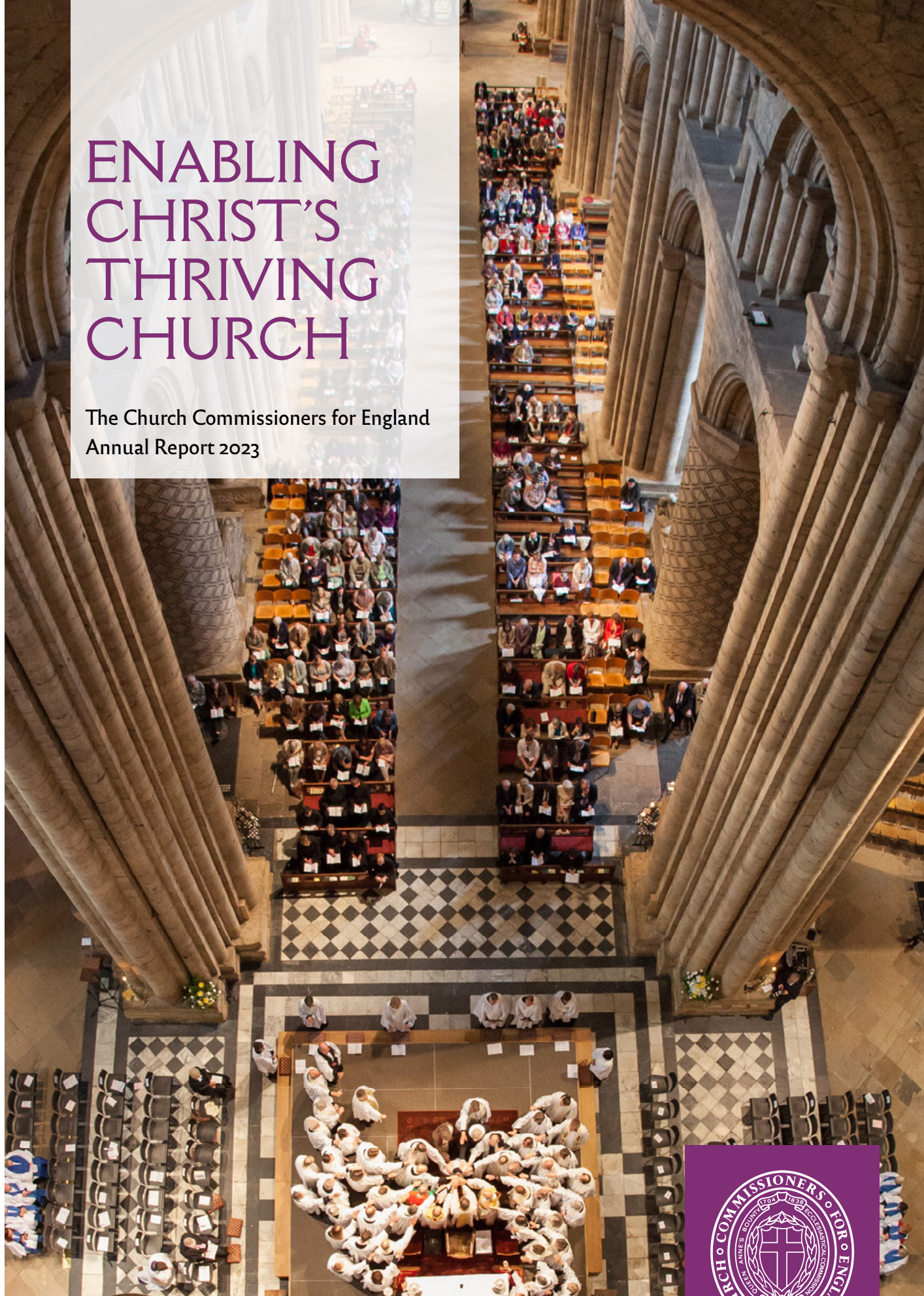


ENABLING CHRIST'S THRIVING CHURCH

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



Copyright © 2024
THE CHURCH COMMISSIONERS FOR ENGLAND

**Any enquiries about this report should be sent to the
Church Commissioners' Secretariat at their registered office:**

Church House
Great Smith Street
London SW1P 3AZ
commissioners.enquiries@churchofengland.org
Registered Charity Number: 1140097

ISBN: 978-1-3999-8517-8
This document is available to download at:
cofe.io/CCAnnualReport2023

