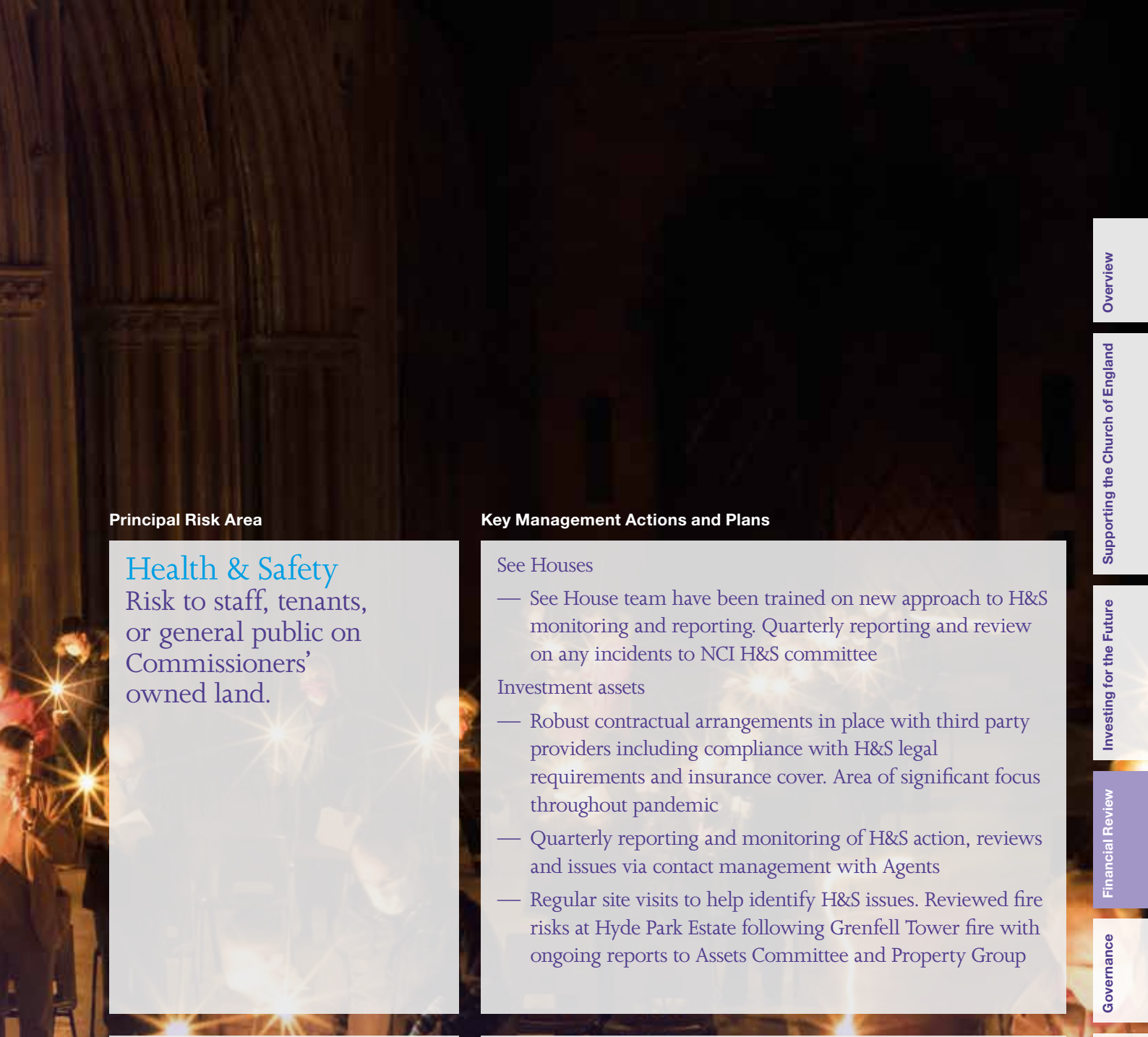
| Principal Risk Area | Key Management Actions and Plans |
|---|---|
| **Financial Control**<br>Lack of effective planning of operations, capacity challenges and/or ability to manage projects results in inefficient and ineffective working practices and a failure to achieve objectives to budget/time. | — Budgetary control of costs with regular meetings to review and check expenditure against budget<br>— Project Management Framework developed for the NCIs<br>— Project Review Board in place providing senior management oversight of the most complex or high-risk projects in the NCIs<br>— Commissioners' management regularly review their portfolio of projects |
| **Effective use of Commissioners' funding**<br>Strategic Development Fund and other national church funding fails to achieve the outcomes desired/expected, with ineffective review/monitoring controls in place. | — Strategic Investment Board (SIB) and Strategy & Development team give strong oversight of grant allocation and ongoing monitoring. Strategic Ministry Board and Ministry team do likewise for Strategic Ministry Funding<br>— Annual review of SIB activity reported to Commissioners Board and AGM<br>— Communication and information on how grants have been used which provides a well-understood process<br>— In light of the ongoing pandemic, the Co-ordinating Group has identified additional funding needs and agreed where necessary appropriate virements and reallocations for approval by the Church Commissioners and Archbishops' Council<br>— Governance arrangements in place for the new funding workstreams |



| Principal Risk Area | Key Management Actions and Plans |
| --- | --- |
| **Reputational risks**<br>Reputational risks relating to the Church Commissioners, other NCIs or the wider church impact upon the Commissioners' ability to achieve its strategic objectives.<br><br>Wider societal issues/ concerns with reputational implications for Church of England/Church Commissioners.<br><br>Long-established endowment funds may give rise to a reputational risk linked to the possibility of their original source, or early investment of funds, having slave trade connections. This could be the case for the original Queen Anne's Bounty and Ecclesiastical Commissioners' funds. | — Proactive and frequent engagement with key church stakeholders on Commissioners' strategy and priorities<br>— Financial Communications team to proactively manage responses to media in relation to investment strategy<br>— Experienced and effective governance and scrutiny applied by the Assets Committee, Audit & Risk Committee and Board of Governors<br>— Improved regular analysis on financial performance of cathedrals to better assess which cathedrals are in a potentially challenging situation<br>— Proactive engagement with local communities and churches regarding local housing schemes<br>— Triennium plans include support for the Archbishops' Council to allocate resources into Social Impact Investments aligned to the common good<br>— Monitoring societal attitudes and proactive consideration of social justice issues with potential relevance to the Church Commissioners, past and present<br>— The Church Commissioners have established a sub-group of the Board, to lead research into the issue of historical linkages to Transatlantic Chattel Slavery |

## Risk Management Statement continued

| Principal Risk Area | Key Management Actions and Plans |
|---|---|
| **Business Continuity**<br>Business Continuity, IT resilience, Cyber Security etc. impact delivery of strategic objectives.<br><br>Inability to deliver key services in the event of a major business continuity threat (e.g. COVID-19). | — Cyber Essentials Plus accreditation secured and key control measures are monitored on an ongoing basis by management<br>— Critical technology infrastructure housed in a remote location<br>— Business Continuity Plan in place for the NCIs, including IT Disaster Recovery<br>— Business Continuity capability tested with new emergency contact system and remote-working day well ahead of the pandemic<br>— Remote working successfully implemented at start of pandemic. Pan-NCI COVID-19 Business Continuity Group has been meeting weekly through 2020: considers access to buildings based on latest governance advice, agrees H&S risk assessments for each site and monitors sickness, leave, technology and staff wellbeing |
| **People**<br>Inability to recruit and/or retain high-quality staff with the requisite skills.<br><br>Poor diversity amongst leadership and trustees detracts from quality of decision making.<br><br>Looking after physical and mental welfare of staff. | — NCI Staff Survey completed in late 2019. Action plan is closely monitored by Chief Officers of the NCIs<br>— Inclusion & Belonging strategy developed and 24-month action plan well under way<br>— Focus on staff wellbeing with Employee Assistance programme introduced and NCI Mental Health "first-aid" support<br>— Increased focus on health and wellbeing in light of COVID-19 with additional resilience and mental health training provided<br>— Investments team remuneration structures overseen by Remuneration Committee |



| Principal Risk Area | Key Management Actions and Plans |
|---|---|
| **Health & Safety**<br>Risk to staff, tenants, or general public on Commissioners' owned land. | See Houses<br>— See House team have been trained on new approach to H&S monitoring and reporting. Quarterly reporting and review on any incidents to NCI H&S committee<br>Investment assets<br>— Robust contractual arrangements in place with third party providers including compliance with H&S legal requirements and insurance cover. Area of significant focus throughout pandemic<br>— Quarterly reporting and monitoring of H&S action, reviews and issues via contact management with Agents<br>— Regular site visits to help identify H&S issues. Reviewed fire risks at Hyde Park Estate following Grenfell Tower fire with ongoing reports to Assets Committee and Property Group |
| **Climate Change**<br>Failure to understand and respond to the paradigm shifts caused by climate change.<br>Heightened exposure and cost in relation to the Church Commissioners' property portfolio, with assets potentially damaged as a result of a major weather event. | — Implementation of a comprehensive Responsible Investment Framework<br>— Market-leading approach to climate change risks incorporating assertive engagement and assessment of companies through the Transition Pathway Initiative (TPI)<br>— Member of Net-Zero Asset Owner Alliance committed to net zero portfolio emissions<br>— Periodic assessment of the investment portfolio's resilience to different climate scenarios<br>— Pilot under way in relation to increasing the sustainability of See Houses |

# Governance

## How the charity is constituted

The Church Commissioners for England ('the Church Commissioners') are a statutory body created by the Church Commissioners Measure 1947 and registered charity (number 1140097) under the Charities Act 2011.

The Commissioners have a number of subsidiaries for investment purposes and the principal subsidiaries are set out in note 2 of the financial statements. A number of joint ventures are also held as part of their investment portfolio. The Commissioners, together with the Archbishops' Council and the Church of England Pensions Board, are equal partners in Church of England Central Services, a joint venture providing cost-effective shared financial, legal and other services.

**Public benefit**
As trustees, the Church Commissioners are mindful of the Charity Commission's guidance, *Charities and Public Benefit*, and, in particular, the supplementary guidance for charities whose aims include advancing religion, *The Advancement of Religion for the Public Benefit*, and have regard to both guidance documents when reviewing the Commissioners' aims and objectives and in planning future activities.

We are confident that the financial resources provided to parishes, bishops and cathedrals help to promote the Church's whole mission (pastoral, evangelistic, social and ecumenical) more effectively, at a national level, in the dioceses and in individual parishes. In doing so, the Church provides a benefit to the public by:

- providing facilities for public worship, pastoral care and spiritual, moral and intellectual development both for its members and for anyone who wishes to benefit from the Church's offering;
- promoting Christian values, and service by members of the Church in and to their communities, to individuals and society as a whole.

The report outlines examples of this public benefit in action.

**Trustees and the Board of Governors**
There are 33 Church Commissioners and they have trustee responsibility for meeting our charitable obligations. Six of these hold offices of State and the other 27 constitute the Board of Governors.

Thirteen Board members are elected, either by the General Synod or the cathedral deans, and others are appointed, by the Crown or the Archbishops, for various kinds of professional expertise. Board members also generally serve on one or more of our committees – the Assets Committee, the Audit & Risk Committee, the Bishoprics & Cathedrals Committee and the Mission, Pastoral & Church Property Committee. Except for the Assets Committee, they all contain non-Commissioner as well as Commissioner members. All are supported by an executive team led by Secretary & Chief Executive Gareth Mostyn. All new Commissioners receive a welcome pack containing information about governance in the charity sector and in the Church and all are offered an induction programme and other relevant training from time to time.

Since the publication of the 2019 Annual Report, we have said farewell to three Commissioners. The former Archbishop of York, John Sentamu, retired on 7 June 2020 and thus ceased to be an ex officio Church Commissioner. Board member and Audit & Risk Committee Chair Jeremy Clack stepped down having completed the maximum term as a Commissioner. And Lord (Richard) Best decided to step down after three years' service as a Commissioner, during which he served on the former Church Buildings (Uses & Disposals) Committee and the Archbishops' Council's Strategic Investment Board. We are enormously grateful to Sentamu, Jeremy and Richard for their leadership and their partnership and we wish them the very best for the future. In their places we were delighted to welcome Archbishop Stephen Cottrell, Busola Sodeinde and Nigel Timmins.

We also said farewell to non-Commissioner committee members the Rt Revd Martyn Snow, the Ven Penny Driver (members of the Mission, Pastoral and Church Property Committee) and Rosemary Butler (Bishoprics & Cathedrals Committee). In addition the Revd Simon Talbott stepped down from the Mission, Pastoral & Church Property Committee in the early part of 2021. In thanking them for their great contributions we also warmly welcome their successors, the Rt Revd Paul Bayes, the Ven Mark Steadman, the Ven Amatu Christian-Iwuagwu and Mark Beard (all of whom joined the Mission, Pastoral & Church Property Committee), the Revd Canon Jennifer Thomas and Ruth Mounstephen both of whom joined the Bishoprics & Cathedrals Committee.

The Commissioners take trustee recruitment very seriously and invest time and resource in finding, inducting and developing the highest calibre people. Vacancies are advertised in a range of publications depending on the specialisms of the roles and search consultants are often employed to assist us. We place particular emphasis on diversity, at trustee and staff level.

All new members are offered a comprehensive induction programme involving meetings with key staff and we recently developed a new 'trustee's toolkit' to supplement this. Other specific training is provided from time to time as required.

**Second Church Estates Commissioner**
The Second Church Estates Commissioner maintains the statutory accountability of the Church Commissioners to Parliament, including through the answering of questions in the House of Commons. Mr Andrew Selous MP was appointed to the role in January 2020.


CHRIST
WILL COME
AGAIN

## Organisational structure and staffing

# Working with the other National Church Institutions ('NCIs'), the Church Commissioners serve and support the wider Church, ensuring effective use of the Church's money.

**Our People**
The day-to-day management of the Commissioners is delegated to Gareth Mostyn. He is supported in his role by a senior management group and the wider staff team:

Chief Executive and Secretary:
Gareth Mostyn

Chief Investment Officer:
Tom Joy

Head of Bishoprics and Cathedrals:
Michael Minta

Head of Mission, Pastoral and Church Property:
Wendy Matthews

Chief Operating Officer:
Rosie Slater-Carr

Director of Libraries and Archives:
Declan Kelly

Director of Finance:
Joanna Woolcock

People Director:
Christine Hewitt-Dyer

Official Solicitor:
Alexander McGregor

**Responding to the pandemic**
Over the past few years a number of initiatives, such as our annual remote working day, have helped teams to prepare contingency plans should the need ever arise for NCIs staff to work from home or away from their usual office. This preparatory work enabled teams to adapt quickly to new ways of working and continue to deliver core functions, such as clergy payroll services and the high volume of detailed technical guidance for churches, when the first national lockdown was announced in March.

The health and wellbeing of staff has been the number one priority when making decisions about how we work through the pandemic. Staff have access to a range of internal and external health and wellbeing support which are regularly promoted through our internal communication channels. This includes our team of trained mental health first aiders – 24 volunteer staff – who are a highly visible support service for staff, hosting regular talks and virtual drop-in sessions.

To measure how staff were coping with the prolonged period of working from home we held two wellbeing surveys, one in May and one in September. As a result, we provided additional advice and guidance on matters of personal resilience, home working set-up, creating and maintaining boundaries between work and personal lives, as well as encouragement to take regular breaks and outdoor exercise. A new internal Skills Exchange Scheme put colleagues in touch with each other to help manage one-off peaks in workload as a result of the pandemic was launched in April.

**Connecting people**
New communication channels were quickly established to ensure that colleagues across the NCIs were kept informed during the pandemic and as a way of connecting colleagues. These included a first all-staff meeting on Zoom, attended by 440 colleagues on 23 March, hosted by the Chief Officers of the NCIs. Monthly webinars continued through to the end of the year, covering a wide range of topics and guest speakers, including Archbishop Stephen Cottrell in October. These sessions are now a regular fixture in our employee engagement calendar.

Oversight of our response was monitored by the Business Continuity Group who met on a weekly basis. A dedicated section on the NCIs intranet was published at the beginning of March to provide a single, trusted source of information about the impact of the virus on the NCIs. This included a comprehensive list of FAQs and an approval process to manage access to Church House, Westminster. Daily bulletins were published during March and April.

To help compensate for the loss of informal face-to-face meetings during the prolonged period of working from home a new online initiative to aid social and professional networking at the NCIs, Coffee Connect, was launched in October.

**Creating a sense of Belonging and Inclusion**
Our aim is for everyone in the NCIs to feel that they belong, and are valued for who they are and what they contribute. To achieve this, we are focusing our efforts in four areas: mentoring and learning, leading and signalling, generous behaviours, and celebrating and storytelling.

Our first pan-NCIs mentoring scheme started at the beginning of 2020 with 33 colleagues paired with senior leaders. This developmental programme was open to everyone and promoted to groups that are under-represented at more senior levels. This was an important first step towards addressing progression and retention, by signalling an explicit investment in developing cross-NCI relationships at all levels. A second round for a new cohort was launched in December 2020.

In February, we hosted a live event to talk about a range of topics including civil partnerships, minority ethnic clergy's lived experiences, and belonging and inclusion. Panellists included the Archbishop of Canterbury, Justin Welby, and the First Church Estates Commissioner, Loretta Minghella.

Throughout the year staff marked key dates, from a personal perspective commemorating Holocaust Memorial Day to the celebration of LGBTQ+ and Black History months. Networking events were also held by the Women's Network and the Disability Network.

Following the death of George Floyd in May, two safe space online events were hosted by the BAME Network to provide a place for colleagues to share how they were feeling, and to provide support for one another. During Black History Month our BAME Network shared books, videos and podcasts that recognised and celebrated the important events and contributions that black people have made to our society. The month culminated with a webinar with Jenny Louis, Acting Governor of Belmarsh Prison, who spoke about her career journey.

Open forum events were also held for staff to talk about the Living in Love and Faith project following the publication of resources in November, along with briefing sessions for the LGBTQ+ network and senior leaders. Staff cited the thoughtful and caring approach to support in their feedback.

