

THE CHURCH OF ENGLAND PENSIONS BOARD

England & Wales · Charity number 236627

Details

Other names	BISHOP MORLEY COLLEGE, CHURCH WORKERS PENSIONS AUGMENTATION FUND, CLERGY (WIDOWS AND DEPENDANTS) PENSIONS AUGMENTATION FUND, CLERGY PENSIONS AUGMENTATION FUND, CLERGY RETIREMENT HOUSING TRUST, CLERGY WIDOWS AND DEPENDANTS PENSIONS AUGMENTATION FUND, SUFFOLK CLERGY HOUSING TRUST, THE CHURCH WORKERS PENSIONS AUGMENTATION FUND, THE REV JOSHUA CASE TRUST
Status	Registered
Legal form	Other
Registered	1964-09-02
Register	View on the Charity Commission register

Contact

Address	Church of England Pensions Board PO Box 2026 Pershore Worcestershire WR10 9BW
Phone	02078981000
Email	housingservices@churchofengland.org
Website	www.cofepensionsboard.org

Activities

Objects: THE ADMINISTRATION OF CLERGY PENSIONS IN ACCORDANCE WITH THE PROVISIONS OF THE CLERGY PENSIONS MEASURE 1961. SEE SCHEME FOR FURTHER DETAILS.

Activities: Provides the best possible support and care, within available resources, to those who have retired from stipendiary and lay ministry within the Church of England, and to their dependants, through the provision of retirement and supported housing, and through discretionary grants to ensure beneficiaries have a minimum income standard.

Classification

- **How:** Makes Grants To Individuals, Provides Other Finance, Provides Buildings/facilities/open Space, Provides Services
- **What:** The Prevention Or Relief Of Poverty, Accommodation/housing
- **Who:** Elderly/old People, Other Defined Groups

Geography

- Throughout England And Wales

Finances

Period end	Income	Expenditure	Assets	Employees
2024-12-31	£63,673,000	£41,228,000	£151,906,000	184
2023-12-31	£43,606,000	£38,467,000	£128,108,000	179
2022-12-31	£31,664,000	£34,859,000	£123,563,000	179
2021-12-31	£29,066,000	£30,244,000	£131,858,000	176
2020-12-31	£29,078,000	£29,683,000	£127,834,000	174

Trustees

Name	Role	Appointed
HAROLD CLIVE MATHER	Chair	2019-05-01
ANTHONY NEIL KING		2020-01-10
Hannah Gore-Randall		2026-01-01
Ian Wilson		2020-07-01
Michaela Southworth		2018-12-01
Nikesh Patel		2018-03-01
Rev Caroline Titley		2018-03-01
Rev Eleanor Robertshaw		2021-07-01
Rev Trudie Anne Wigley		2025-01-01
Sandra Shadrack		2026-01-01
Victoria Paramour		2025-01-01
Wendy Davis		2026-01-01

Linked charities

- BISHOP MORLEY'S COLLEGE (236627-1)
- THE CLERGY RETIREMENT HOUSING TRUST (236627-2)
- THE CLERGY RETIREMENT HOUSING TRUST (236627-3)
- CHARITY OF THE REVEREND JOSHUA JOHN CASE FOR BUNGALOWS FOR CLERGY WIDOWS (236627-4)

THE CHURCH OF ENGLAND PENSIONS BOARD

England & Wales - Charity number 236627

Accounts

**The Church of England
Pensions Board**

Annual Report

Year ended 31 December 2024

Registered charity no. 236627

Contents

Introduction from the Chair and Chief Executive	4
Report of the Trustees for the year ended 31 December 2024.....	6
Structure and history	6
Public Benefit	7
Objectives.....	7
Charitable activities of the Board.....	8
Housing	9
Rental Property.....	9
Community Living.....	9
Shared Ownership	10
Mortgage Schemes.....	10
Signposting to alternative housing options.....	11
Administration of pensions.....	11
Review of 2024 activities	11
Administration of Pensions	13
The Board’s Approach to Investment & Stewardship.....	15
Financial Review.....	17
External financing.....	19
Charity Investments	19
Risk Management	20
Principal Risks	21
Going Concern.....	23
Approach to Taxation.....	24
Reserves	24
Unrestricted funds	24
Restricted funds	24
Reserves policy.....	25
Plans for the future	26
Structure, governance and management	27
Governance	27
Independent Auditors	28
Ethical Investment Advice.....	28
The Charity Code of Governance	28
Trustees.....	29
Attendance by Trustees at meeting of the Board and its Committee	31
Reference and administrative information.....	32