CONTENTS

OVERVIEW

Overview and welcome from the Archbishop of Canterbury	6
A letter from the Chief Executive	9
At a glance	10
Our vision and purpose	12

FUNDING THE CHURCH

Supporting dioceses and the local church	18
Archbishops', Bishops' and Cathedrals' Ministry	24
Cathedral and Church Buildings	26
Mission, Pastoral and Church Property	28

INVESTING FOR THE FUTURE

Review of Investments	32
Approach to responsible investment	36
Top 20 holdings	39
A vision for healing, repair and justice	40

FINANCIAL REVIEW

Review of financial activity	44
Long-term financial strategy	46
Going concern	48
Carbon reporting	49
Risk management statement	50

GOVERNANCE

How the charity is constituted	55
Organisational Structure and Staffing	56
Trustees and the Board of Governors	60
Attendance at meetings	64
Trustee responsibilities	66
Money Available Resolution	67

FINANCIAL STATEMENTS

Independent auditor's report	70
Consolidated statement of financial activities	82
Commissioners' statement of financial activities	83
Balance sheets	84
Consolidated cash flow statement	85
Notes to the financial statements	87



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
<i>Strengthening the governance of all English Cathedrals through registration with the Charity Commission</i>	✿ 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
<i>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</i>	✿ 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	<ul style="list-style-type: none"> ✳ Supported the design and development of new Safeguarding redress scheme, including allocation of funding ✳ 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	<ul style="list-style-type: none"> ✳ Published report of research findings and carried out extensive engagement across England and with Anglican Communion in Western Africa and Caribbean ✳ 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	<ul style="list-style-type: none"> ✳ Net Zero Carbon programme board established to oversee the funding allocation ✳ 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
<i>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)</i>	<ul style="list-style-type: none"> ✳ 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 ✳ 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 	<ul style="list-style-type: none"> ✳ Continue to target long-term annual average returns of CPIH+4% ✳ Commence the triennial actuarial review & spending plans prioritisation process
<i>Optimise the Church Commissioners' impact as a leading Responsible Investor (RI) through prioritising key themes and implementing a targeted RI programme accordingly</i>	<ul style="list-style-type: none"> ✳ Concluded and reported to Synod on 2023 fossil fuel investment hurdles, and published Climate Action Plan 	<ul style="list-style-type: none"> ✳ Develop priority focus areas to ensure maximum impact with limited resources ✳ Publish annual Stewardship Report on progress made
<i>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</i>	<ul style="list-style-type: none"> ✳ Established programme for the introduction of a fit-for-purpose finance system for the NCIs 	<ul style="list-style-type: none"> ✳ Progress design and scoping phase of programme ✳ 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
<i>Develop and implement an integrated Technology and Data Strategy to support efficient, effective and cyber-secure processes, systems and projects</i>	<ul style="list-style-type: none"> ✳ Delivered successful go-live of new People System / Payroll 	<ul style="list-style-type: none"> ✳ Complete new NCI Technology and Data strategy
<i>Ensure the Church Commissioners' teams feel engaged and appropriately resourced and supported to deliver their work</i>	<ul style="list-style-type: none"> ✳ Successful recruitment for senior management roles ✳ 2023 staff 'pulse' survey delivered and actions agreed ✳ New Church House office space completed 	<ul style="list-style-type: none"> ✳ Implement NCI leadership / management development plan ✳ Continue delivery of Belonging & Inclusion strategy ✳ Carry out further staff survey with response plan
<i>Proactively diversify our workforce at all levels, including within our governing bodies and at all levels of our staff teams</i>	<ul style="list-style-type: none"> ✳ Diversity charter agreed by Board 	<ul style="list-style-type: none"> ✳ Hold Board-level diversity pipeline event ✳ Continue collection and monitoring of diversity statistics
<i>Support Board and Committee members to be able to contribute meaningfully</i>	<ul style="list-style-type: none"> ✳ Successful introduction of new Board / Assets Committee members in 2023 	<ul style="list-style-type: none"> ✳ Lay-on thorough induction process to new trustees ✳ Carry out Board effectiveness review
<i>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</i>	<ul style="list-style-type: none"> ✳ Active support to Governance project board (including First and Third Commissioners) and staff team 	<ul style="list-style-type: none"> ✳ Support the process of draft legislation coming to General Synod during 2024 ✳ Commence planning for future implementation



FUNDING THE CHURCH

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



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 Bishops 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 have 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 \(churchofengland.org\)](https://www.churchofengland.org/routemap-to-net-zero-carbon-final.pdf). 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 Cugoana. 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 £10.4bn¹, 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.