**Summary of our people**
At the end of 2020, a total of 107 staff are employed or funded directly by the Commissioners, a 7% increase from 2019 (100 staff). The Commissioners make up 18% of the overall staff at the NCIs. The NCIs ended 2020 with 598 employed staff, an increase of 7% in the headcount compared to 2019.

The Church Commissioners is a joint employer with the other NCIs. It receives services from Church of England Central Services, which is also a joint employer.

Overall, 96 staff joined the NCIs in 2020, a 34% decrease from 2019, with a considerable drop-off in recruitment activity from April 2020 as lockdown began. Almost half of the joiners in 2020 (47 staff) started in the first three months of the year before restrictions were put in place.

The majority of NCI recruitment (52%) was to replace existing posts. Where new posts were recruited, these were for specific projects, including some funded by external bodies, or for agreed strategic priorities such as for safeguarding, digital and giving. Nearly a third of all new joiners (31%) were employed on fixed-term contracts. This is double the NCI average (15%).

The percentage of people who classed themselves as black or minority ethnic within the Commissioners was 10.9% (2019: 9.5%) compared with overall representation of 15.7% (2019: 15.8%) across the NCIs.

Across the NCIs, the ratio of female to male employees remained static (56% to 44% respectively). The percentage of women in senior positions rose from 38% in 2019 to 41% in 2020. The percentage of people who classed themselves as having a disability was 3.3%, a slight fall from 2019 (3.8%). Staff turnover dropped in 2020 to 9% compared to 19% in 2019.

**Staff remuneration and executive pay**
The staff of the Church Commissioners, excluding asset management staff, are covered by a unified pay policy that operates across all the NCIs. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value based on eight bands. For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market-related salaries and is subject to annual review.

Staff pay is reviewed annually and any increases as a result of the annual pay negotiations are awarded with effect from 1 January. The NCIs are an accredited Living Wage employer and ensure all staff including apprentices, interns and those on training schemes receive the appropriate living wage for their location.

A number of senior roles, including those of the Chief Executives, sit outside the banding system, as the skill sets required to fulfil the roles are not readily measured within the NCIs' standard job evaluation system. Salaries for these roles are set individually with reference to the wider marketplace. This process is overseen by the Remuneration Committee (JECSB), comprising senior trustees from each of the main NCIs. In general, these staff can expect the same percentage annual uplift for cost of living as those on the NCI bands.

**Asset management staff**
Staff engaged directly in the management of the Church Commissioners' investment portfolio are on separate contracts of employment and sit outside the general NCI pay arrangements described above. The Church Commissioners are a large and sophisticated institutional investor investing in a broad range of asset classes, including significant property holdings, and as such seek to attract and retain high-calibre investment professionals.

Accordingly, salaries are designed to reflect the market for investment specialists and for senior staff incorporate an element of Long-Term Incentive Payment ('LTIP') which encourages consistent outperformance of the Commissioners' target investment return over a sustained period of five years.

The level of pay and the value of incentive awards are overseen by a Remuneration Committee, comprising trustees on the Assets Committee supported by independent benchmarking data. The scheme is reviewed for consistency with the executive remuneration policy adopted by the Church's National Investing Bodies on the recommendation of the EIAG. A comprehensive review was carried out in 2019 to ensure the Church Commissioners can continue to attract, retain and motivate high-calibre investment professionals. Payments under this new scheme will be made from 2021 onwards.

Amounts payable under the LTIP scheme are spread over three years, and the full amounts are only payable if the recipient remains in post during that time. By this method the Commissioners ensure incentives are directly aligned with their objectives and are also long-term in nature. In the year to 31 December 2020, ten asset management staff for the Commissioners were paid LTIP payments totalling £753,077 based on the long-term performance of the fund. Additional awards given to other members of the investment team based on their individual performance totalled £349,900.

The highest paid member of staff received an LTIP payment of £214,825. The Secretary to the Church Commissioners does not participate in the LTIP scheme. During 2020 the total remuneration (salary and LTIP) for the highest paid member of Commissioners' staff was 20.8 times (2019: 22) the total remuneration received by the lowest paid member of Commissioners' staff and 10.3 times (2019: 10.9) the median total remuneration.

This is consistent with the recommendations on company remuneration adopted by the National Investing Bodies on the advice of the EIAG in 2013.

**Staff pensions**
The staff of the Church Commissioners are either members of the Church Administrators Pension Fund defined benefit section (if employed before July 2006), or a separate defined contribution arrangement if employed subsequently. Employer contribution rates range from 8% to 18% depending on age and additional voluntary contributions made.

# Governance

## Board of Governors and Trustees

**The Church Commissioners and Board of Governors at April 2021.**
The Board of Governors transacts the functions and business of the Commissioners except where, by statute or through delegation by the Board, these are exercised by committees. Except State office holders, all Church Commissioners are members of the Board of Governors.

Archbishop of Canterbury, Justin Welby **Chair**

Archbishop of York, Stephen Cottrell

**Church Estates Commissioners appointed by HER MAJESTY**

Loretta Minghella OBE, First Church Estates Commissioner

Andrew Selous MP, Second Church Estates Commissioner

**Church Estates Commissioner appointed by THE ARCHBISHOP OF CANTERBURY**

Eve Poole, Third Church Estates Commissioner

**Elected by the General Synod**

HOUSE OF BISHOPS

Bishop of Manchester, David Walker*

Bishop of Bristol, Vivienne Faull

Bishop of Birmingham, David Urquhart

Bishop of Newcastle, Christine Hardman

HOUSE OF CLERGY

Revd Anne Stevens

Revd Christopher Smith

Revd Stephen Trott

HOUSE OF LAITY

Canon Peter Bruinvels

Jay Greene

Canon Elizabeth (Betty) Renshaw MBE

Jacob Vince

**Elected by the deans**

Dean of Ely, Mark Bonney

Dean of Gloucester, Stephen Lake

**Nominated by HER MAJESTY**

Duncan Owen

Suzanne Avery

Nigel Timmins

**Nominated by THE ARCHBISHOPS OF CANTERBURY AND YORK**

Morag Ellis QC

Busola Sodeinde

Mark Woolley

**Nominated by THE ARCHBISHOPS OF CANTERBURY AND YORK**
After consultation with others including the Lord Mayors of the Cities of London and York and the Vice-Chancellors of Oxford and Cambridge Universities

Poppy Allonby

Helen Steers

Alan Smith

**State office holders**

First Lord of the Treasury

Lord President of the Council

Lord Chancellor

Secretary of State for Digital, Culture, Media and Sport

Speaker of the House of Commons

Speaker of the House of Lords

**Secretary to the Church Commissioners and Board of Governors**

Gareth Mostyn

**Assets Committee**
Subject to any general rules made by the Board, has an exclusive power and duty to act in all matters relating to the management of the Commissioners' assets

Loretta Minghella OBE **Chair**

Revd Christopher Smith

Bishop of Birmingham, David Urquhart

Canon Peter Bruinvels

Poppy Allonby

Suzanne Avery

Helen Steers

Duncan Owen

Mark Woolley*

Gareth Mostyn **Committee Secretary**

**Audit and Risk Committee**
Acts in matters relating to the external auditors, the annual accounts and internal control systems

Hilary Wild **Chair**

Busola Sodeinde

Ian Ailles

Jay Greene

Alan Smith

Emma Upstone

Stephanie Harrison **Committee Secretary**

**Bishoprics and Cathedrals Committee**
Acts for the Board in matters relating to episcopal and cathedral support

Eve Poole **Chair**

Bishop of Bristol,
Vivienne Faull

Bishop of Manchester,
David Walker

Dean of Ely,
Mark Bonney

Dean of Gloucester,*
Stephen Lake

Dean of Winchester,
Catherine Ogle

Dean of Guernsey,
Tim Barker

Jacob Vince

Canon Elizabeth (Betty) Renshaw MBE

Ruth Mounstephen –
Representative of Bishops' spouses

Kathryn Blacker –
Representative for AEC/CAFA

Michael Minta **Committee Secretary**

**Mission, Pastoral and Church Property Committee**
Acts for the Board in matters relating to pastoral reorganisation, parsonages and diocesan glebe, and matters relating to the future of church buildings closed for regular public worship

Eve Poole **Chair**

Bishop of Liverpool,
Paul Bayes

Bishop of Newcastle,
Christine Hardman

Ven Mark Steadman

Revd Canon Clare MacLaren

Revd Christopher Smith

Revd Anne Stevens

Ven Amatu Christian-Iwuagwu

Revd Stephen Trott

Canon Peter Bruinvels*

Morag Ellis QC

Jay Greene

Susan Pope

Garth Watkins

Wendy Matthews **Committee Secretary**

* Deputy Chair

**Professional Advisers**
**Bankers:**
**Lloyds Bank plc**
39 Threadneedle Street
London EC2R 8AU

**Custodians:**
**JP Morgan Chase Bank**
N.A, 25 Bank Street
Canary Wharf London E14 5JP

**Auditor:**
**Grant Thornton UK LLP**
30 Finsbury Square
London EC2A 1AG

**Actuaries:**
**Hymans Robertson LLP**
One London Wall
London EC2Y 5EA

## Board of Governors and Trustees continued

**Attendance at Board and Committee meetings**

| Board/Committee | Board | Assets | Audit and Risk | Bishoprics and Cathedrals | Mission, Pastoral and Church Property |
|---|---|---|---|---|---|
| **Number of meetings** | **5** | **7** | **4** | **8** | **6** |
| Archbishop of Canterbury, Justin Welby | The Archbishop of Canterbury chairs the Annual General Meeting. By arrangement he does not attend meetings of the Board of Governors. The Bishop of Manchester is the Archbishop's appointed deputy. | | | | |
| Archbishop of York, John Sentamu (until 23 April meeting) | 1 | | | | |
| Archbishop of York, Stephen Cottrell (from 24 September meeting) | 1 | | | | |
| First Church Estates Commissioner, OBE, Loretta Minghella | 5 | 7 | | | |
| Second Church Estates Commissioner, MP, Andrew Selous | 5 | | | | |
| Third Church Estates Commissioner, Dr Eve Poole | 5 | | | 8 | 6 |
| Bishop of Birmingham, David Urquhart | 4 | 6 | | | |
| Bishop of Bristol, Vivienne Faull | 3 | | | 4 | |
| *Bishop of Leicester, Martyn Snow* | | | | | 3 |
| Bishop of Manchester, David Walker | 5 | | | 7 | |
| Bishop of Newcastle, Christine Hardman | 3 | | | | 2 |
| Dean of Gloucester, Stephen Lake | 5 | | | 8 | |
| Dean of Ely, Mark Bonney | 4 | | | 7 | |
| *Dean of Guernsey, Tim Barker* | | | | 8 | |
| *Dean of Winchester, Catherine Ogle* | | | | 6 | |
| *Ven Penny Driver* | | | | | 1 |
| Revd Christopher Smith | 4 | 6 | | | 5 |
| *Revd Simon Talbot* | | | | | 6 |
| Revd Stephen Trott | 5 | | | | 5 |

| Board/Committee | Board | Assets | Audit and Risk | Bishoprics and Cathedrals | Mission, Pastoral and Church Property |
|---|---|---|---|---|---|
| Lord Best | 5 | | | | |
| Canon Peter Bruinvels | 4 | 7 | | | 6 |
| Canon Elizabeth (Betty) Renshaw | 5 | | | 8 | |
| Poppy Allonby | 5 | 7 | | | |
| Suzanne Avery | 5 | 5 | | | |
| *Kathryn Blacker* | | | | 7 | |
| *Rosemary Butler* | | | | 8 | |
| *Mark Beard* | | | | | 2 |
| Jeremy Clack | 1 | | 4 | | |
| *Ian Ailles* | | | 4 | | |
| Morag Ellis | 5 | | | | 4 |
| Jay Greene | 5 | | 4 | | 6 |
| *Revd Canon Clare MacLaren* | | | | | 4 |
| *Canon Susan Pope* | | | | | 6 |
| Duncan Owen | 5 | 6 | | | |
| Alan Smith | 5 | | 4 | | |
| *John Steel* | | | | | 1 |
| Helen Steers | 4 | 6 | | | |
| Revd Anne Stevens | 4 | | | | 6 |
| *Emma Upstone* | | | 4 | | |
| Jacob Vince | 5 | | | 6 | |
| *Garth Watkins* | | | | | 5 |
| *Hilary Wild* | | | 4 | | |
| Mark Woolley | 5 | 7 | | | |

Those listed in italics are non-Commissioners.

## Trustees' Responsibility Statement

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year to give a true and fair view of the state of affairs of the charity and of the incoming resources and the application of resources of the charity for that period.

In preparing the 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 judgements 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 adequate accounting records that are sufficient to show and explain the charity and its subsidiaries' transactions and disclose with reasonable accuracy at any time the financial position of the charity and the Group and enable them to ensure that the financial statements comply in all material respects with the Charities Act 2011, the Church Commissioners Measure 1947, and the Charity (Accounts and Reports) Regulations 2008.

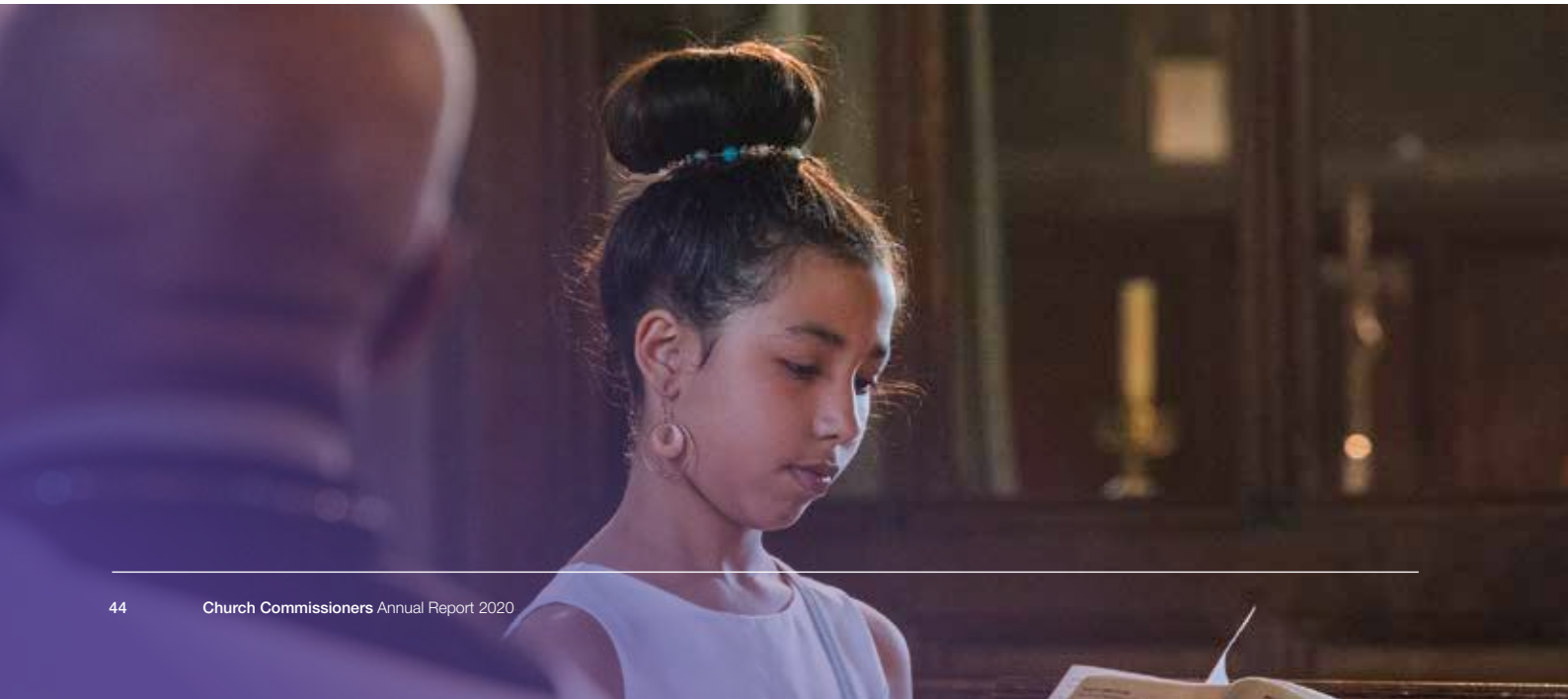
The trustees are also responsible for safeguarding the assets of the Church Commissioners for England (the 'parent charity') and its subsidiaries ('the Group') and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The trustees are responsible for the maintenance and integrity of the organisational and financial information included on the Commissioners' section of the Church of England website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board by:



**Loretta Minghella**
**First Church Estates Commissioner**

27 May 2021



# Distribution information

## Money available resolution and summary of report from the independent actuaries

**Introduction**
As required by the Church Commissioners Measure 1947 (as amended), at the 2021 Annual General Meeting of the Commissioners, the Board of Governors will recommend that the meeting (i) receives the Annual Report and Financial Statements; (ii) notes an update on the spending plans for 2020–22.

**Money Available Resolution**
At its meeting on 25 March 2021 the Assets Committee, having received updated advice from its actuarial advisors Hymans Robertson LLP (as required by the Pensions Measure 1997) which is summarised below, resolved (i) to inform the Board that sufficient funds can be made available in 2021 and 2022 to meet the Commissioners' expenditure plans for 2021 and 2022 respectively and (ii) that there was insufficient reason to amend the following sums the Committee expected it could make available for distribution in 2020-2022 following the most recent full actuarial review:

- Up to £383m for pensions.
- Up to £45m for fixed-term distributions.
- Up to £353m for core in-perpetuity distributions.
- Up to £156m for multi-year additional distributions.

**Summary of the report from the independent actuaries**
The Commissioners hold assets ("the assets") from which they pay pensions to retired clergy and other licensed ministers ("the pensions obligation") and staff ("the pensions liability"), and provide money to support the mission and ministry of bishops, cathedrals and parishes and for other purposes ("the distribution"). The distribution is affected by the extent of the pensions obligation and pensions liability. In order to assist the Commissioners in formulating the distribution policy, we carry out a detailed review from time to time.