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.

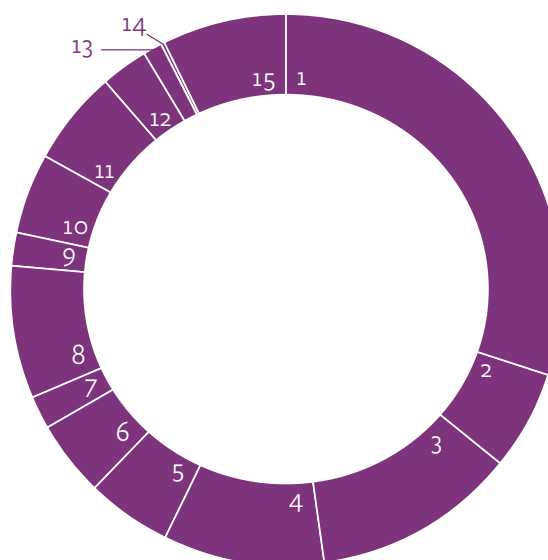
Our Forestry team maintained a focus on ensuring the sustainable production of timber from our forests. Work progressed with partners across several properties in the UK and the US to support renewable energy developments, which can deliver strong investment returns whilst supporting local communities 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 CO₂ 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.

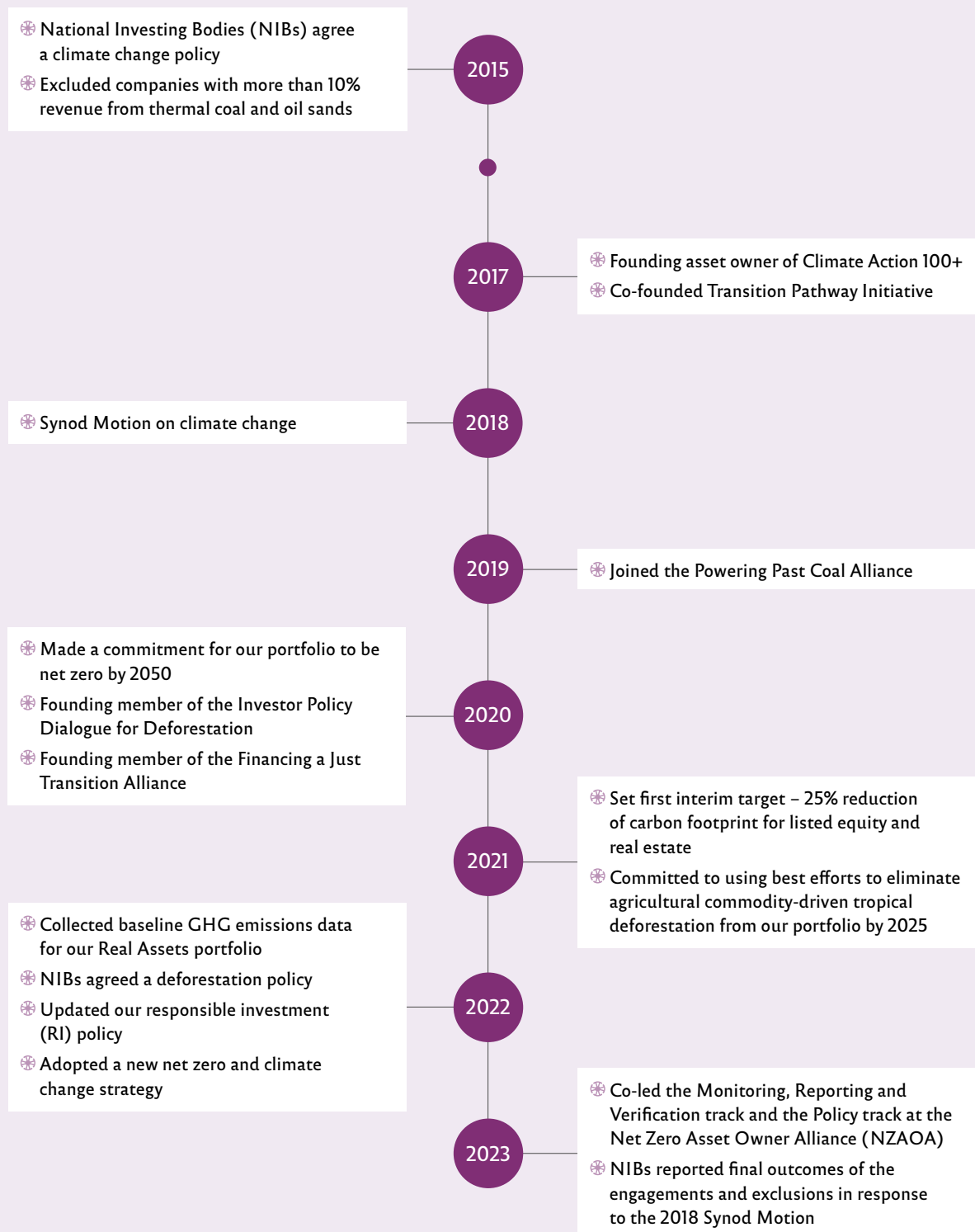
We see responsible investment as a way to navigate systemic risks. By Respecting People, Respecting the Planet, and being insistent on the need for good governance, we believe we can create positive outcomes – both financially and for society as a whole.

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

Alcon

Alphabet

Amazon.com

Analog Devices

Apple

Applied Materials

Danaher Corporation

Equifax

Gartner

Legrand S.A.

Mercadolibre

Merck & Co

Microsoft

Novo Nordisk Foundation

Salesforce.com

Sanofi SA

Siemens

Thermo Fisher Scientific

Vestas Wind Systems

Visa

TOP 20 PROPERTY HOLDINGS

Arbol Tree (Timberland, USA)

Ashford Estate (Farmland)

Brownhills Forest (Timberland, Scotland)

Canterbury Estate (Farmland)

Carlisle Estate (Farmland)

Cherry Tree (Timberland, USA)

Chichester Estate (Farmland)

Dykeraw Forest (Timberland, Scotland)

Ely Estate (Farmland)

Hyde Park Estate (Residential)

Huntingdon Estate (Farmland)

MetroCentre (Commercial)

Millbank Estate (Farmland)

Rochester Estate (Farmland)

Royal Lancaster Hotel (Residential)

South Durham Estate (Farmland)

South Lincoln Estate (Farmland)

Strathwiggan & Deughwater Forest
(Timberland, Scotland)

West Buccleuch Forest (Timberland, Scotland)

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





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.



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 CO₂ 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 (CO₂e). This was calculated on the basis of energy usage as disclosed on utility bills and Government CO₂e 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 CO₂e, 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
<p>Investment returns Failure to achieve investment returns (as per actuarial calculation) required to meet pensions obligations and distribution levels to grow and support the wider church.</p>	<ul style="list-style-type: none"> ✳ Effective and experienced Assets Committee oversight ✳ Disciplined valuation-led Investment Strategy and Process ✳ Clearly articulated Investment Policy, including supporting frameworks and guidelines ✳ Genuinely diversified portfolio ✳ Proactive monitoring of market and currency exposures, and use of Tactical Asset Allocation to manage exposures as required ✳ Strong teams, including new appointments in the Investments 'front-office' and Operations teams
<p>Sustainable funding 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.</p>	<ul style="list-style-type: none"> ✳ Close working relationships across national Church ensure a comprehensive understanding of priorities and provides oversight and transparency ✳ Assets Committee governance of money available for distribution, including independent actuarial review and advice. Regular engagement between actuaries, staff and Assets Committee ✳ Internal and external financial analysis and stress testing, including diocesan, parish and cathedral finances
<p>Effective use of Church Commissioners funding National Church funding does not achieve the intended outcomes and there are ineffective review / monitoring controls in place. 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.</p>	<ul style="list-style-type: none"> ✳ TFWG recommended funding priorities for the current triennium (2023-25) and beyond, based on the Church's Vision and Strategy ✳ Strategic Mission and Ministry Investment Board (SMMIB) gives oversight of grant allocation and ongoing monitoring ✳ Annual review of SMMIB reported to Commissioners' Board ✳ 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
<p>Reputational risks Reputational risks relating to the Church Commissioners, other NCIs or the wider Church, impact upon the Commissioners' ability to achieve their strategic objectives.</p> <p>Wider societal issues / concerns with reputational implications for Church of England / Church Commissioners.</p> <p>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.</p>	<ul style="list-style-type: none"> ✳ Experienced and effective governance and scrutiny applied by the Assets Committee, Audit and Risk Committee and Board of Governors ✳ Proactive and frequent engagement with key Church stakeholders on Commissioners' strategy and priorities ✳ Financial Communications team proactively manages responses to media in relation to Investment Strategy ✳ Proactive engagement with local communities and churches regarding local housing schemes ✳ Monitoring societal attitudes and proactive consideration of social justice issues with potential relevance to the Church Commissioners ✳ 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
<p>Climate change (transition risk) Failure to understand and respond to the paradigm shifts caused by climate change.</p> <p>Assets Committee and Investment Team fail to appreciate / consider climate change in their investment strategy.</p>	<ul style="list-style-type: none"> ✳ 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 ✳ 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 ✳ Implementing a comprehensive Responsible Investment Framework. Member of Asset Owner Alliance committed to net zero portfolio emissions by 2050 ✳ Programme support and funding for Church of England Net Zero Carbon 2030 ambition
<p>Health and safety Risk to staff, tenants, or general public on Church Commissioners' owned land / property.</p>	<p>See Houses</p> <ul style="list-style-type: none"> ✳ Smartlog system at all properties with quarterly reporting to the NCIs' Health and Safety Committee ✳ Statutory checks are completed by a third-party provider <p>Investment Assets</p> <ul style="list-style-type: none"> ✳ Robust contractual arrangements in place with third-party providers, including compliance with health and safety (H&S) legal requirements and insurance cover ✳ Quarterly reporting and monitoring of H&S actions, reviews and issues with agents ✳ Regular site visits to help identify H&S issues ✳ 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