Our most recent detailed review was carried out as at 31 December 2018 and we carried out an annual update of this review as at 31 December 2020. The review involved calculating the capital value (also known as the present value) of the following three areas of future expenditure from the assets, according to their term:

1. The pensions obligation and pensions liability. As the pensions are payable throughout the lifetimes of the pensioners, the term of this area of expenditure is longevity related and not known in advance. We therefore make assumptions of future life expectancy for the purpose of calculating the capital value of the pensions obligation and pensions liability.
2. Distributions previously agreed or agreed in principle which have a fixed term, for example the distributions to enable the construction of a new Lambeth Palace Library.
3. Planned core in-perpetuity distributions, for example the block grants to support Bishops' and Cathedrals' ministry, subdivided into separate elements with differing rates of planned annual increases.

Having calculated the capital values of the above areas of expenditure, we compare the total with the value of the assets held to assess whether the planned distributions are sustainable. If the level of assets exceeds the aggregate of the above distributions, as was the case in our most recent full review, we also calculate the level of multi-year additional distributions that could be afforded in perpetuity on our central assumptions.

Many occupational pension schemes have actuarial valuations performed using significant margins for prudence. This is done so that the scheme has a funding buffer should future events prove unfavourable, in particular if the pension scheme's sponsoring employer becomes insolvent. In contrast, our calculations for the Commissioners are made on a "best estimate basis" and do not include such margins of prudence. We consider that such margins are not required, as the assets are significantly larger than the pensions obligation and pensions liability, and no further margin is necessary. Moreover, if margins were to be included, this would restrict the level of other distributions, with the expectation that they are likely to be increased at some point in the future by more than the planned increases. This would lead to inter-generational inequity, with the future recipients of the distribution receiving more in real terms at the expense of current recipients.

## Money available resolution and summary of report from the independent actuaries continued

It should be noted that the distribution which the assets can support – and in particular the fund's capacity for distributions in addition to the core in-perpetuity and pensions distributions (termed as "additional distributions") – is extremely sensitive to a number of factors. These include the actual investment returns on the assets, the assumed average future investment return, actual increases in the national minimum stipend (on which the starting level of clergy pension is based) and inflation (which determines increases in pensions in payment) and the actual and prospective longevity of pensioners.

The main results of our calculations were that:

(i) as at 31 December 2020, £1,477m of the Commissioners' assets were required to meet their clergy pension obligations and a further £85m to meet the staff pensions liabilities;

(ii) we had no objection to the Commissioners maintaining the package of longevity-related, fixed-term, core in-perpetuity payments and 'additional distributions' agreed in principle following the 2020–22 triennium. The affordability of this package should be re-examined in detail at the next triennial assessment due as at 31 December 2021;

(iii) the fund's capacity for "additional distributions" had reduced since the most recent full review. Had this been a triennial assessment we would have advised that the Commissioners should commence planning to reduce their "additional distributions" from £50m per annum to £29m per annum by the end of the 2023–25 triennium.

Recognising the high level of volatility in the sum available for 'additional distributions' we continue to advise that the Commissioners should pay a significant proportion of such distributions in a form that will automatically cease, or can be stopped within a reasonably short timescale if any future actuarial review determines that such distributions are no longer affordable.

**Alec Day FIA**
**Peter Carver FIA CERA**

For and on behalf of
Hymans Robertson LLP

April 2021

# Independent Auditor's Report to the Church Commissioners for England

**Opinion**
We have audited the financial statements of The Church Commissioners for England (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2020, which comprise the consolidated and Commissioners statements of financial activities, the consolidated and Commissioners balance sheets, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:
- give a true and fair view of the state of the group's and parent charity's affairs as at 31 December 2020 and of the group's and the parent charity's incoming resources and application of resources, including the group's and the parent income and expenditure 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 Act 2011.

**Basis for opinion**
We have been appointed as auditor under sections 151 of the Charities Act 2011 and report in accordance with regulations made under those Acts. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and parent charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**
We are responsible for concluding on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent charity and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the parent charity or group to cease to continue as a going concern.

In our evaluation of the trustees' conclusions, we considered the inherent risks associated with the parent charity's and group's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the trustees and the related disclosures and analysed how those risks might affect the parent charity's and group's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the parent charity's and group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the trustees with respect to going concern are described in the 'Responsibilities of trustees for the financial statements' section of this report.

**Other information**
The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report as set out on pages 1 to 44, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Charities Act 2011 requires us 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; or
- the parent charity has not kept sufficient and proper accounting records; or
- the parent charity's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

# Independent Auditor's Report to the Church Commissioners for England
continued

**Responsibilities of trustees for the financial statements**
As explained more fully in the Trustees' Responsibilities Statement set out on page 44, the trustees are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:
We obtained an understanding of the legal and regulatory frameworks applicable to the parent charity and group and industry in which it operates. We determined that the following laws and regulations were most significant: the Charities Act 2011, Charities SORP, and FRS 102. We enquired of management whether there were any instances of non-compliance with laws and regulations or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of board minutes. We did not identify any matters relating to non-compliance with laws and regulation or matters in relation to fraud.

In assessing the potential risks of material misstatement, we obtained an understanding of:
- the group's operations, including the nature of its revenue sources, and of its objective and strategy to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- the group's control environment, including the policies and procedures implemented to comply with annual and financial reporting requirements.

We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the group engagement team included:
- Determining completeness of journal entries and identifying and testing high risk journal entries, in particular manual journal entries processed at the year-end for financial statements preparation;
- As per International Standard on Auditing (UK) 240 'The auditor's responsibilities relating to fraud in an audit of financial statements, we also maintained the presumed fraudulent revenue recognition risk for investment income because it is a significant balance in the financial statements.

The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
- knowledge of the industry in which the parent charity and group operates;
- understanding of the legal and regulatory requirements specific to the parent charity and group including:
  - the provisions of the applicable legislation;
  - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules;
  - the applicable statutory provisions.

**Use of our report**
This report is made solely to the charity's trustees, as a body, in accordance with Section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

**Grant Thornton UK LLP**
Statutory Auditor, Chartered Accountants
London
27 May 2021

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

# Consolidated statement of financial activities
For the year ended 31 December 2020

| | Notes | 2020 Other funds £m | 2020 Endowment £m | 2020 Total £m | 2019 Other funds £m | 2019 Endowment £m | 2019 Total £m |
|---|---|---|---|---|---|---|---|
| **Income from:** | | | | | | | |
| Donations and legacies | | **1.4** | **–** | **1.4** | 2.1 | – | 2.1 |
| Investments | 2 | **–** | **125.9** | **125.9** | – | 171.5 | 171.5 |
| Other income | | **1.2** | **–** | **1.2** | 1.7 | – | 1.7 |
| Transfer to income | 17 | **160.6** | **(160.6)** | **–** | 113.9 | (113.9) | – |
| **Total income** | | **163.2** | **(34.7)** | **128.5** | 117.7 | 57.6 | 175.3 |
| **Expenditure on:** | | | | | | | |
| Raising funds | 3 | **(0.1)** | **(74.1)** | **(74.2)** | (0.5) | (76.7) | (77.2) |
| Charitable activities | | | | | | | |
| Supporting dioceses and the local church | 4 | **(99.1)** | **–** | **(99.1)** | (59.4) | – | (59.4) |
| Bishops' and Archbishops' ministry | 4 | **(37.9)** | **–** | **(37.9)** | (42.5) | – | (42.5) |
| Cathedrals' ministry | 4 | **(20.0)** | **–** | **(20.0)** | (10.5) | – | (10.5) |
| Other activities | 4 | **(5.5)** | **–** | **(5.5)** | (5.1) | – | (5.1) |
| Pre 1998 clergy pensions | 4, 15 | **(1.1)** | **(80.5)** | **(81.6)** | (1.0) | (93.2) | (94.2) |
| **Total charitable expenditure** | | **(163.6)** | **(80.5)** | **(244.1)** | (118.5) | (93.2) | (211.7) |
| **Total expenditure** | | **(163.7)** | **(154.6)** | **(318.3)** | (119.0) | (169.9) | (288.9) |
| **Total net (expenditure) before investment gains** | | **(0.5)** | **(189.3)** | **(189.8)** | (1.3) | (112.3) | (113.6) |
| Gains on investment assets | 2(a) | **–** | **819.7** | **819.7** | – | 652.7 | 652.7 |
| (Losses)/gains on derivatives | | **–** | **(15.6)** | **(15.6)** | – | 24.9 | 24.9 |
| (Losses) on foreign currency | | **–** | **(26.1)** | **(26.1)** | – | (8.6) | (8.6) |
| **Total net income (expenditure) before taxation** | | **(0.5)** | **588.7** | **588.2** | (1.3) | 556.7 | 555.4 |
| Current taxation | 10 | **–** | **(0.1)** | **(0.1)** | – | (0.3) | (0.3) |
| Deferred taxation | 10 | **–** | **(0.5)** | **(0.5)** | – | (0.3) | (0.3) |
| **Total net income (expenditure) after taxation** | | **(0.5)** | **588.1** | **587.6** | (1.3) | 556.1 | 554.8 |
| **Other recognised gains and losses** | | | | | | | |
| Actuarial (losses)/gains on defined benefit pension schemes (staff pre 2000) | 16(b) | **–** | **(12.2)** | **(12.2)** | – | (6.7) | (6.7) |
| **Total other recognised gains and losses** | | **–** | **(12.2)** | **(12.2)** | – | (6.7) | (6.7) |
| **Net movement in funds** | | **(0.5)** | **575.9** | **575.4** | (1.3) | 549.4 | 548.1 |
| **Reconciliation of funds:** | | | | | | | |
| Total funds brought forward | | **0.6** | **6,996.6** | **6,997.2** | 1.9 | 6,447.2 | 6,449.1 |
| **Total funds carried forward** | | **0.1** | **7,572.5** | **7,572.6** | 0.6 | 6,996.6 | 6,997.2 |

The income, expenditure and other recognised gains and losses all relate to continuing operations, none of which were acquired during the year.

The breakdown of other funds are shown in note 17.

# Commissioners' statement of financial activities
For the year ended 31 December 2020

| | Notes | 2020 Other funds £m | 2020 Endowment £m | 2020 Total £m | 2019 Other funds £m | 2019 Endowment £m | 2019 Total £m |
|---|---|---|---|---|---|---|---|
| **Income from:** | | | | | | | |
| Donations and legacies | | **1.4** | **18.0** | **19.4** | 2.1 | 9.4 | 11.5 |
| Investments | | **–** | **114.4** | **114.4** | – | 160.8 | 160.8 |
| Other income | | **1.1** | **–** | **1.1** | 1.2 | – | 1.2 |
| Transfer to income | 17 | **160.6** | **(160.6)** | **–** | 113.9 | (113.9) | – |
| **Total income** | | **163.1** | **(28.2)** | **134.9** | 117.2 | 56.3 | 173.5 |
| **Expenditure on:** | | | | | | | |
| Raising funds | | **–** | **(75.6)** | **(75.6)** | – | (70.9) | (70.9) |
| Charitable activities | | | | | | | |
| Supporting dioceses and the local church | | **(99.1)** | **–** | **(99.1)** | (59.4) | – | (59.4) |
| Bishops' and Archbishops' ministry | | **(37.9)** | **–** | **(37.9)** | (42.5) | – | (42.5) |
| Cathedrals' ministry | | **(20.0)** | **–** | **(20.0)** | (10.5) | – | (10.5) |
| Other activities | | **(5.5)** | **–** | **(5.5)** | (5.1) | – | (5.1) |
| Pre 1998 clergy pensions | 4, 15 | **(1.1)** | **(80.5)** | **(81.6)** | (1.0) | (93.2) | (94.2) |
| **Total charitable expenditure** | | **(163.6)** | **(80.5)** | **(244.1)** | (118.5) | (93.2) | (211.7) |
| **Total expenditure** | | **(163.6)** | **(156.1)** | **(319.7)** | (118.5) | (164.1) | (282.6) |
| **Total net (expenditure) before investment gains** | | **(0.5)** | **(184.3)** | **(184.8)** | (1.3) | (107.8) | (109.1) |
| Gains on investment assets | 2(a) | **–** | **812.4** | **812.4** | – | 650.0 | 650.0 |
| (Losses)/gains on derivatives | | **–** | **(15.6)** | **(15.6)** | – | 24.9 | 24.9 |
| Losses on foreign currency | | **–** | **(23.9)** | **(23.9)** | – | (10.5) | (10.5) |
| **Total net income (expenditure) before taxation** | | **(0.5)** | **588.6** | **588.1** | (1.3) | 556.6 | 555.3 |
| Current taxation | | **–** | **–** | **–** | – | (0.2) | (0.2) |
| Deferred taxation | | **–** | **(0.5)** | **(0.5)** | – | (0.3) | (0.3) |
| **Total net income (expenditure) after taxation** | | **(0.5)** | **588.1** | **587.6** | (1.3) | 556.1 | 554.8 |
| **Other recognised gains and losses** | | | | | | | |
| Actuarial (losses)/gains on defined benefit pension schemes (staff pre 2000) | 16(b) | **–** | **(12.2)** | **(12.2)** | – | (6.7) | (6.7) |
| **Total other recognised gains and losses** | | **–** | **(12.2)** | **(12.2)** | – | (6.7) | (6.7) |
| **Net movement in funds** | | **(0.5)** | **575.9** | **575.4** | (1.3) | 549.4 | 548.1 |
| **Reconciliation of funds:** | | | | | | | |
| Total funds brought forward | | **0.6** | **6,996.6** | **6,997.2** | 1.9 | 6,447.2 | 6,449.1 |
| **Total funds carried forward** | | **0.1** | **7,572.5** | **7,572.6** | 0.6 | 6,996.6 | 6,997.2 |

The income, expenditure and other recognised gains and losses all relate to continuing operations, none of which were acquired during the year.

The breakdown of other funds are shown in note 17.

# Balance sheets
As at 31 December 2020

| | Notes | Consolidated 2020 | Consolidated 2019 | Commissioners 2020 | Commissioners 2019 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 11 | **122.9** | 118.1 | **122.1** | 117.3 |
| Heritage assets | 12 | **3.5** | 3.5 | **3.5** | 3.5 |
| Investments | 2 | **8,027.2** | 7,771.5 | **7,548.3** | 7,340.4 |
| **Total fixed assets** | | **8,153.6** | 7,893.1 | **7,673.9** | 7,461.2 |
| **Current assets** | | | | | |
| Debtors | 13 | **137.7** | 204.0 | **640.4** | 650.2 |
| Current asset investments | | **126.3** | 384.3 | **126.3** | 384.3 |
| Cash at bank and in hand | | **995.0** | 351.9 | **989.3** | 348.3 |
| **Total current assets** | | **1,259.0** | 940.2 | **1,756.0** | 1,382.8 |
| **Liabilities** | | | | | |
| **Creditors:** amounts falling due within one year | 14 | **(129.1)** | (106.2) | **(146.4)** | (116.9) |
| **Net current assets** | | **1,129.9** | 834.0 | **1,609.6** | 1,265.9 |
| **Total assets less current liabilities** | | **9,283.5** | 8,727.1 | **9,283.5** | 8,727.1 |
| **Creditors:** amounts falling due after one year | 14 | **(98.4)** | (85.7) | **(98.4)** | (85.7) |
| **Provisions** | | | | | |
| Deferred tax liability | 10 | **(1.5)** | (1.0) | **(1.5)** | (1.0) |
| Clergy pre 1998 pension obligation: | | | | | |
| Expected to fall due within one year | | **(118.9)** | (120.1) | **(118.9)** | (120.1) |
| Expected to fall due after one year | | **(1,358.3)** | (1,395.5) | **(1,358.3)** | (1,395.5) |
| **Total clergy pre 1998 pension obligation** | 15 | **(1,477.2)** | (1,515.6) | **(1,477.2)** | (1,515.6) |
| **Net assets excluding pension scheme liabilities** | | **7,706.4** | 7,124.8 | **7,706.4** | 7,124.8 |
| Defined benefit pension scheme liabilities | 16 | **(133.8)** | (127.6) | **(133.8)** | (127.6) |
| **Total net assets** | | **7,572.6** | 6,997.2 | **7,572.6** | 6,997.2 |
| **Funds of the charity** | | | | | |
| Endowment funds | | **7,706.3** | 7,124.2 | **7,706.3** | 7,124.2 |
| Pension reserves | 16 | **(133.8)** | (127.6) | **(133.8)** | (127.6) |
| Unrestricted funds: | | | | | |
| Designated funds | | **–** | 0.2 | **–** | 0.2 |
| General funds | | **–** | – | **–** | – |
| Restricted funds | | **0.1** | 0.4 | **0.1** | 0.4 |
| **Total charity funds** | 17 | **7,572.6** | 6,997.2 | **7,572.6** | 6,997.2 |

By order of the Board



**Loretta Minghella**
**First Church Estates Commissioner**
27 May 2021

# Consolidated cash flow statement
For the year ended 31 December 2020

### Cash flow statement

| | Notes | 2020 £m | 2019 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | **175.4** | (502.4) |
| Cash paid from endowment capital for pre 1998 clergy pensions | 15 | **(118.9)** | (120.1) |
| **Net cash generated by (used in) operating activities** | | **56.5** | (622.5) |
| **Cash flows from investing activities** | | | |
| Income from investments | | **127.6** | 177.8 |
| Expenditure on raising funds paid from endowment capital | 3 | **(74.1)** | (76.7) |
| Tangible assets: additions | 11 | **(4.8)** | (17.7) |
| Investments: additions | 2 | **(3,553.3)** | (1,944.8) |
| Investments: sale proceeds | 2 | **4,117.3** | 2,538.9 |
| **Net cash provided by investing activities** | | **612.7** | 677.5 |
| Change in cash and cash equivalents in the year | | **669.2** | 55.0 |
| **Reconciliation of cash and cash equivalents and analysis of changes in net debt** | | | |
| Cash at the start of the year | | **351.9** | 305.5 |
| Change in cash and cash equivalents in the year | | **669.2** | 55.0 |
| Change in cash due to exchange rate movements | | **(26.1)** | (8.6) |
| **Cash at the end of the year** | | **995.0** | 351.9 |

The Commissioners has no debt and therefore the reconciliation of cash and cash equivalents also represents the analysis of changes in net debt.