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 (JECBS). 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 Bishops 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 (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
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)

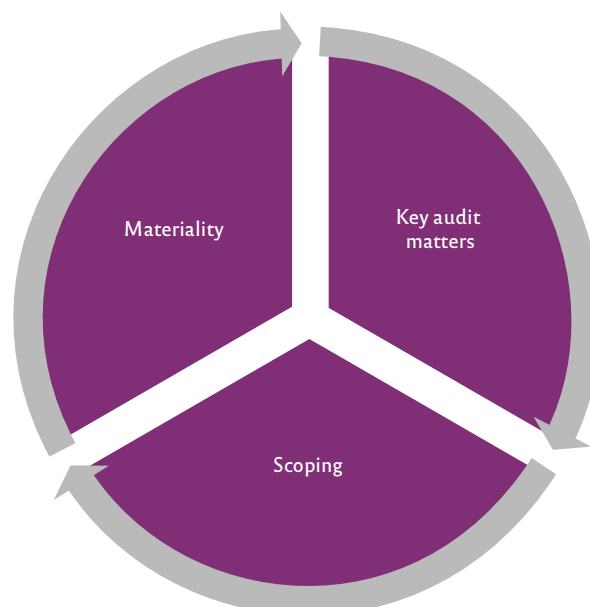
The prior year key audit matter also included existence, in the current year, we pinpointed the key audit matter to valuation only.

- ⊗ 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.



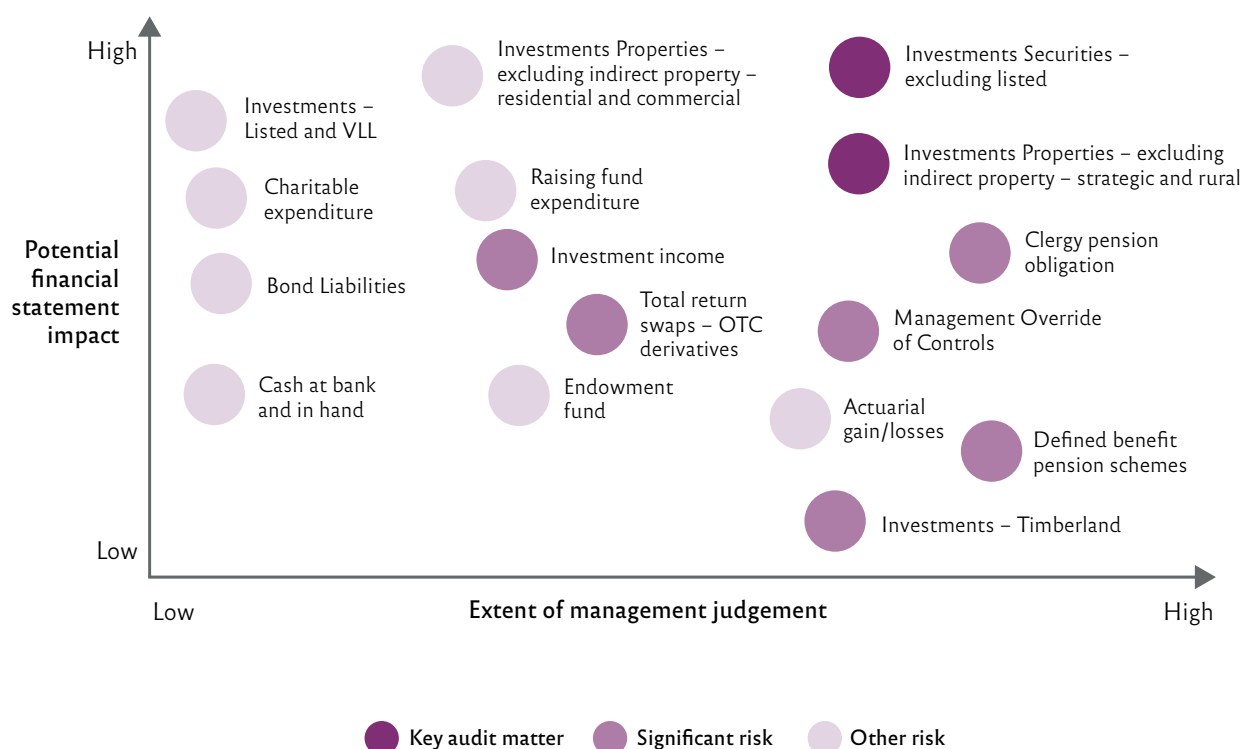
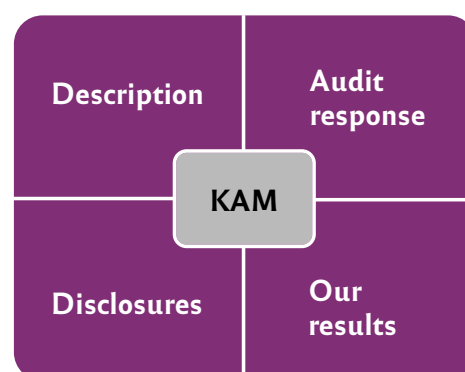
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

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, significant risks and other risks relevant to the audit.



Key Audit Matter – Group and parent charity

Valuation of Investment Securities – excluding listed

We identified valuation of unlisted Investment Securities as one of the most significant assessed risks of material misstatement due to error.

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.

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).

How our scope addressed the matter – Group and parent charity

In responding to the key audit matter, we performed the following audit procedures:

- ✚ Performed enquiries of management to understand the controls and procedures in place to ensure appropriate recording and valuation of investment securities.
- ✚ Evaluated the design and implementation of relevant controls and identified any significant control deficiencies that came to our attention.
- ✚ 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.
- ✚ 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.
- ✚ 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.
- ✚ 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

Financial statements: Note 1, Accounting policies and Note 2, Investments

Our results

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

Valuation of Investment Properties – excluding indirect property – strategic and rural

We identified valuation of rural and strategic investment properties as one of the most significant assessed risks of material misstatement due to error.

The investment property portfolio consists of different types of property, including direct and indirect investment property.

The direct investment property portfolio consists of the following asset classes:

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.

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.

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)

Relevant disclosures in The Church Commissioners for England Annual Report 2023

Financial statements: Note 1, Accounting policies and Note 2, Investments

How our scope addressed the matter – Group and parent charity

In responding to the key audit matter, we performed the following audit procedures:

- ⊗ Performed enquiries of management to understand the controls and procedures in place to ensure appropriate recording and valuation of investment properties.
- ⊗ Evaluated the design and implementation of relevant controls and identified any significant control deficiencies that came to our attention during our testing.
- ⊗ 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.
- ⊗ 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:
 - 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.
 - Tested the input data used in the valuations by agreeing to supporting evidence such as rental agreements.
 - Tested the mathematical accuracy of the valuations by performing a re-calculation.
- ⊗ Assessed the external valuation experts' objectivity, competence, and capability.
- ⊗ For a sample of post year-end sales, compared actual property sales prices against previous values reported by management valuation experts.