### Reconciliation of net income to net cash inflow from operating activities

| | Notes | 2020 £m | 2019 £m |
|---|---|---|---|
| Net income for the year | | **587.6** | 554.8 |
| Adjustments for: | | | |
| Expenditure on raising funds paid from endowment capital | 3 | **74.1** | 76.7 |
| Expenditure on charitable activities paid from endowment capital | 6 | **80.5** | 93.2 |
| (Income) from investments | 2 | **(125.9)** | (171.5) |
| (Gains) on investments | 2 | **(819.7)** | (652.7) |
| Losses on foreign currency | | **26.1** | 8.6 |
| Movement in debtors, excluding accrued investment income | 13 | **64.6** | (156.7) |
| Movement in current asset investments | | **258.0** | (234.5) |
| Movement in creditors | 14 | **35.6** | (12.6) |
| Movement in deferred tax provision | 10 | **0.5** | 0.3 |
| Pension reserve adjustment to net income | 16 | **(6.0)** | (8.0) |
| **Net cash flow from operating activities** | | **175.4** | (502.4) |

# Notes to the financial statements
For the year ended 31 December 2020

## 1. Accounting policies

### (a) Legal status
The Church Commissioners for England ("the Commissioners") are a statutory body established by the Church Commissioners Measure 1947 (as amended) and has been regulated by the Charity Commission since registration on 27 January 2011.

### (b) Basis of preparation
The consolidated and charity financial information has been prepared in accordance with:
- Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102");
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ("the SORP"); and
- the Charities Act 2011.

The Commissioners meet the definition of a Public Benefit Entity ("PBE") and therefore apply the PBE prefixed paragraphs in FRS 102. The financial information has been prepared on the historical cost basis (except for the revaluation of investments) and on the accruals basis. A summary of the accounting policies, which have been applied consistently across the group, is set out below. The Commissioners adopt a total return approach to investments. Note 17 explains how the unapplied total return and the use thereof is calculated. The Commissioners have presented a consolidated cash flow statement and have taken advantage of the exemption within FRS 102 from presenting a cash flow statement for the Commissioners only.

### (c) Significant judgements and estimates
The key judgements and estimations, which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:
- Clergy pension obligation – the estimations surrounding the pre 1998 Clergy pensions obligation. Further details are disclosed in note 15.
- Pension deficit liabilities – the estimations surrounding the recognition of the Commissioners' defined benefit pension deficit liabilities. Further details are disclosed in note 16.
- Carrying value of investment assets and tangible fixed assets – the judgements around appropriate valuation methods used for the assets of the Commissioners. Further details are disclosed in note 1(j), 1(k), 1(l) and 1(m).
- Value of creditors due after more than one year – judgement in respect of whether long-term creditor balances needs to be discounted to present value. There is an estimate concerning the appropriate discount rate to use. Further details are disclosed in note 1(g).

### (d) Going concern
The Commissioners' role in funding the Church's ministry comprises certain legal obligations and discretionary funding. The Commissioners aim to preserve the real value of its discretionary funding in the long term. In assessing the going concern status of the Commissioners, the trustees have considered the Commissioners' role in funding the Church's ministry, the spending strategy, the application of total return and the legislation to allow endowment to be spent for specific pension purposes. In addition, the trustees take account of independent actuarial advice provided by Hymans Robertson LLP on the affordability in perpetuity of their planned distributions. This advice is provided every three years when setting the spending plans for the next three year period (the "triennium"), and this is updated annually to ensure that the spending plans for the current and next triennium remain affordable. The approach adopted includes a smoothing mechanism which aims to give a full triennium's notice of any reduction in distributions unless there has been a significant deterioration in the balance between the Commissioners' assets and their spending plans. This means that while events such as COVID-19 are factors for consideration, the Commissioners have a clear framework for assessing whether the events are sufficiently significant that they would change the amounts available for distribution to beneficiaries in the short term.

The annual actuarial update for the year ended 31 December 2020 includes stress testing scenario analysis which models the impact on distributions in the event of different levels of reduction in asset values. This includes consideration of the impact of changes in the performance of the asset portfolio, expected future returns or inflation on the affordability of distributions. In light of this analysis there was no reason to consider that any changes were required to the planned distributions for the 2020 to 2022 triennium and so the trustees have concluded that the Commissioners are able to sustainably meet both their legal obligations and planned discretionary funding for at least the period to 31 December 2022 notwithstanding the impact of COVID-19. In addition the trustees have also given consideration to the availability of liquidity and have increased cash holdings in light of market turbulence caused by COVID-19 and other external factors such that they are satisfied that they have sufficient cash to meet their obligations in the short term. Therefore, the Commissioners continue to adopt the going concern basis of accounting in the preparation of these financial statements.

### (e) Basis of consolidation and subsidiary undertakings
The consolidated statement of financial activities ("SOFA") and balance sheet include the financial statements of the Commissioners and all their subsidiary undertakings made up to 31 December each year. The subsidiaries have been consolidated on a line by line basis. Intra-group transactions are eliminated on consolidation. Further details about the Commissioners' significant subsidiaries are given in note 2(b).

The Commissioners, together with the Archbishops' Council and the Church of England Pensions Board are equal partners in Church of England Central Services ("ChECS"), a joint venture. Further details are given in note 20. This jointly controlled entity is included in the Commissioners' consolidated financial statements using the equity method. The Commissioners' share of profits or losses from ChECS is included in the SOFA and its share of net assets is included in the balance sheet.

The Commissioners have a number of joint ventures that are held as part of their investment portfolio for investment purposes. These jointly controlled entities are held at fair value. Changes in fair value are recognised in the consolidated SOFA.

**1. Accounting policies** continued

**(f) Income**

All income is recognised when the Commissioners are legally entitled to the income, it is probable the income will be received, and the amount can be quantified with reasonable accuracy.

***Donations and legacies***

Items donated to the Commissioners for the Lambeth Palace Library are recognised at the market value of the gift at the time of donation. Legacies are recognised as receivable once the Commissioners are notified of the gift, probate has been granted, the executors have established that there are sufficient assets in the estate to pay the legacy after settlement of liabilities and there are no conditions outside the control of the Commissioners that are not yet met.

***Investment income***

Dividends are recognised when the Commissioners' right to receive payment is established, which is on the ex-dividend date of the underlying holdings. Gift aid payments from subsidiaries are recognised in the Commissioners only financial statements when the gift aid payment is payable under Deeds of Covenant. The income is accrued in the year in which the associated profits arise in the subsidiary company with the payment being made to the Commissioners in the following financial year.

All other investment income is recognised on the accruals basis.

**(g) Expenditure**

The SOFA has been presented on an activity basis. Costs have been distinguished between charitable activities and those incurred to raise funds. Expenditure and liabilities are recognised when a legal or constructive obligation exists to make payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Direct costs and grants are allocated directly to activities and are described in more detail in notes 5 and 6. Grants are recognised when a firm commitment to provide funding is made and there is evidence of a constructive obligation to the beneficiary. Support costs are apportioned to the activity to which they relate as shown in note 7. The long-term debtor and creditor balances are discounted to present value, where material. The discount rate used is based on the expected future yield on the assets earmarked for making these grant payments.

Cars for the use of bishops are normally obtained under four year operating leases, the full cost of which is paid at commencement. The cost of such leases is spread on a straight line basis over the period of the lease. The balance of the lease payments not yet charged to expenditure is included in prepayments.

**(h) Provisions**

The liability for the pre-1998 clergy pension obligation is recognised at the actuarial valuation provided by Hymans Robertson LLP. This is the best estimate of the total value of future discounted cash flows. The assumptions and methodology behind the cash flow projections are disclosed in note 15.

**(i) Pensions**

Pensions are described in note 16.

The Church Commissioners Superannuation Scheme is accounted for as a defined benefit scheme. The liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. Interest costs are charged to expenditure, with actuarial movements shown in other gains and losses.

The other defined benefit schemes of which the Commissioners are an employer or a 'responsible body' are considered to be multi-employer schemes, but the Commissioners is unable to identify its share of assets and liabilities of the schemes. Consequently, the schemes are accounted for as if they were defined contribution schemes, where employer contributions payable in the year are charged to expenditure.

Where schemes have deficit recovery contribution plans in place, the present value of these agreed payments are recognised as a liability at each balance sheet date. Amounts paid during the year are charged against this liability.

**(j) Fixed assets: tangible assets**
Costs incurred on acquiring, improving or adding to assets are capitalised if the cost is greater than £1,000. Repair and maintenance costs are charged to the SOFA in the period they are incurred.

Green energy generation assets are initially recognised at cost and are revalued at each balance sheet date.

Operational see house properties are recognised at their market value at 1 January 2014, being the date of transition to FRS 102. This was deemed to be their cost under the transitional provisions of FRS 102. An impairment review is carried out annually and where the recoverable amount is materially less than the historic cost, the assets are impaired to the lower amount.

Depreciation is charged on a straight line basis over the estimated useful life of the asset, calculated on the opening balance sheet value, on the following fixed assets:

| Fixed asset | Estimated useful life |
|---|---|
| Leasehold office improvements | 10 years |
| IT systems | 5 years |

No depreciation is charged on see houses and their historic content due to the anticipated high residual value, which would result in immaterial depreciation for each asset and in aggregate.

**(k) Fixed assets: Heritage assets**
The Commissioners own a number of assets that they consider to be heritage assets, which are held on an ongoing basis for their contribution to knowledge and culture, in particular relating to the history of the wider Church of England. The Commissioners' heritage assets have been grouped together in the following categories:

***Lambeth Palace***
Lambeth Palace is recognised at its deemed historic cost of £1. The Commissioners have chosen to recognise this class of heritage asset at cost. They have chosen to adopt this policy as whilst it is believed that the market value, both at the time of acquisition and at the balance sheet date, was significantly in excess of the deemed cost, it is not possible to obtain a reliable estimate of the market value at either date, as conventional valuation techniques are inappropriate for the unique and historical nature of the building.

Any developments or improvements to the building are capitalised at cost and depreciated over the improvements' useful economic life. Maintenance costs are charged to the SOFA in the period they are incurred.

***Historic contents of Lambeth Palace***
Historic items are recognised at cost. On transition to FRS 102, the Commissioners deemed the cost of these assets to be their carrying value at 1 January 2014, based on the value attributed to them in a valuation carried out in 2007.

Any additional items purchased or donated are capitalised if the cost is greater than £1,000. Maintenance costs are charged to the SOFA in the period they are incurred. The collection is reviewed for impairment at each accounting date.

***Contents of Lambeth Palace Library***
The trustees consider that the vast majority of items in the library would be difficult, if not impossible, to value. The library contains a number of historical books and records with no obvious market value and no comparable sale records to use as the basis for valuation. As a result, no value is reported for these assets in the Charity's balance sheet.

The exception is for books, manuscripts and other items purchased or donated since 1 January 2015, which are capitalised if the cost is greater than £1,000. Items in the collection that are capitalised are stated at cost but are not depreciated as the amount of depreciation is regarded as immaterial due to their anticipated high residual value. The collection is reviewed for impairment at each accounting date.

***Historic contents of former see houses***
Historic items, including the Hurd Library which is on loan to the Hartlebury Castle Preservation Trust, are recognised at cost. On transition to FRS 102, the Commissioners deemed the cost of these assets to be their carrying value at 1 January 2014, based on the value attributed to them in a valuation carried out in 2007.

Any additional items purchased or donated since 1 January 2015 are capitalised if the cost is greater than £1,000. Maintenance costs are charged to the SOFA in the period they are incurred. The collection is reviewed for impairment at each accounting date.

**1. Accounting policies** continued

**(l) Fixed assets: Non-financial instrument investments**

***Investment properties***

All directly owned properties are located in the United Kingdom. The portfolio consists of rural and strategic land, residential and commercial properties. Rural land also includes mineral interests. Investment properties are recognised at cost upon acquisition and then recognised at fair value at each balance sheet date. Changes in fair value are recognised in the SOFA. Fair value is determined through reference to each property's market value in accordance with the Appraisal & Valuation Manual issued by the Royal Institution of Chartered Surveyors ("RICS"). All properties are valued by an external valuer with recognised and relevant skills and experience. The valuation methods adopted take into account appropriate comparable evidence and market indices. The most appropriate method of valuation is selected for each property type.

The valuers of the properties are shown below.
Rural: Savills (UK) Limited
Strategic land: Savills (UK) Limited
Commercial: Cushman & Wakefield LLP
Residential: Jones Lang LaSalle Limited
Minerals: Wardell Armstrong LLP

***Timberland (including biological assets)***

Timberland includes land, its standing timber and other assets. Standing timber is a biological asset.

Timberland is valued externally at least every three years at market value in line with International Valuation Standards, which is calculated on the timber maturity profile, the species, the geographic location and other environmental considerations. In intermediate years it is valued by in-house professionals at brought forward market value adjusted for capitalised expenditure and decreases caused by harvesting during the year. Changes in fair value in the year resulting from both net growth and change in the market value of standing timber are reported in the gains and losses on investments in the SOFA. At point of harvesting, the carrying value of forestry assets is valued at fair value less estimated point-of-sale costs. The revenue from the sale of standing timber is recognised as income.

UK timberland was valued by Bidwells LLP. Overseas timberland was valued by local qualified valuers.

***Subsidiary undertakings***

The Commissioners' principal subsidiary companies are wholly owned and are held to undertake property purchase, development and management and hold certain property, securities, infrastructure and timberland investments.

The subsidiaries are recognised at their net asset values in the Commissioners' balance sheet. This is considered to represent the fair value of the subsidiary, with changes in fair value being recognised in profit or loss.

**(m) Financial instruments**

The Commissioners have chosen to adopt sections 11 and 12 of FRS 102 in respect of recognition and measurement of financial instruments.

All changes in fair value and gains or losses on disposal of investment assets, including related foreign currency transactions, are shown in other gains and losses in endowment capital in the SOFA.

***Basic financial instruments***

**Basic financial assets,** including **cash at bank** and **trade and other receivables** are recognised and held at transaction price. They are de-recognised when the rights to the cash flows from the financial assets expire or are settled.

**Cash at bank and in hand** is held to meet short-term cash commitments as they fall due rather than for investment purposes and includes all cash equivalents. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. A cash equivalent will have a short maturity of three months or less from the date of acquisition.

**Listed and unlisted securities** are a form of basic financial instrument and are initially measured at fair value. Such assets are subsequently held at fair value at each balance sheet date, with changes in fair value recognised in the SOFA. The fair value of listed investments is determined using bid price in accordance with the practice of the appropriate stock exchange. Unlisted equity investments are valued by reference to latest dealing prices, estimated net asset values or final net asset values at year end.

Listed and unlisted securities comprise listed public equities, private equity investments in unlisted companies, multi asset funds, fixed income bonds, emerging market debt and private credit.

**Basic financial liabilities,** including **trade and other payables** and **intra-group balances** are initially recognised at transaction price. Bank loans are subsequently measured at the amortised cost, using the effective interest rate.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled or expires.

***Non-basic financial instruments***
All non-basic financial instruments are measured at fair value. Any changes to fair value are recognised in the SOFA.

Value linked loans
Value linked loans are granted for the purchase of residential properties. On disposal of the property, the Commissioners are entitled to a share of the proceeds corresponding to the proportion of the original purchase price which was financed by the loan.

Value linked loans are valued annually at portfolio level taking into account indexed values of the properties, estimated future house prices growth and income flows and the anticipated dates of repayment. All value linked loans were valued by Cushman & Wakefield LLP.

Indirect property
Indirect property is minority investments by the Commissioners and its subsidiaries in property partnerships, where the partnership is managed by a third party and the Commissioners receive distributions from the partnerships.

Indirect property is annually valued at the Commissioners' share of the underlying net assets. Underlying assets are valued on the same bases as those held directly, that is in line with International Valuation Standards, on a rolling three year programme or more frequently. Property funds are valued independently by valuers appointed by the partnerships.

Indirect timberland
Indirect timberland is the Commissioners and its subsidiaries' investments in timberland partnerships or joint ventures, which are managed by a third party and where distributions are received from the partnerships and joint venture managers.

Indirect timberland is valued annually and independently by valuers appointed by the partnerships at the Commissioners' share of the underlying net assets.

Infrastructure
Infrastructure is an alternative investment class, where the Commissioners' subsidiaries hold a minority interest in a partnership investing in infrastructure projects.

Infrastructure is valued annually at the Commissioners' share of the underlying net assets.

Stock lending programme
The Commissioners' global custodian is authorised to enter into stock lending arrangements, whereby securities are loaned to external counterparties for a set period of time. The Commissioners receive cash collateral of greater value than the securities loaned from each counterparty for the duration of the loan period.

Interest is received on the reinvestment of the cash collateral held and is disclosed in note 2.

Where securities are loaned at the balance sheet date, the securities loaned are included in the balance sheet as the Commissioners retain the risks and rewards of ownership of the securities and also retain the contractual rights to any cash flows relating to the securities. The market value of listed investments includes stock on loan of £86.6m (2019: £161.4m).

Derivatives
The Commissioners use forward foreign currency and options contracts as part of their investment portfolio risk management. The contracts reduce the impact of changes in foreign currency rates in relation to investments priced in certain currencies other than Sterling. In addition, equity futures and options are used in relation to investment portfolio risk management and for efficient portfolio management. In accordance with their investment policy, derivatives are not entered into for investment gain or trading purposes. Derivatives are also used by some external fund managers to manage the risk of not achieving overall performance benchmarks.

Derivatives are initially recognised at their fair value, which is equivalent to any transaction price paid. Derivative contracts outstanding at the balance sheet date are stated at fair value at the balance sheet date, which is derived from exchange prices if the derivative is listed or from third party valuations if unlisted. If the fair value of the derivative is in a gain position, the contract is shown within debtors. If the fair value of the contract in a loss position, it is shown within creditors. Realised and unrealised gains and losses arising from these contracts are charged to the endowment fund in the SOFA. Cash delivered as collateral for derivative contracts continue to be reflected as an asset within cash at bank and in hand. At 31 December 2020, £4.7m cash was delivered as collateral (2019: none).

***Current investment assets***
Current investment assets are investments in treasury bills which have maturity periods of less than one year. They are held to meet short term cash commitments as they fall due. Movements in the value of these bonds are recognised in income under the effective interest method.