Our results

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	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> ✳ 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. ✳ 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. <p>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.</p>	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> ✳ 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. ✳ 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. <p>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.</p>
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: Whether there were any significant adjustments made to the group financial statements in prior years; and Whether there were any significant control deficiencies identified in prior years.	In determining performance materiality, we made the following significant judgements: Whether there were any significant adjustments made to the group financial statements in prior years; and 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	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> ✳ Charitable expenditure ✳ Raising funds expenditure ✳ Investment income ✳ Related party transactions 	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> ✳ Charitable expenditure ✳ Raising funds expenditure ✳ Investment income ✳ Related party transactions

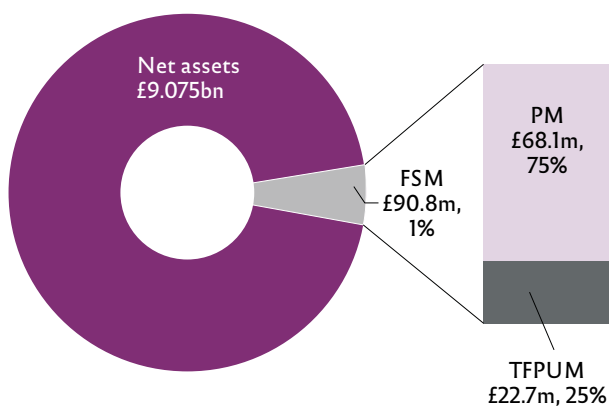
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

continued

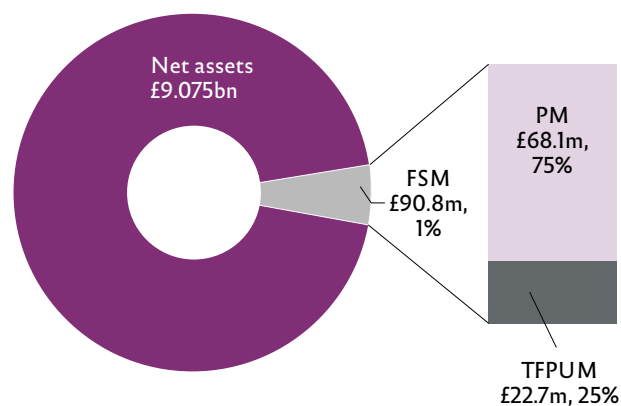
Materiality measure	Group	Parent charity
Communication of misstatements to the Audit and Risk Committee	We determine a threshold for reporting unadjusted differences to the Audit and Risk Committee.	
Threshold for communication	£4.5 million and misstatements below that threshold that, in our view, warrant 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

		2023			2022		
		Other funds £m	Endowment £m	Total £m	Other funds £m	Endowment £m	Total £m
Notes							
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

		2023			2022		
		Other funds £m	Endowment £m	Total £m	Other funds £m	Endowment £m	Total £m
Notes							
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.

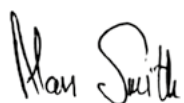
The breakdown of other funds is shown in note 18.

BALANCE SHEETS

As at 31 December 2023

	Notes	Consolidated		Commissioners	
		2023 £m	2022 £m	2023 £m	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 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		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 reclassified 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 reclassified 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 reclassified 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 reclassified 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 reclassified 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 reclassified 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		Commissioners	
			2023 £m	2022 £m	2023 £m	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.

	Accounting policy	Further details	Consolidated and Commissioners	
			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.

	Accounting policy	Further details	Consolidated and Commissioners	
			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 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 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 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 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.

Period	Sustainability Bonds (2032)		Bond (2052)	
	Interest due £m	Capital repayment £m	Interest due £m	Capital repayment £m
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

	Notes	Consolidated and Commissioners	
		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			2023 £m	Staff			2022 £m
	Post-1997 service Note 17(a) £m	Pre-2000 service Note 17(b) £m	Post-1999 service Note 17(c) £m		Post-1997 service Note 17(a) £m	Pre-2000 service Note 17(b) £m	Post-1999 service Note 17(c) £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
<i>Restricted funds</i>					
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
<i>Unrestricted funds (general)</i>					
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
<i>Restricted funds</i>					
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
<i>Unrestricted funds (general)</i>					
	–	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 Systemically 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.