**1. Accounting policies** continued

**(n) Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate.

Profits and losses on sales of overseas investments are translated at the rate ruling on the date of the transaction. Unrealised gains and losses on overseas investments arising on translation are included in the net gains and losses on realisation and on revaluation in endowment capital in other gains and losses in the SOFA.

Income received in foreign currencies is converted into sterling and recorded at the rate ruling on the date of the conversion. If retained in foreign currencies, amounts are translated at the rate ruling on the date of the transaction. Subsequent gains or losses on conversion into sterling are included in other gains and losses in the SOFA.

**(o) Taxation**

The Commissioners, as a registered charity, are exempt from taxation on their income and gains falling within Part 11 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to their charitable purposes.

The Commissioners' subsidiary undertakings are non-charitable subsidiaries and are subject to taxation, but do not generally pay UK Corporation Tax because their policy is to pay taxable profits as Gift Aid to the Commissioners. Foreign tax incurred by subsidiaries operating overseas is charged as it is incurred.

Deferred taxation is recognised in the Commissioners' subsidiary undertakings on timing differences that have arisen between the recognition of gains and losses in the Financial Statements and recognition in the tax computation. A deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable tax profits from which future reversals can be deducted. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to be reversed.

In common with many other charities, the Commissioners are unable to recover the majority of Value Added Tax ("VAT") incurred on expenditure. The amount of VAT that cannot be recovered is included within the underlying cost to which it relates.

**(p) Related parties**

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

The Commissioners are related to their subsidiaries. Details are given in note 2(b). Transactions between the Commissioners and their subsidiaries are disclosed in note 20.

The Commissioners are related to ChECS, as they are a partner in this joint venture. Details are given in note 2(c) and note 20.
The Commissioners are also related to the following pension funds, administered by the Church of England Pensions Board: Church of England Funded Pensions Scheme; Church Administrators Pension Fund; and Church Workers Pension Fund. Details about the pension funds, including contributions paid, are given in notes 4, 8 and 16.

## 2. Investments

### (a) Summary of movement on investments

*Consolidated*

| | At 1 January 2020 £m | Additions £m | Sale proceeds £m | Change in market value £m | **At 31 December 2020 £m** | **2020 investment income £m** |
|---|---|---|---|---|---|---|
| Securities portfolio: | | | | | | |
| Listed securities (*) | 2,904.1 | 2,921.6 | (3,358.7) | 272.3 | **2,739.3** | **50.2** |
| Unlisted securities | 2,539.1 | 529.2 | (575.5) | 471.9 | **2,964.7** | **10.7** |
| **Total securities** | 5,443.2 | 3,450.8 | (3,934.2) | 744.2 | **5,704.0** | **60.9** |
| Properties: | | | | | | |
| Direct property | 1,682.8 | 55.6 | (109.7) | (19.4) | **1,609.3** | **41.7** |
| Indirect property | 122.5 | 10.4 | (15.3) | (11.7) | **105.9** | **0.6** |
| **Total properties** | 1,805.3 | 66.0 | (125.0) | (31.1) | **1,715.2** | **42.3** |
| **Value linked loans** | 91.3 | – | (4.5) | (1.2) | **85.6** | **3.0** |
| Timberland: | | | | | | |
| Land | 83.5 | 1.2 | (12.8) | 23.6 | **95.5** | **–** |
| Standing timber (**) | 205.5 | 4.8 | (22.4) | 97.2 | **285.1** | **13.5** |
| Indirect timberland | 60.8 | – | – | (5.7) | **55.1** | **2.1** |
| **Total timberland** | 349.8 | 6.0 | (35.2) | 115.1 | **435.7** | **15.6** |
| **Infrastructure** | 81.9 | 30.5 | (18.4) | (7.3) | **86.7** | **4.1** |
| **Total** | 7,771.5 | 3,553.3 | (4,117.3) | 819.7 | **8,027.2** | **125.9** |

| | At 1 January 2019 £m | Additions £m | Sale proceeds £m | Change in market value £m | **At 31 December 2019 £m** | **2019 investment income £m** |
|---|---|---|---|---|---|---|
| Securities portfolio: | | | | | | |
| Listed securities (*) | 2,989.7 | 1,437.9 | (1,997.5) | 474.0 | **2,904.1** | **90.2** |
| Unlisted securities | 2,386.5 | 411.6 | (438.5) | 179.5 | **2,539.1** | **15.3** |
| Total securities | 5,376.2 | 1,849.5 | (2,436.0) | 653.5 | **5,443.2** | **105.5** |
| Properties: | | | | | | |
| Direct property | 1,717.2 | 47.9 | (63.1) | (19.2) | **1,682.8** | **41.3** |
| Indirect property | 131.7 | 12.1 | (14.0) | (7.3) | **122.5** | **1.6** |
| **Total properties** | 1,848.9 | 60.0 | (77.1) | (26.5) | **1,805.3** | **42.9** |
| **Value linked loans** | 96.0 | – | (7.9) | 3.2 | **91.3** | **3.2** |
| Timberland: | | | | | | |
| Land | 83.9 | – | (2.0) | 1.6 | **83.5** | **–** |
| Standing timber (**) | 189.3 | 3.8 | (12.6) | 25.0 | **205.5** | **15.2** |
| Indirect timberland | 64.7 | – | – | (3.9) | **60.8** | **2.7** |
| **Total timberland** | 337.9 | 3.8 | (14.6) | 22.7 | **349.8** | **17.9** |
| **Infrastructure** | 53.9 | 31.5 | (3.3) | (0.2) | **81.9** | **2.0** |
| **Total** | 7,712.9 | 1,944.8 | (2,538.9) | 652.7 | **7,771.5** | **171.5** |

* Investment income includes £0.8m (2019: £1.7m) of income relating to interest on cash and interest on current asset investments, and £0.4m (2019: £0.5m) stock lending income.

** Change in market value of standing timber comprises revaluation gains of £116.3m (2019: gains of £37.1m) and a reduction of £7.5m (2019: £12.1m) due to harvesting of standing timber. Standing timber represents the biological assets held by the Commissioners.

**2. Investments** continued
**(a) Summary of movement on investments** continued
***Commissioners***

| | At 1 January 2020 £m | Additions £m | Sale proceeds £m | Change in market value £m | **At 31 December 2020 £m** |
|---|---|---|---|---|---|
| Securities portfolio: | | | | | |
| Listed securities | 2,904.1 | 2,921.6 | (3,358.7) | 272.3 | **2,739.3** |
| Unlisted securities | 2,264.5 | 439.8 | (537.8) | 428.3 | **2,594.8** |
| **Total securities** | 5,168.6 | 3,361.4 | (3,896.5) | 700.6 | **5,334.1** |
| Properties: | | | | | |
| Direct property | 1,529.1 | 53.6 | (104.0) | (20.1) | **1,458.6** |
| Indirect property | 90.1 | 10.4 | (15.3) | (9.4) | **75.8** |
| **Total properties** | 1,619.2 | 64.0 | (119.3) | (29.5) | **1,534.4** |
| **Value linked loans** | 91.3 | – | (4.5) | (1.2) | **85.6** |
| Timberland: | | | | | |
| Land | 42.8 | – | (3.6) | 20.7 | **59.9** |
| Standing timber (*) | 121.9 | 1.6 | (15.7) | 121.3 | **229.1** |
| **Total timberland** | 164.7 | 1.6 | (19.3) | 142.0 | **289.0** |
| **Infrastructure** | – | 14.9 | (7.5) | (1.0) | **6.4** |
| **Subsidiaries** | 296.6 | 0.7 | – | 1.5 | **298.8** |
| **Total** | 7,340.4 | 3,442.6 | (4,047.1) | 812.4 | **7,548.3** |

| | At 1 January 2019 £m | Additions £m | Sale proceeds £m | Change in market value £m | **At 31 December 2019 £m** |
|---|---|---|---|---|---|
| Securities portfolio: | | | | | |
| Listed securities | 2,989.7 | 1,437.9 | (1,997.5) | 474.0 | **2,904.1** |
| Unlisted securities | 2,027.9 | 342.4 | (280.8) | 175.0 | **2,264.5** |
| **Total securities** | 5,017.6 | 1,780.3 | (2,278.3) | 649.0 | **5,168.6** |
| Properties: | | | | | |
| Direct property | 1,572.7 | 34.9 | (49.4) | (29.1) | **1,529.1** |
| Indirect property | 98.9 | 12.1 | (14.0) | (6.9) | **90.1** |
| **Total properties** | 1,671.6 | 47.0 | (63.4) | (36.0) | **1,619.2** |
| **Value linked loans** | 96.0 | – | (7.9) | 3.2 | **91.3** |
| Timberland: | | | | | |
| Land | 40.1 | – | (1.8) | 4.5 | **42.8** |
| Standing timber (*) | 107.7 | 1.5 | (12.2) | 24.9 | **121.9** |
| **Total timberland** | 147.8 | 1.5 | (14.0) | 29.4 | **164.7** |
| **Subsidiaries** | 291.5 | 0.7 | – | 4.4 | **296.6** |
| **Total** | 7,224.5 | 1,829.5 | (2,363.6) | 650.0 | **7,340.4** |

* Change in market value comprises revaluation gains of £28.7m (2019: £34.7m) and a reduction of £3.8m (2019: £9.8m) due to harvesting of standing timber. Standing timber represents the biological assets held by the Commissioners.

The original cost of investments is not disclosed given the historic nature of many of the property investments.

FRS 102 requires investments values to be shown for the Charity as well as consolidated. There is no similar requirement for income and expenditure.

Unlisted securities includes £0.2m (2019: £0.2m) invested in shares in the Churches Mutual Credit Union Limited, which is a mixed motive investment.

The significance of financial instruments to the on-going financial sustainability of the Commissioners is considered in the Investment Policy and Performance section of the Trustees' Annual Report.

The Commissioners have investments denominated in foreign currencies and are impacted by changes in foreign currency exchange rates. Non-sterling assets exposed to currency risk represented 60.5% (2019: 56.7%) of the investment portfolio. A currency overlay programme is used which hedges back into sterling a variable proportion of foreign currency exposure to manage specific identified risks. At 31 December, 10.9% (2019: 44.8%) of non sterling assets were hedged to sterling. The net loss from operating the currency overlay programme was £56.6m before deducting fees of £2.3m (2019: profit of £24.9m after deducting fees of £3.6m). Net additions and sale proceeds during the year exclude the purchase and sale of foreign currency for the purposes of conversion and currency hedging.

**(b) Subsidiaries**

The Commissioners' principal subsidiary companies are wholly owned and are held to undertake property purchase, development and management and certain property, securities, infrastructure and timberland investments. The Ashford Great Park Partnership, held through intermediary companies, has its principal offices at 29 Great Smith Street, London SW1P 3PS.

| Registered in | Subsidiary (company number) |
|---|---|
| England and Wales | CC Trading Ltd (2080054), CC Lincoln Ltd (3687102), CC Projects (*) (1765782), Cedarvale (*) (2220037), C Licensing (*) (2245961), Quivercourt (*) (1807330), and Weston Tree Ltd (7859221). |
| US (Delaware) | Cherry Tree Timber LLC (W-115255), Arbol Tree (5423402) |
| Australia | Jahr Tree Co Pty Ltd (600392667) |

* Unlimited companies.

Summary results for the material subsidiaries are shown below. Subsidiaries are material if there is a significant net funds total or if it is expected that revenue or expenditure may be significant.

| | CC Licensing | | CC Projects | | CC Trading Ltd | | Cedarvale | | Quivercourt | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2020 £m** | 2019 £m | **2020 £m** | 2019 £m | **2020 £m** | 2019 £m | **2020 £m** | 2019 £m | **2020 £m** | 2019 £m |
| Revenue | **50.4** | 14.5 | **2.7** | 8.1 | **2.7** | 4.1 | **2.2** | 1.1 | **–** | 0.2 |
| Expenditure* | **(20.1)** | (13.9) | **(2.7)** | (8.1) | **(2.7)** | (4.1) | **–** | – | **(2.3)** | (0.5) |
| Profit/(loss) | **30.3** | 0.6 | **–** | – | **–** | – | **2.2** | 1.1 | **(2.3)** | (0.3) |
| Assets | **505.7** | 407.7 | **63.3** | 63.9 | **12.4** | 13.4 | **32.9** | 30.7 | **30.1** | 32.6 |
| Liabilities | **(351.4)** | (283.7) | **(28.9)** | (29.5) | **(6.3)** | (7.3) | **–** | – | **(11.1)** | (11.3) |
| Net Funds | **154.3** | 124.0 | **34.4** | 34.4 | **6.1** | 6.1 | **32.9** | 30.7 | **19.0** | 21.3 |

* Includes Gift Aid payments to the Commissioners.

The Commissioners also own 80% interests in Lone Rock Timber Investments MBD-Landco Limited Partnership and Lone Rock Timber Investments MBD-Logco Limited Partnership, both of which are registered in the US. These entities are joint ventures, however the Commissioners hold them as part of their investment portfolio and so they are held at fair value through profit or loss in the financial statements.

**(c) Joint ventures**

ChECS is a charitable company limited by guarantee and is a joint venture between the Commissioners, the Archbishops' Council and the Church of England Pensions Board, who are equal partners. The purpose of ChECS is to enhance the efficiency and effectiveness of the charitable national and diocesan institutions of the Church of England and of other charities with a church ethos, by facilitating the provision of cost-effective shared financial, legal and other services.

ChECS was registered with the Charity Commission on 31 December 2013 and started operating from 1 April 2014. Prior to this, the responsibility for the provision of shared services was split between the three main National Church Institutions ("NCIs"). The Commissioners' share of net assets of ChECS was £nil (2019: £nil). As at 31 December 2020, other than the amounts disclosed in debtors in note 13, £52,000 was owed by the Commissioners to ChECS (2019: £342,000).

The Commissioners have no associated undertakings.

**2. Investments** continued

**(d) Future commitments**

The Commissioners have commitments to invest in private equity, private credit, property funds and timberland. The timing of drawdowns is dependent on the fund managers acquiring underlying assets during the investment periods of the funds.

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | **2020 £m** | 2019 £m | **2020 £m** | 2019 £m |
| Securities portfolio | **983.3** | 562.6 | **478.4** | 361.1 |
| Indirect property | **65.3** | 37.0 | **63.2** | 34.9 |
| Timberland | **–** | 23.2 | **–** | – |
| Infrastructure | **87.6** | 30.2 | **33.7** | – |
| **Total capital commitments** | **1,136.2** | 653.0 | **575.3** | 396.0 |

**3. Expenditure on raising funds**

| | **Direct costs £m** | **Internal management costs £m** | **Support costs (note 7) £m** | **2020 Total £m** | Direct costs £m | Internal management costs £m | Support costs (note 7) £m | 2019 Total £m |
|---|---|---|---|---|---|---|---|---|
| Securities | **40.0** | **8.6** | **3.8** | **52.4** | 37.6 | 5.0 | 3.8 | 46.4 |
| Properties | **15.2** | **3.3** | **1.2** | **19.7** | 14.9 | 2.5 | 1.2 | 18.6 |
| Indirect property | **0.1** | **0.2** | **0.1** | **0.4** | 0.3 | 0.1 | – | 0.4 |
| Value linked loans | **–** | **0.2** | **0.1** | **0.3** | – | 0.1 | – | 0.1 |
| Timberland | **(0.4)** | **0.7** | **0.3** | **0.6** | 10.0 | 0.4 | 0.2 | 10.6 |
| Infrastructure | **0.5** | **0.1** | **0.1** | **0.7** | 0.6 | – | – | 0.6 |
| **Total investment management costs** | **55.4** | **13.1** | **5.6** | **74.1** | 63.4 | 8.1 | 5.2 | 76.7 |
| Costs of managing events at Lambeth Palace | **0.1** | **–** | **–** | **0.1** | 0.5 | – | – | 0.5 |
| **Total cost of raising funds** | **55.5** | **13.1** | **5.6** | **74.2** | 63.9 | 8.1 | 5.2 | 77.2 |

Direct costs include investment management fees, performance fees, property and timberland running costs and other fees.

Internal management costs include costs of employing in-house investment managers, operational support staff costs and associated department running costs.

Detail of support costs, including the methodology for allocating costs between activities, is shown in note 7 where the method of allocating these costs is described.

Costs of managing events at Lambeth Palace comprises expenditure incurred by Palace Public Occasions Limited, a subsidiary of the Commissioners, which provides conferences and other events at Lambeth Palace.

**4. Expenditure on charitable activities**

| | **Grant funding £m Note 5** | **Direct funding £m Note 6** | **Support costs £m Note 7** | **2020 Total £m** | Grant funding £m Note 5 | Direct funding £m Note 6 | Support costs £m Note 7 | 2019 Total £m |
|---|---|---|---|---|---|---|---|---|
| Supporting dioceses and the local church | **97.8** | **–** | **1.3** | **99.1** | 58.0 | 0.1 | 1.3 | 59.4 |
| Bishops' and Archbishops' ministry | **19.8** | **15.6** | **2.5** | **37.9** | 19.0 | 21.0 | 2.5 | 42.5 |
| Cathedrals' ministry | **19.5** | **0.2** | **0.3** | **20.0** | 10.0 | 0.2 | 0.3 | 10.5 |
| Other activities | **1.7** | **2.3** | **1.5** | **5.5** | 1.4 | 2.1 | 1.6 | 5.1 |
| **Total charitable expenditure excluding clergy pensions obligation** | **138.8** | **18.1** | **5.6** | **162.5** | 88.4 | 23.4 | 5.7 | 117.5 |
| Pre 1998 clergy pensions | **–** | **81.5** | **0.1** | **81.6** | – | 94.1 | 0.1 | 94.2 |
| **Total costs of charitable activities** | **138.8** | **99.6** | **5.7** | **244.1** | 88.4 | 117.5 | 5.8 | 211.7 |

The Commissioners support dioceses and the local church through providing grants to the Archbishops' Council.

Strategic development funding is for new growth opportunities which aim to support major change projects which fit with dioceses' strategic plans.

**4. Expenditure on charitable activities** continued
Lowest income communities funding and Transition funding are to provide funding for mission in communities with the lowest incomes.

Transition funding is distributed to dioceses whose funding for the support of the lowest income communities is less than under the previous 'Darlow' grant funding method which ended in 2016.

Strategic Transformation Funding is for those dioceses facing financial difficulties wishing to undertake major restructuring programmes in order to better align with their strategic plans and make a significant difference to their mission and financial strength, in turn supporting the Church's sustainable growth.

Sustainability Funding provides extra help to dioceses in the face of loss of income caused by the COVID-19 pandemic.

Strategic Ministry Funding provides financial support for growth in the number of clergy, including support for pensions and housing, in a tailored manner so that it is proportionately higher for those dioceses that need it most.

Additional Ordinands Funding is intended to meet costs of training the incremental increase in ordinands throughout the next triennium, supporting dioceses to deliver the Church wide goal of providing for future ordained ministry through increasing the number of ordinands by 50%.

**Bishops' and Archbishops' ministry**
The Commissioners are responsible for stipends, providing housing and office space for the diocesan bishops and archbishops and for the maintenance of those buildings including Lambeth Palace. They also provide diocesan bishops and archbishops with an annual block grant to cover their stipend and working costs and that of their suffragan bishops. Pension contributions are paid from this grant to the Church of England Funded Pensions Scheme for bishops and their chaplains, and the Church Administrators Pension Fund for bishops' support staff (see note 16).

**Cathedrals' ministry**
The Cathedrals Measure 1999 enables the Commissioners to make grants to cathedrals: section 21 and 22 grants are made towards the stipend and other costs of a dean and two residentiary canons of each cathedral; section 23 grants are made towards the stipend of any other clerk or salary of any lay person employed in connection with the cathedral; section 25 grants are made towards the repair of any chancel, other than that of the cathedral, which the cathedral is liable to repair.

Cathedrals Sustainability Funding enables the Commissioners to give discretionary section 23 grants to cathedrals to provide seed funding for projects aiming to help them become more financially sustainable.

**Pre 1998 clergy pensions**
The Commissioners meet the costs of clergy pensions for service up to 31 December 1997. This amount is the movement in the provision for clergy pensions until 31 December 1997 in the year to 31 December 2020 (with associated administration costs). The cash paid under the pre 1998 scheme was £118.9m (2019: £120.1m). Further details are provided in note 15.

**Other activities**
The Commissioners have a legal and advisory role in the reorganisation of parishes, sales and other transactions relating to clergy housing and glebe land, and settling the future of church buildings that have been closed for public worship. The Commissioners also contribute to their share of the liability for chancel repairs arising from their former and current ownership of rectorial property.

The Commissioners makes a grant to the Churches Conservation Trust to support its work in preserving church buildings closed for regular worship which are of historic and archaeological interest and architectural quality. During the year, the Commissioners paid the statutory grant to the Churches Conservation Trust of £1.6m (2019: £1.3m). The Commissioners also applied income of £0.9m (2019: £1.1m) from its share of proceeds on the sale of closed churches to these grants. Therefore, net expenditure on the annual grant to the Churches Conservation Trust was £0.7m (2019: £0.2m).

The Church Commissioners are responsible for running the national payroll for most serving and retired clergy on behalf of dioceses, cathedrals and other Church bodies. This is a statutory responsibility of the Commissioners and one of its charitable objectives, with the cost of providing this service paid for by the Commissioners and not passed on to the Church bodies.

## 5. Grant making

All grants are made to institutions.

| | 2020 £m | 2019 £m |
|---|---|---|
| **Supporting dioceses and the local church** | | |
| Grants to the Archbishops' Council for: | | |
| Strategic Development Funding | **22.6** | 22.1 |
| Lowest Income Communities Funding | **26.4** | 25.6 |
| Transition Funding | **8.3** | 9.8 |
| Strategic Transformation Funding | **11.4** | – |
| Sustainability Funding | **14.9** | – |
| Strategic Ministry Funding | **5.4** | – |
| Additional Ordinands | **2.6** | – |
| National Giving Strategy | **1.7** | – |
| Restructuring | **–** | 1.3 |
| Digital church | **1.4** | – |
| Other grants | **1.5** | 0.9 |
| Discounting adjustment (see note 14) | **1.6** | (1.7) |
| **Total grants to support dioceses and the local church** | **97.8** | 58.0 |
| **Bishops' and Archbishops' ministry** | | |
| 114 (2019: 114) grants to bishops in 42 (2019: 42) dioceses | **20.8** | 19.0 |
| Return of unspent grants from bishops | **(1.0)** | – |
| **Total grants for Bishops' and Archbishops' ministry** | **19.8** | 19.0 |
| **Cathedrals' ministry** | | |
| 96 (2019: 8) grants to 41 (2019: 8) cathedrals – Cathedral Sustainability Fund | **9.0** | 1.2 |
| 83 (2019: 130) grants to 42 (2019: 42) cathedrals – other grants | **10.5** | 8.8 |
| **Total grants to pay for cathedrals' ministry** | **19.5** | 10.0 |
| **Other activities** | | |
| Statutory grant to Churches Conservation Trust | **1.6** | 1.3 |
| Other grants | **0.1** | 0.1 |
| **Total grants for other activities** | **1.7** | 1.4 |
| **Total grant funding** | **138.8** | 88.4 |

A full list of grant recipients is available upon request in writing from the Commissioners' website.

Long-term grant funding is, where material, discounted to reflect the net present value of future payments. The discount rate used varies based on the time until the grant award is due to be paid.

Grantmaking creditors can be analysed as follows:

| | | Consolidated and Commissioners | |
|---|---|---|---|
| | Note | 2020 £m | 2019 £m |
| As at 1 January | | **114.7** | 114.1 |
| Changes in liability due to: | | | |
| New grant commitments in the year | | **140.7** | 88.4 |
| Return of unspent grants | | **(1.9)** | – |
| Grant payments in the year | | **(117.8)** | (86.1) |
| Changes in discounting adjustment | 14 | **1.6** | (1.7) |
| **As at 31 December** | | **137.3** | 114.7 |

## 6. Direct funding

| | 2020 £m | 2019 £m |
|---|---|---|
| **Supporting dioceses and the local church** | | |
| Payments direct to parish clergy | **–** | 0.1 |
| **Total supporting dioceses and the local church** | **–** | 0.1 |
| **Bishops' and Archbishops' ministry** | | |
| Bishops and archbishops' housing and office premises | **5.1** | 5.6 |
| Lambeth Palace Library running costs | **1.1** | 1.1 |
| Archbishops' office and working costs and stipends | **5.9** | 6.9 |
| Other national costs | **2.4** | 6.3 |
| Archbishops' advisors | **0.5** | 0.5 |
| Direct costs of administering bishops' and archbishops' ministry | **0.6** | 0.6 |
| **Total bishops' ministry and cathedral costs** | **15.6** | 21.0 |
| **Cathedrals' ministry** | | |
| Direct costs of administering cathedrals' ministry | **0.2** | 0.2 |
| **Total cathedrals' ministry** | **0.2** | 0.2 |
| **Pre 1998 clergy pensions** | | |
| Payments made to clergy | **118.9** | 120.1 |
| Actuarial adjustments | **(38.4)** | (26.9) |
| Other pre 1998 clergy pensions expenditure | **1.0** | 0.9 |
| **Total clergy pension obligation** | **81.5** | 94.1 |
| **Other activities** | | |
| National payroll for clergy | **0.3** | 0.3 |
| Chancel repair liability | **0.8** | 0.7 |
| Managing pastoral reorganisations and closed church buildings | **1.2** | 1.1 |
| **Total other activities** | **2.3** | 2.1 |
| **Total direct costs** | **99.6** | 117.5 |

## 7. Support costs

| | Raising funds £m Note 3 | Charitable activities £m Note 4 | 2020 Total £m | Raising funds £m Note 3 | Charitable activities £m Note 4 | 2019 Total £m |
|---|---|---|---|---|---|---|
| Shared services | **3.1** | **3.2** | **6.3** | 2.4 | 2.9 | 5.3 |
| Accommodation costs | **0.5** | **0.8** | **1.3** | 0.5 | 0.8 | 1.3 |
| Governance costs | **0.7** | **0.7** | **1.4** | 0.7 | 0.8 | 1.5 |
| **Total support costs before staff pension costs** | **4.3** | **4.7** | **9.0** | 3.6 | 4.5 | 8.1 |
| Staff pension costs (note 16): | | | | | | |
| Interest on staff pension scheme liabilities | **1.3** | **1.0** | **2.3** | 1.8 | 1.4 | 3.2 |
| Other costs | **–** | **–** | **–** | (0.2) | (0.1) | (0.3) |
| **Total support costs** | **5.6** | **5.7** | **11.3** | 5.2 | 5.8 | 11.0 |

Overheads are apportioned according to an activity based time split. Shared services include the Commissioners' share of the costs incurred by ChECS. Accommodation costs include rent and service charges payable on the office space used by the Commissioners. Governance costs comprise staff and non-staff costs relating to the general running of the Commissioners including supporting the work of their Board and committees and audit costs paid to Grant Thornton UK LLP.

### Allocation of costs

Most of the Commissioners' expenditure can be directly attributed to its various activities, however some costs are not directly attributable and need to be allocated across the Commissioners' investment and charitable activities.

Support costs are allocated to either charitable activities or raising funds based on the most appropriate apportionment method. Costs are also allocated to specific charitable activities or investment types using the same method. Apportionment methods used are estimated time spent on each activity, headcount, or expenditure incurred.

**7. Support costs** continued
Fees paid to Grant Thornton UK LLP, excluding VAT, are shown in the table below:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Audit of Church Commissioners: | | |
| Current year | **181** | 177 |
| Audit of subsidiary undertakings | **44** | 44 |
| **Total audit fees** | **225** | 221 |

**8. Staff numbers and remuneration**
The Secretary and staff employed to manage the Commissioners' investment assets are employed directly by the Commissioners.

In addition to staff employed directly, the work of the Commissioners is supported by staff in shared service departments provided by ChECS which provides finance, HR, communications, legal, IT and internal audit services to the NCIs. The costs of all ChECS staff are shown in aggregate in the tables below – the Commissioners' share of which was £5,066,000 (2019: £4,666,000).

The cost of staff for which the Commissioners are the managing employer and for ChECS (in aggregate) was:

| | Commissioners' own staff | | | | ChECS | |
|---|---|---|---|---|---|---|
| | Asset management | | Church functions and secretariat | | Shared services | |
| | **2020 Number** | 2019 Number | **2020 Number** | 2019 Number | **2020 Number** | 2019 Number |
| Average number employed | **49** | 41 | **33** | 32 | **178** | 165 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| Salaries | **7.4** | 4.3 | **1.7** | 1.6 | **8.2** | 7.4 |
| National Insurance costs | **0.6** | 0.5 | **0.2** | 0.2 | **0.9** | 0.8 |
| Pension contributions | **0.6** | 0.4 | **0.3** | 0.3 | **1.1** | 0.9 |
| **Total cost of staff** | **8.6** | 5.2 | **2.2** | 2.1 | **10.2** | 9.1 |

Salaries includes £136,000 (2019: £51,000) paid by way of termination costs to three people (2019: one person).

The Commissioners are obliged to pay pension benefits to staff, former First and Third Church Estates Commissioners, bishops' staff and staff of the Church of England Pensions Board who accrued years of pensionable service until 31 December 1999 as members of the Church Commissioners Superannuation Scheme ("CCSS").

Pension benefits earned on or after 1 January 2000 are provided by the Church Administrators Pension Fund ("CAPF"), administered by the Church of England Pensions Board. The Board publishes the Scheme's financial statements, and is its custodian trustee. From 1 April 2019, defined contribution pension arrangements for some staff transferred from the CAPF to a separate pension arrangement on the same terms.

Pensions are described in more detail in note 16.

**Asset management and national Church functions**
The cost of the planning and management of the Commissioners' assets is included in internal management costs (note 3) and the cost of the administration of national Church functions is included in the direct costs of those activities (note 5). Secretariat costs are included in support costs (note 7).

## Staff emoluments

The numbers of staff whose employee benefits for the year fell in the following bands:

| | Commissioners' own staff | | | | ChECS | |
|---|---|---|---|---|---|---|
| | Asset management | | Church functions and secretariat | | Shared services | |
| | **2020 Number** | 2019 Number | **2020 Number** | 2019 Number | **2020 Number** | 2019 Number |
| £60,001 to £70,000 | **7** | 7 | **2** | 4 | **14** | 13 |
| £70,001 to £80,000 | **6** | 1 | **1** | 1 | **7** | 5 |
| £80,001 to £90,000 | **1** | 4 | **2** | 1 | **2** | 5 |
| £90,001 to £100,000 | **3** | 2 | **–** | 1 | **3** | 4 |
| £100,001 to £110,000 | **1** | 1* | **–** | – | **5** | 1 |
| £110,001 to £120,000 | **2** | – | **–** | – | **–** | – |
| £120,001 to £130,000 | **–** | 1 | **–** | – | **–** | 1 |
| £130,001 to £140,000 | **1** | 1 | **–** | – | **1** | – |
| £150,001 to £160,000 | **1** | – | **–** | – | **–** | 1 |
| £160,001 to £170,000 | **1** | – | **1**** | – | **–** | – |
| £170,001 to £180,000 | **–** | – | **–** | 1** | **–** | – |
| £190,001 to £200,000 | **2*** | 2* | **–** | – | **–** | – |
| £200,001 to £210,000 | **–** | 1* | **–** | – | **–** | – |
| £210,001 to £220,000 | **1*** | 1* | **–** | – | **–** | – |
| £230,001 to £240,000 | **1*** | 1* | **–** | – | **–** | – |
| £240,001 to £250,000 | **–** | 2* | **–** | – | **–** | – |
| £250,001 to £260,000 | **–** | 1* | **–** | – | **–** | – |
| £260,001 to £270,000 | **2*** | – | **–** | – | **–** | – |
| £270,001 to £280,000 | **1*** | – | **–** | – | **–** | – |
| £380,001 to £390,000 | **1** | – | **–** | – | **–** | – |
| £510,001 to £520,000 | **1*** | – | **–** | – | **–** | – |
| £520,001 to £530,000 | **–** | 1* | **–** | – | **–** | – |

* Including LTIP payment.
** Secretary to the Church Commissioners (Chief Executive).

Employee benefits include gross salaries and termination payments but do not include employer pension contributions.

Of those staff managed directly by the Commissioners, 32 (2019: 25) accrue benefits under a defined contribution scheme for which contributions for the year were £415,000 (2019: £321,000). The remaining 5 (2019: 7) staff accrue benefits under a defined benefit scheme. Of those managed by ChECS, 28 (2019: 24) accrue benefits under a defined contribution scheme for which contributions for the year were £295,000 (2019: £256,000). The remaining 4 (2019: 6) staff accrue benefits under a defined benefit scheme.

The highest paid member of staff was the Chief Investment Officer who earned £305,000 (2019: £295,000) and a LTIP of £215,000 (2019: £228,000) based on the long term performance of the fund. Including the Chief Investment Officer, 10 (2019: 9) members of staff received LTIPs in the year totalling £753,000 (2019: £735,000). Further details of the Commissioners' remuneration policy are included in the Governance Section of the Board's report on page 39.

The Commissioners' senior executive leadership team comprise six posts, four of whom are employed directly by the Commissioners and two by ChECS. Their aggregate remuneration, including LTIPs, national insurance and pension contributions, is £1,152,000 (2019: £1,287,000).

### 9. Trustees' emoluments and expenses

The First and Third Church Estates Commissioners are paid a salary in accordance with the Ecclesiastical Commissioners Act 1850, as amended by the Ecclesiastical Commissioners (Powers) Measure 1938. Other trustees have no entitlement to a salary or pension in their capacity as trustees.

| | **2020 £000** | 2019 £000 |
|---|---|---|
| First Church Estates Commissioner | | |
| Salary | **79** | 77 |
| National Insurance costs | **10** | 9 |
| Pension | **10** | 8 |
| Third Church Estates Commissioner | | |
| Salary | **47** | 46 |
| National Insurance costs | **5** | 5 |
| Pension | **7** | 5 |
| **Total Church Estates Commissioners' costs** | **158** | 150 |

Pensions paid to former First and Third Church Estates Commissioners of £27,000 (2019: £26,000) were charged to the staff pension provision.

The Commissioners meet the expenses incurred by the trustees in carrying out their duties. During the year, 15 (2019: 20) trustees claimed expenses or had their expenses met by the Charity totalling £11,000 (2019: £33,000) in respect of travel and subsistence. The Commissioners meet the expenses of Committee members in carrying out their duties. During the year, 6 (2019: 10) Committee members claimed expenses or had their expenses met by the Charity totalling £1,000 (2019: £6,000) in respect of their travel and subsistence.

### 10. Taxation

| | US Withholding Tax £m | Australian Corporate Income Tax £m | Australian Withholding Tax £m | **2020 £m** |
|---|---|---|---|---|
| Consolidated | | | | |
| Current tax | 0.1 | – | – | **0.1** |
| Deferred tax | – | – | 0.5 | **0.5** |
| **Total Taxation charge** | 0.1 | – | 0.5 | **0.6** |
| Commissioners | | | | |
| Current tax | – | – | – | **–** |
| Deferred tax | – | – | 0.5 | **0.5** |
| **Total Taxation charge** | – | – | – | **0.5** |

| | US Withholding Tax £m | Australian Corporate Income Tax £m | Australian Withholding Tax £m | 2019 £m |
|---|---|---|---|---|
| Consolidated | | | | |
| Current tax | 0.3 | – | – | 0.3 |
| Deferred tax | – | – | 0.3 | 0.3 |
| **Total Taxation charge** | 0.3 | – | 0.3 | 0.6 |
| Commissioners | | | | |
| Current tax | 0.2 | – | – | 0.2 |
| Deferred tax | – | – | 0.3 | 0.3 |
| **Total Taxation charge** | 0.2 | – | 0.3 | 0.5 |

The Church Commissioners are a registered charity. As such, under UK tax law, they are exempt from Corporation Tax on all their Investment Income and Chargeable Gains. The UK resident subsidiaries of the Church Commissioners are, prima facie, subject to Corporation Tax on their income. However, all these subsidiaries have Deeds of Covenants to distribute all taxable profits to the Church Commissioners. As such distributions are tax deductible, no tax liability arises in the subsidiaries.

## 11. Tangible assets

| Consolidated | Assets in the course of construction £m | Freehold buildings | Green energy generation £m | IT systems £m | Leasehold improvements £m | Operational properties and contents £m | Total £m |
|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | |
| Balance at 1 January | 25.7 | – | 0.7 | 1.9 | 2.1 | 91.7 | **122.1** |
| Additions | 4.8 | – | – | – | – | – | **4.8** |
| Transfers | (30.5) | 30.5 | – | – | – | – | **–** |
| **Balance at 31 December** | – | 30.5 | 0.7 | 1.9 | 2.1 | 91.7 | **126.9** |
| **Accumulated depreciation** | | | | | | | |
| Balance at 1 January | – | – | – | (1.9) | (2.1) | – | **(4.0)** |
| Charge for the year | – | – | – | – | – | – | **–** |
| **Balance at 31 December** | – | – | – | (1.9) | (2.1) | – | **(4.0)** |
| **Net book value** | | | | | | | |
| Balance at 1 January | 25.7 | – | 0.7 | – | – | 91.7 | **118.1** |
| **Balance at 31 December** | – | 30.5 | 0.7 | – | – | 91.7 | **122.9** |

| Commissioners | Assets in the course of construction £m | Freehold buildings | IT systems £m | Leasehold improvements £m | Operational properties and contents £m | Total £m |
|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | |
| Balance at 1 January | 25.7 | – | 1.9 | 2.1 | 91.6 | **121.3** |
| Additions | 4.8 | – | – | – | – | **4.8** |
| Transfers | (30.5) | 30.5 | – | – | – | **–** |
| **Balance at 31 December** | – | 30.5 | 1.9 | 2.1 | 91.6 | **126.1** |
| **Accumulated depreciation** | | | | | | |
| Balance at 1 January | – | – | (1.9) | (2.1) | – | **(4.0)** |
| Charge for the year | – | – | – | – | – | |
| **Balance at 31 December** | – | – | (1.9) | (2.1) | – | **(4.0)** |
| **Net book value** | | | | | | |
| Balance at 1 January | 25.7 | – | – | – | 91.6 | **117.3** |
| **Balance at 31 December** | – | 30.5 | – | – | 91.6 | **122.1** |

Assets in the course of construction relate to the works on the Lambeth Palace Library project after planning permission was granted on 12 September 2017. The building has been transferred to freehold buildings at 31 December 2020 as the building is now complete. The building will start to be depreciated in 2021.

The original cost of tangible fixed assets is not disclosed given the historic nature of many of the assets owned.

The deemed cost of operational see house properties was the valuation at the FRS 102 transition date. This valuation was carried out by Knight Frank LLP as at 31 December 2013.

Operational properties includes the contents of see houses, which were valued by Gurr Johns as at 31 December 2007.

All tangible fixed assets are located in the United Kingdom.

## 12. Heritage assets

### Analysis of Heritage Assets

| | Lambeth Palace £m | Contents of Lambeth Palace Library £m | Historic contents of Lambeth Palace £m | Historic contents of former see houses £m | **Total £m** |
|---|---|---|---|---|---|
| Balance at 1 January | – | 0.3 | 1.1 | 2.1 | **3.5** |
| **Balance at 31 December** | – | 0.3 | 1.1 | 2.1 | **3.5** |

**Lambeth Palace**
Lambeth Palace has been the historic London residence of the Archbishops of Canterbury since the 13th Century. It was acquired by the Commissioners as a result of an Order in Council given in 1946 in accordance with the Episcopal Endowments and Stipends Measure 1943 and was transferred to the Commissioners at its original deemed cost. At the time of acquisition, the Commissioners' best estimate of the historic deemed cost was £1. Any developments or improvements to the building are capitalised at cost and depreciated over the improvements' useful economic life. Whilst the building continues to have operational use, being used as the Archbishop's London residence and including a team of staff employed to support him in his work, it continues to be maintained by the Commissioners as a result of its significant historical and cultural importance as an important exhibit to the public of the history of the work of the Archbishops of Canterbury and the Church of England. The grounds of Lambeth Palace are also home to the Lambeth Palace Library. The Commissioners are responsible for the on-going upkeep and maintenance of the building. Maintenance costs are charged to the SOFA in the period they are incurred.

**Contents of Lambeth Palace Library**
Lambeth Palace Library was founded in 1610 when Archbishop Richard Bancroft bequeathed to his successors as Archbishops of Canterbury his extensive collection of books and manuscripts. Ownership of the building and contents became vested in the Ecclesiastical Commissioners in 1946 and passed subsequently to the Commissioners. Responsibility for the maintenance of Lambeth Palace Library lies with the Commissioners. The collections of Lambeth Palace Library were designated by the Museums, Libraries and Archives Council in 2005 as outstanding in their national and international importance. The Library exists to preserve this unique heritage of the Church and the nation and to make it freely available for all to study and enjoy.

**Historic contents of Lambeth Palace**
Included within heritage assets are the historical contents of Lambeth Palace. These items are held primarily for their historical and artistic value. The contents' fair value has been calculated based on the market value last calculated at 31 December 2007. The Commissioners have performed a review of the historic contents of Lambeth Palace, which includes works of art, and are satisfied that there is no material difference between the fair value at 31 December 2020 and the full professional valuation obtained as at 31 December 2007.

**Historic contents of former see houses**
Included within heritage assets are the historical contents of former see houses that are on loan to various bodies. This includes the Hurd Library and other heirlooms at Hartlebury Castle and various objects at Fulham Palace. These items are held primarily for their historical and artistic value.

The contents' fair value has been calculated based on the market value last calculated at 31 December 2007. The Commissioners have performed a review of the historic contents, which includes works of art, and are satisfied that there is no material difference between the fair value at 31 December 2020 and the full professional valuation obtained as at 31 December 2007.

| | **2020 £m** | 2019 £m | 2018 £m | 2017 £m | 2016 £m |
|---|---|---|---|---|---|
| **Purchases** | | | | | |
| Lambeth Palace | **–** | – | – | – | – |
| Contents of Lambeth Palace Library | **–** | – | – | 0.1 | – |
| Contents of Lambeth Palace | **–** | – | – | – | – |
| **Donations** | **–** | | | | |
| Lambeth Palace | **–** | – | – | – | – |
| Contents of Lambeth Palace library | **–** | – | – | – | – |
| Contents of Lambeth Palace | **–** | – | – | – | – |
| **Total additions** | **–** | – | – | 0.1 | – |

## 13. Debtors

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | **2020 £m** | 2019 £m | **2020 £m** | 2019 £m |
| Trade debtors | **6.6** | 8.9 | **5.4** | 5.4 |
| Subsidiary undertakings | **–** | – | **490.1** | 441.3 |
| Joint venture (ChECS) | **1.4** | 0.7 | **1.4** | 0.7 |
| Dioceses (Clergy Stipends and Diocesan Debtors Accounts) | **10.2** | 1.2 | **10.2** | 1.2 |
| Loans | **2.4** | 3.4 | **2.4** | 3.4 |
| Other debtors | **2.0** | 2.0 | **1.4** | 1.4 |
| Prepayments | **2.3** | 2.0 | **2.0** | 1.5 |
| Accrued income | **6.8** | 8.4 | **21.5** | 17.9 |
| Outstanding trades receivable | **56.8** | 67.5 | **56.8** | 67.5 |
| Derivative open contracts | **49.2** | 109.9 | **49.2** | 109.9 |
| **Total debtors** | **137.7** | 204.0 | **640.4** | 650.2 |

Loans are interest bearing and consist of mortgages and loans to Church bodies, cathedrals and staff, and car loans to clergy.

Derivative open contracts are used for foreign currency hedging purposes and in the Tactical Asset Allocation programme. The value above represents those derivative contracts that have a positive value at 31 December. There are also derivatives which have a negative value disclosed in creditors within note 14. The total gains or losses on derivatives for the year is shown on the Statement of Financial Activities, which when used for hedging purposes are offset by movements in the fair value of the investment portfolio. For further details on foreign currency hedging, see note 2(a).

## 14. Creditors

### Falling due within one year

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | **2020 £m** | 2019 £m | **2020 £m** | 2019 £m |
| Trade creditors | **5.6** | 8.9 | **5.3** | 8.5 |
| Subsidiary undertakings | **–** | – | **20.8** | 20.5 |
| Dioceses and other Church bodies | **5.4** | 4.7 | **5.4** | 4.7 |
| Other creditors | **3.6** | 2.0 | **3.4** | 1.7 |
| Taxation and National Insurance contributions | **7.4** | 5.5 | **7.4** | 5.3 |
| Accruals and deferred income | **36.6** | 37.1 | **33.6** | 28.2 |
| Grants payable | **38.9** | 29.0 | **38.9** | 29.0 |
| Outstanding trades payable | **7.2** | 1.7 | **7.2** | 1.7 |
| Derivative open contracts | **24.4** | 17.3 | **24.4** | 17.3 |
| **Total creditors** | **129.1** | 106.2 | **146.4** | 116.9 |

Derivative open contracts are used for foreign currency hedging purposes and in the Tactical Asset Allocation programme. The value above represents those derivative contracts that have a negative value at 31 December. There are also derivatives which have a positive value disclosed in debtors within note 13. The total gains or losses on derivatives for the year is shown on the Statement of Financial Activities, which when used for hedging purposes are offset by movements in the fair value of the investment portfolio. For further details on foreign currency hedging, see note 2(a).

Unrealised losses on derivative financial instruments are described in note 2.

### Falling due after one year

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | **2020 £m** | 2019 £m | **2020 £m** | 2019 £m |
| Grants payable | **98.5** | 87.4 | **98.5** | 87.4 |
| Discounting adjustment | **(0.1)** | (1.7) | **(0.1)** | (1.7) |
| **Total creditors** | **98.4** | 85.7 | **98.4** | 85.7 |

## 15. Provisions

### Provision for clergy pre 1998 pension obligation

| | Notes | Consolidated and Commissioners 2020 £m | 2019 £m |
|---|---|---|---|
| As at 1 January | | **1,515.6** | 1,542.5 |
| Release of provision for: | | | |
| Pensions to clergy for service prior to 1998 | | **(82.1)** | (83.9) |
| Lump sum payments on retirement for service prior to 1998 | | **(5.6)** | (5.8) |
| Pensions to clergy widows and children for service prior to 1998 | | **(30.4)** | (29.7) |
| Benefits under the Deaconesses and Lay Workers (Pensions) | | **(0.1)** | (0.2) |
| Transfers out of scheme | | **(0.7)** | (0.5) |
| | | **(118.9)** | (120.1) |
| Changes in provision for: | | | |
| Interest on provision | | **57.6** | 58.5 |
| Changes in assumptions and due to experience | | **22.9** | 34.7 |
| | 6 | **80.5** | 93.2 |
| **As at 31 December** | | **1,477.2** | 1,515.6 |

***History***

Prior to 1998, the Commissioners were responsible for paying the pensions benefits to clergy who accrued years of pensionable service as members of the Church of England Pensions Scheme. By the mid-1990s this financial burden had become unsustainable and legislation was enacted to provide for new pensions schemes to be established and administered by the Church of England Pensions Board, with contributions for future service to be paid by all responsible bodies and employers (dioceses, cathedrals, the NCIs, and other church organisations). This effectively capped the Commissioners' obligation for clergy pensions for clergy for which they are not the 'responsible body' to service up until 31 December 1997 only.

Details of the Commissioners financial responsibilities in respect of their role as 'responsible body' for bishops, cathedral clergy and certain other clergy for service since 1 January 1998 are described in note 16(a).

***Church of England Pensions Scheme***

The Commissioners are obliged to pay pension benefits to clergy who accrued years of pensionable service until 31 December 1997 as members of the Church of England Pensions Scheme. The Scheme is administered by the Church of England Pensions Board on behalf of the Commissioners. The obligation is recognised in full using the actuarial valuation carried out by Hymans Robertson LLP, independent qualified actuaries. A full valuation is carried out every three years and it is rolled forward in other years. The last full valuation was carried out as at 31 December 2018.

The valuation uses the projected unit method and assumes all benefits including post retirement increases continue to be paid in accordance with current practice. It uses financial assumptions reflecting the term structure of interest rates and inflation. These assumptions include the prospective rate of investment returns, future increases in the RPI, the starting level of pensions and the rate of post retirement pension increases.

The principal assumptions were:

| | 2020 % | 2019 % | 2018 % | 2017 % | 2016 % |
|---|---|---|---|---|---|
| Prospective annual rate of return on investments | **3.8** | 3.9 | 4.2 | 4.4 | 4.3 |
| Rate of increase of future stipend and increases in the starting pension | **3.3** | 3.2 | 3.2 | 3.1 | 3.2 |
| Rate of post retirement pension increases | **3.3** | 3.2 | 3.2 | 3.1 | 3.2 |
| Retail price inflation | **3.3** | 3.2 | 3.2 | 3.1 | 3.2 |

The assumptions were made on a best estimate basis over a time period reflecting the long term nature of the fund and its objectives over 30 years. In their assessments of the pensions obligation, Hymans Robertson LLP have used bespoke Club Vita mortality tables. The life expectancy for beneficiaries aged 65 is 22.8 years (2015 valuation: 24.6 years) for men and 26.4 years (2015 valuation: 26.9 years) for women. In respect of future improvements in mortality rates the projection model from the 2017 Continuous Mortality Investigation has been used.

## 16. Pensions

| | Clergy | Staff | | | Clergy | Staff | | |
|---|---|---|---|---|---|---|---|---|
| | **Post 1997 service Note 16(a) £m** | **Pre 2000 service Note 16(b) £m** | **Post 1999 service Note 16(c) £m** | **2020 £m** | Post 1997 service Note 16(a) £m | Pre 2000 service Note 16(b) £m | Post 1999 service Note 16(c) £m | 2019 £m |
| **Pension reserves at 1 January** | **2.0** | **119.8** | **5.8** | **127.6** | 5.7 | 115.6 | 7.6 | 128.9 |
| Benefits/contributions paid | **(0.9)** | **(5.7)** | **(1.7)** | **(8.3)** | (0.9) | (5.6) | (1.6) | (8.1) |
| Interest on liability | **–** | **2.3** | **–** | **2.3** | 0.1 | 3.1 | 0.1 | 3.3 |
| Re-measurement of liability | **–** | **–** | **–** | **–** | (2.9) | – | (0.3) | (3.2) |
| | **(0.9)** | **(3.4)** | **(1.7)** | **(6.0)** | (3.7) | (2.5) | (1.8) | (8.0) |
| Actuarial losses | **–** | **12.2** | **–** | **12.2** | – | 6.7 | – | 6.7 |
| **Pension reserves at 31 December** | **1.1** | **128.6** | **4.1** | **133.8** | 2.0 | 119.8 | 5.8 | 127.6 |

The reduction in pensions reserves due to cash paid is £8.3m (2019: £8.1m) and the total amount shown in expenditure is £2.3m (2019: credit of £0.1m). Actuarial losses of £12.2m (2019: losses of £6.7m) have been recognised in other gains or losses.

**(a) Clergy pensions post 1997: Church of England Funded Pensions Scheme**
Pensions in respect of service from 1 January 1998 are provided by the Church of England Funded Pensions Scheme, administered by the Church of England Pensions Board. The Board publishes the Scheme's financial statements and is its custodian trustee.

The Commissioners are one of the 'responsible bodies' in the Scheme, as they pay the stipends, National Insurance and pensions costs of bishops, archbishops, bishops' chaplains and cathedral clergy.

The Scheme is considered to be a multi-employer scheme, and it is not possible to attribute the Scheme's assets and liabilities to specific employers. Therefore, contributions are accounted for as if the Scheme were a defined contribution scheme. The pension costs charged to the SOFA in the year are contributions payable plus any impact of deficit contributions.

The most recent valuation of the Scheme was carried out by an independent qualified actuary using the projected unit method at as 31 December 2018. This revealed a deficit of £50 million, based on assets of £1,818 million and a funding target of £1,868 million.

The contribution rate of future pensionable stipends payable by the Commissioners is made up of the following components:

| | Until 31 December 2020 % | From 1 January 2021 % | From 1 January 2023 % |
|---|---|---|---|
| Normal contributions | 26.5 | 31.3 | 31.3 |
| Deficit contributions | 11.9 | 7.1 | – |
| Contributions towards administration expenses | 1.2 | 1.2 | 1.2 |
| **Total contribution** | 39.6 | 39.6 | 32.5 |

Normal contributions relate to providing benefits in relation to ongoing pensionable service. Deficit contributions relate to recovery of the deficit until 31 December 2022. Administration expenses cover the day-to-day expenses of running the scheme.

This liability represents the present value of future deficit contributions and has been valued using assumptions set by reference to the duration of the deficit recovery payments.

**(b) Staff pensions pre 2000: Church Commissioners Superannuation Scheme**
The Commissioners are obliged to pay pension benefits to staff, former First and Third Church Estates Commissioners, bishops' staff and staff of the Church of England Pensions Board who accrued years of pensionable service until 31 December 1999 as members of the Church Commissioners Superannuation Scheme ("CCSS").

This is a multi-employer scheme where each employer is able to ascertain their share of the scheme assets and liabilities. The Commissioners' share is therefore provided for in the balance sheet in full. The provision is estimated each year by Hymans Robertson LLP, independent qualified actuaries.

Using the projected unit method, and assuming all benefits including post retirement increases continue to be paid in accordance with current practice, the provision is shown in the table above.

**16. Pensions** continued

Financial assumptions reflecting the term structure of interest rates and inflation have been used to estimate the value of the obligation. These assumptions include the prospective rate of investment returns, future increases in the RPI, the starting level of pensions and the rate of post retirement pension increases. The principal assumptions used in estimating the provision were:

| | **2020 %** | 2019 % | 2018 % | 2017 % | 2016 % |
|---|---|---|---|---|---|
| Discount rate (annual rate of return on AA rated corporate bonds) | **1.20** | 1.95 | 2.75 | 2.45 | 2.65 |
| Rate of salary increases | **3.80** | 3.70 | 4.45 | 4.40 | 4.45 |
| Rate of increase of pensions in payment: | | | | | |
| for service before 1 April 1997 (CPI) | **2.50** | 2.35 | 2.50 | 2.40 | 2.45 |
| for service since 1 April 1997 (RPI) | **3.05** | 3.25 | 3.45 | 3.40 | 3.45 |

In their assessments of the pensions liability, Hymans Robertson LLP used bespoke Club Vita mortality tables. In respect of future improvements in mortality rates, the projection model from the 2010 Continuous Mortality Investigation has been used, with advanced parameters with starting rates calibrated to the July 2012 Club Vita dataset.

History of experience gains and losses:

| | **2020 £m** | 2019 £m | 2018 £m | 2017 £m | 2016 £m |
|---|---|---|---|---|---|
| Actuarial loss (gain) | **12.2** | 6.7 | (18.3) | 4.7 | 21.4 |

**(c) Staff pensions post 1999: Church Administrators Pension Fund**

Pensions in respect of service from 1 January 2000 are provided by the Church Administrators Pension Fund, administered by the Church of England Pensions Board. The Board publishes the Fund's financial statements, and is its custodian trustee.

The Commissioners are one of the employers in the Fund. The Fund has two sections: the defined benefit and the defined contributions schemes. Staff who commenced service before 1 July 2006 are members of the defined benefit section of the scheme and staff who commenced service after 30 June 2006 are members of the defined contributions section.

The defined benefit section is considered to be a multi-employer, last man standing defined benefit pension scheme. This means that it is not possible to attribute the Fund's assets and liabilities to specific employers and that contributions are accounted for as if the Fund were a defined contribution scheme. The pension costs charged to the SOFA in the year are contributions payable for both defined contribution and defined benefit sections, plus any impact of defined benefit deficit contributions.

The most recent valuation of the Fund, completed on 29 January 2021, was carried out by an independent qualified actuary using the projected unit method at as 31 December 2019. This revealed a deficit of £9.1 million.

Following the valuation, the employers have collectively entered into an agreement with CAPF to pay contributions of 27.6% of Pensionable Salaries. The employers have also agreed to make deficit payments of £2.4m per annum until December 2023 in respect of the shortfall in the Defined Benefit Section. In addition, the employers have agreed to pay £500,000 pa towards expenses, plus the full cost of any Pension Protection Fund levies. These contributions are made by each employer in proportion to Pensionable Salaries of those in the Defined Benefit Section. For comparison, the deficit recovery plan in force at 31 December 2020 was for the deficit payments of £2,667,723 pa as at 1 January 2018 to be payable monthly until 30 June 2023 (increasing each 1 January by 3.3% pa).

**17. Funds**

An Order was made by the Charity Commission on 19 June 2012, at the request of the trustees, to enable them to account and report income and capital returns and charitable expenditure on a total return basis.

The Order requires the unapplied total return to be calculated at the point at which the Order is made, and subsequent movements are shown in the table below. The unapplied total return is the amount of the fund over and above the base level of endowment. The trustees agreed this base level should be the book value of assets of the Ecclesiastical Commissioners and the Queen Anne's Bounty when they were transferred to the Commissioners in April 1948 (£155.8m), inflated in line with RPI and deducting clergy pensions paid from capital, since the Pensions Measure 1997 became effective. The base level of the endowment at 1 January 2012 was £3,000.4m and the unapplied total return was £2,202.0m. The base value and unapplied total return together with the general fund reserve made up the total fund value of £5,237.6m at 1 January 2012.

The total return each year remains part of the endowment fund, until it is transferred to the general fund and becomes "applied total return". The transfer is shown in the table below and on the face of the SOFA. The trustees agreed the base value of the endowment should be recalculated each year to reflect the permanent diminution of the fund as clergy pensions are paid out under the Pensions Measure 1997, and inflated in line with RPI. In 2020, the trustees agreed to change the inflation rate to the Consumer Prices Index including Housing.

The clergy pension liability has been allocated to unapplied total return as the Commissioners do not have indefinite power to spend endowment on clergy pensions, but only for a seven year period ending in 2025. At that point, it is expected, but not presumed, that this power will be extended for a further seven years. As such, the base value of endowment is reduced each year by the clergy pensions paid in that year with movement in the provision being taken against the unapplied total return.

| | Notes | Base value of endowment £m | Unapplied total return £m | Total endowment fund £m | Other funds £m | Total funds £m |
|---|---|---|---|---|---|---|
| At 1 January 2020 | | 2,567.6 | 4,429.0 | 6,996.6 | 0.6 | 6,997.2 |
| Add investment return for the year: | | | | | | |
| Income return – gross income | | – | 125.9 | 125.9 | 2.6 | 128.5 |
| Income return – cost of raising funds | 3 | – | (74.1) | (74.1) | (0.1) | (74.2) |
| Capital return and foreign exchange | | | 778.0 | 778.0 | – | 778.0 |
| Taxation payable | 10 | – | (0.6) | (0.6) | – | (0.6) |
| **Total investment return during the year** | | – | 829.2 | 829.2 | 2.5 | 831.7 |
| Less | | | | | | |
| Clergy pensions paid | 15 | (118.9) | – | (118.9) | – | (118.9) |
| Release of clergy pensions paid | | – | 118.9 | 118.9 | – | 118.9 |
| Movement on clergy pensions provision | 15 | | (80.5) | (80.5) | – | (80.5) |
| Loss on defined benefit pension schemes (staff pre 2000) | 16 | (12.2) | – | (12.2) | – | (12.2) |
| Charitable expenditure: non-pensions | 4 | – | – | – | (163.6) | (163.6) |
| **Total other movements during the year** | | (131.1) | 38.4 | (92.7) | (163.6) | (256.3) |
| Add indexation on base value of endowment | | 20.5 | (20.5) | – | – | – |
| Application of non-applied total return | | – | (160.6) | (160.6) | 160.6 | – |
| **At 31 December 2020** | | 2,457.0 | 5,115.5 | 7,572.5 | 0.1 | 7,572.6 |

| | Notes | Base value of endowment £m | Unapplied total return £m | Total endowment fund £m | Other funds £m | Total funds £m |
|---|---|---|---|---|---|---|
| At 1 January 2019 | | 2,636.4 | 3,810.8 | 6,447.2 | 1.9 | 6,449.1 |
| Add investment return for the year: | | | | | | |
| Income return – gross income | | – | 171.5 | 171.5 | 3.8 | 175.3 |
| Income return – cost of raising funds | 3 | – | (76.7) | (76.7) | (0.5) | (77.2) |
| Capital return and foreign exchange | | – | 669.0 | 669.0 | – | 669.0 |
| Taxation payable | 10 | – | (0.6) | (0.6) | – | (0.6) |
| **Total investment return during the year** | | – | 763.2 | 763.2 | 3.3 | 766.5 |
| Less | | | | | | |
| Clergy pensions paid | 15 | (120.1) | – | (120.1) | – | (120.1) |
| Release of clergy pensions paid | | – | 120.1 | 120.1 | – | 120.1 |
| Movement on clergy pensions provision | 15 | – | (93.2) | (93.2) | – | (93.2) |
| Loss on defined benefit pension schemes (staff pre 2000) | 16 | (6.7) | – | (6.7) | – | (6.7) |
| Charitable expenditure: non-pensions | 4 | – | – | – | (118.5) | (118.5) |
| **Total other movements during the year** | | (126.8) | 26.9 | (99.9) | (118.5) | (218.4) |
| Add indexation on base value of endowment | | 58.0 | (58.0) | – | – | – |
| Application of non–applied total return | | – | (113.9) | (113.9) | 113.9 | – |
| **At 31 December 2019** | | 2,567.6 | 4,429.0 | 6,996.6 | 0.6 | 6,997.2 |

**17. Funds** continued
Other funds comprise the following balances:

| | At 1 January 2020 £m | Income £m | Expenditure £m | Transfers £m | **At 31 December 2020 £m** |
|---|---|---|---|---|---|
| *Restricted funds* | | | | | |
| Thy Kingdom Come | 0.1 | 0.1 | (0.2) | – | **–** |
| Reconciliation | 0.1 | 0.2 | (0.3) | – | **–** |
| Closed churches | – | 0.9 | (0.9) | – | **–** |
| Other restricted funds individually below £0.1m | 0.2 | – | (0.1) | – | **0.1** |
| **Total restricted funds** | 0.4 | 1.2 | (1.5) | – | **0.1** |
| *Unrestricted funds (designated)* | | | | | |
| Cathedral Sustainability Fund | 0.2 | – | (0.2) | – | **–** |
| *Unrestricted funds (general)* | | | | | **–** |
| General fund | – | 1.4 | (162.0) | 160.6 | **–** |
| **Total unrestricted funds** | 0.2 | 1.4 | (162.2) | 160.6 | **–** |
| **Total other funds** | 0.6 | 2.6 | (163.7) | 160.6 | **0.1** |

| | At 1 January 2019 £m | Income £m | Expenditure £m | Transfers £m | At 31 December 2019 £m |
|---|---|---|---|---|---|
| *Restricted funds* | | | | | |
| Thy Kingdom Come | 0.2 | 0.6 | (0.7) | – | 0.1 |
| Reconciliation | 0.2 | 0.2 | (0.3) | – | 0.1 |
| Closed churches | – | 1.1 | (1.1) | – | – |
| Other restricted funds individually below £0.1m | 0.1 | 0.2 | (0.1) | – | 0.2 |
| **Total restricted funds** | 0.5 | 2.1 | (2.2) | – | 0.4 |
| *Unrestricted funds (designated)* | | | | | |
| Cathedral Sustainability Fund | 1.4 | – | (1.2) | – | 0.2 |
| *Unrestricted funds (general)* | | | | | |
| General fund | – | 1.7 | (115.6) | 113.9 | – |
| **Total unrestricted funds** | 1.4 | 1.7 | (116.8) | 113.9 | 0.2 |
| **Total other funds** | 1.9 | 3.8 | (119.0) | 113.9 | 0.6 |

Details of the significant restricted and designated funds are given below.

### Thy Kingdom Come
The Archbishop of Canterbury receives external funding to plan and deliver the Thy Kingdom Come project, which is a global prayer movement. The funding is for staffing, events, communications and a very wide range of resources required to deliver the project in churches, cathedrals and online.

### Reconciliation
The Archbishop of Canterbury receives external funding for his Reconciliation Ministry which is now based at Lambeth Palace. The scope of the funding covers staffing, office & IT costs, conferences and hospitality, UK & overseas travel, training and other resources in relation to the Archbishop's Reconciliation Ministry.

### Closed churches
This fund represents the Commissioners' share of income received from the sale of closed churches. For further details, see note 4.

### Cathedral sustainability fund
The fund is designated to promote the financial sustainability of cathedrals by setting aside monies that had been received from unrestricted legacies to make additional distributions to cathedrals under section 23 of the Cathedrals Measure 1999. The funding is approved by the Board upon receipt of a detailed bid and fully costed financial plans. The timing of expenditure on the fund is dependent on bids being received from cathedrals that meet the bid criteria.

The net assets of the Commissioners split between its funds, on a consolidated basis, are as follows:

| | General fund £m | Designated fund £m | Restricted £m | Pension reserve £m | Endowment fund £m | 2020 £m |
|---|---|---|---|---|---|---|
| Fixed assets | 30.5 | – | – | – | 8,123.1 | **8,153.6** |
| Current assets | 123.5 | 1.5 | 0.1 | – | 1,133.9 | **1,259.0** |
| Creditors: amounts falling due within one year | (56.2) | (0.9) | – | – | (72.0) | **(129.1)** |
| Creditors: amounts falling due after one year | (97.8) | (0.6) | – | – | – | **(98.4)** |
| Provisions | – | – | – | – | (1,478.7) | **(1,478.7)** |
| Defined benefit pension scheme liabilities | | – | – | (133.8) | – | **(133.8)** |
| **Total funds** | – | – | 0.1 | (133.8) | 7,706.3 | **7,572.6** |

| | General fund £m | Designated fund £m | Restricted £m | Pension reserve £m | Endowment fund £m | 2019 £m |
|---|---|---|---|---|---|---|
| Fixed assets | 25.7 | – | – | – | 7,867.4 | 7,893.1 |
| Current assets | 105.9 | 2.3 | 0.4 | – | 831.6 | 940.2 |
| Creditors: amounts falling due within one year | (46.4) | (1.6) | – | – | (58.2) | (106.2) |
| Creditors: amounts falling due after one year | (85.2) | (0.5) | – | – | – | (85.7) |
| Provisions | – | – | – | – | (1,516.6) | (1,516.6) |
| Defined benefit pension scheme liabilities | – | – | – | (127.6) | – | (127.6) |
| **Total funds** | – | 0.2 | 0.4 | (127.6) | 7,124.2 | 6,997.2 |

## 18. Contingent liabilities

The Commissioners, dioceses and other Church bodies are the bodies responsible for the contributions to the Church of England Funded Pensions Scheme for clergy. In the event of defaults by any of the responsible bodies, the remaining responsible bodies, including the Commissioners, would continue to be responsible for the entire liabilities of the Scheme.

The Commissioners are joint employer, together with the other NCIs, of most of the staff of the NCIs and, as such, have a contingent liability for salaries and other employment costs in the event of a default by any of the other joint employers.

It is not practicable to reliably estimate the quantum of the above contingent liabilities.

## 19. Leases

The Commissioners have different types of leases in place for its investment properties, including:

| Tenancy | Break terms |
|---|---|
| **Residential** | |
| Assured Shorthold Tenancies (ASTs) | Minimum 6 months then two months' notice |
| Assured tenancies | One month's notice |
| Regulated tenancies | One month's notice |
| Ground Rents | No break terms |
| Licence Agreement | 1 month's notice by either party |
| **Rural** | |
| Farm Business Tenancies | In general, there are no breaks until lease end date |
| Agricultural Holdings Act | Minimum 12 month notice period by the tenant |
| Licence Agreement | Will range from 1 to 3 months' notice by either party |
| **Commercial** | |
| Full Repair and insurance | No break term unless specifically requested |
| Internal Repair and Insurance | No break term unless specifically requested |
| Geared Rents | No break terms |
| **UK forestry** | |
| Not applicable | |

**19. Leases** continued

Due to the nature of the Commissioners' leases, the vast majority of residential and rural property leases are cancellable within 12 months. Commercial property leases and residential ground rents are non-cancellable. The consolidated and Commissioners rents receivable under non-cancellable operating leases are:

| | 2020 £m | 2019 £m |
|---|---|---|
| Amounts due within one year | **8.1** | 6.8 |
| Amounts due after one year but not more than five years | **25.2** | 21.1 |
| Amounts due after five years | **150.7** | 141.0 |
| **Total rents receivable under non-cancellable operating leases** | **184.0** | 168.9 |

**20. Related party transactions**

ChECS is a charitable company limited by guarantee and is a joint venture between the Commissioners, the Archbishops' Council and the Church of England Pensions Board, who are equal partners. The purpose of ChECS is to enhance the efficiency and effectiveness of the charitable national and diocesan institutions of the Church of England and of other charities with a church ethos, by facilitating the provision of cost-effective shared financial, legal and other services.

As at 31 December 2020, other than the amounts disclosed in debtors in note 13, £52,000 was owed by the Commissioners to ChECS (2019: £342,000). The Commissioners' share of net assets of ChECS was £nil (2019: £nil). In addition, the Church Commissioners charged ChECS a total of £500,000 during 2020 (2019: £473,000) to rent a building for use in ChECS' charitable activities.

Like many charities, subsidiary companies carry out certain activities on behalf of the Commissioners. The transactions disclosed below are included in the Church Commissioners' stand-alone financial statements, but are eliminated on consolidation. All transactions disclosed below are made between the Commissioners and one or more of its wholly owned subsidiaries, and so any cash or other assets transferred to a subsidiary are included within the consolidated financial statements.

If taxable profits are generated by the subsidiaries, these are paid to the Commissioners as donations made under gift aid. The Commissioners have recognised income relating to gift aid payments of £18.0m (2019: £9.4m) from its subsidiaries in the year.

During the year, no (2019: 1) properties were sold from the Commissioners to CC Projects for a total of £nil (2019: £11.4m).

As disclosed in notes 13 and 14, the Commissioners maintain inter-company accounts between itself and its subsidiaries. The total debtors and creditors relating to subsidiary undertakings, excluding loan notes in Jahr Tree Co Pty Ltd, are debtors of £447.2m (2019 £418.8m) and creditors of £20.8m (2019: £20.5m). The Commissioners use these accounts for efficient cash management across the group and charge or pay interest at 1% above Bank of England Base Rate on these balances. The balances are unsecured with no fixed repayment date. During the year, the Commissioners received £6.4m (2019: £7.0m) and paid £0.3m (2019: £0.4m) interest in the year.

The Commissioners hold loan notes issued by its subsidiary Jahr Tree Co Pty in Australia totalling £24.9m (2019: £22.5m) at year end. The interest accrued on these loan notes in the year was £4.2m (2019: £3.4m). This transaction was made at open market value.

During the year, Palace Public Occasions Limited was charged less than £0.1m (2019: £0.2m) by the Commissioners for costs incurred by the Commissioners on behalf of the company. An additional amount of less than £0.1m (2019: £0.1m) was charged to the company by the Commissioners for the use of premises owned by the Commissioners.

**21. Funds held on behalf of others**

| | 2020 £m | 2019 £m |
|---|---|---|
| Residential service charges, sinking funds and tenants' deposits | **15.8** | 16.3 |
| Trust funds | **9.8** | 8.9 |
| **Total funds held on behalf of others** | **25.6** | 25.2 |

The Commissioners hold monies on behalf of others. The sums are not included in the Commissioners' balance sheets.

**Residential service charges, sinking funds and tenants' deposits**

The service charges and sinking funds are paid in advance by tenants of properties owned by the Commissioners in order that property repairs and maintenance works can be carried out.

**Trust funds**

The Commissioners are trustees of 38 funds, mainly restricted permanent endowment funds. Their income, £0.3m (2019: £0.3m), is applied in accordance with the terms of the trusts.

Certain other trustees are directed to pay some or all of their income to the Commissioners for specified purposes. The total amount received in the year was £0.1m (2019: £0.1m).

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