Management.....	33
Approval.....	33
Statement of Trustees’ responsibilities in relation to the financial statements	34
Independent auditor’s report to the Church of England Pensions Board	35
Consolidated Statement of Financial Activities of the Church of England Pensions Board for the year ended 31 December 2024	42
Consolidated Balance Sheet of the Church of England Pensions Board as at 31 December 2024 ..	43
Charity only Balance Sheet of the Church of England Pensions Board as at 31 December 2024	44
Consolidated Cash Flow Statement of the Church of England Pensions Board as at 31 December 2024	45
Notes to the Financial Statements of the Church of England Pensions Board as at 31 December 2024	46

Introduction from the Chair and Chief Executive

The Church of England Pensions Board provides retirement services to those who work or minister for the Church of England.

As described in the following pages, the Board continues to invest prudently and responsibly on behalf of scheme members and beneficiaries. Good investment performance over several years, coupled with improved market conditions, cost reduction and faithful contributions from employers, means that all of the pension schemes are well funded. A good funding position offers protection for members and employers against risks in uncertain times.

A good funding position also presents new opportunities. For example, in 2024 the Board was able to grant discretionary increases to clergy pensioners in the context of higher inflation, and in early 2025, the Board was able to implement a further reduction in the contribution rate for clergy pensions, in the knowledge that the 2024 valuation will show a strong funding position.

We were also able to lock-in investment gains through a £160m 'buy-in' transaction to fully insure benefits in the Church Workers defined benefit scheme. We were particularly pleased that this transaction represented our first application of the Sustainability Charter for pension insurance deals – launched by the Board, insurers and other funds in 2023 – meaning that investment principles important to our members are reflected in the transaction.

Among many highlights in our responsible investment work, the Board chairs the Global Investor Commission on Mining 2030, established to develop a vision for a responsible mining sector. The Commission produced its first major report in 2024, setting out the scale of the challenge as well as the opportunity for a different model of responsible mining to meet global demand. As part of this work, representatives of the Board met with the President of the Democratic Republic of Congo and served on the UN Secretary General's Advisory Panel on Critical Energy Transition Minerals.

Across the Board we continue to experience headwinds of increased demand for housing and other services, coupled with increased costs leading to pressure on budgets and staff. In 2024, 77 households moved into a Church retirement property. At the end of the year, we refinanced a £50m debt facility on better terms, and we are grateful for additional grant funding from the Archbishops' Council and Church Commissioners to meet unprecedented demand.

We are thankful to all the staff and Trustees of the Board for their contribution and would like to particularly pay tribute to the Revd Hugh Lee and Richard Hubbard, who retired as Trustees at the end of the year, and remember with fondness two colleagues who died in February 2024: the Rt Revd Alan Wilson (Housing Committee member) and Nigel Stokes (a member of the housing team).

Throughout its existence the Board has adapted its services to meet the changing needs of the Church and those it serves. Over the winter of 2023-24, we initiated a conversation process about how the Church might best support and enable greater choice for future cohorts of retiring clergy, particularly in relation to housing. We were delighted by the response, both in terms of the numbers of responses and the overwhelmingly positive reception these ideas

received. These ideas have been developed through 2024 so that the required investment can be considered through the Church's triennium funding process.

Within pensions, we welcomed the motion at the February 2024 General Synod seeking to improve clergy stipends and pensions. While these are ultimately decisions for Synod, we are pleased to be supporting that review. We also welcomed the Government's consultation on multi-employer Collective Defined Contribution schemes. If the regulations can be structured appropriately, this could be an exciting pensions proposition for many in the UK, perhaps including those employed in the Church family.

As we write, we are looking ahead not just to the unfolding of 2025, but also to plans to mark the Board's centenary in 2026. We look forward to continuing to support members and the mission and ministry of the Church well in the years to come.

Clive Mather
Chair

John Ball
Chief Executive Officer

Report of the Trustees for the year ended 31 December 2024

The Trustees present their annual report and financial statements of the charity for the year ended 31 December 2024. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the Charities Act 2011, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Finance Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" ("the SORP").

Structure and history

The Church of England Pensions Board ("the Board") was established in 1926 by the Church Assembly (now the General Synod) by the Clergy Pensions Measure 1926, to serve as the pensions authority for the Church of England and to administer a comprehensive pension scheme for clergy. Prior to 1926 there was no proper pension system for clergy.

The Board was given powers in 1948 to provide housing for retired clergy and their widows and dependants, and in subsequent years also became trustee of various charitable funds and trusts to provide for the relief of poverty of retired clergy and their widows and dependants. In 1964 the Board became a registered charity. Since then, the funds and trusts have been amalgamated and now exist as a single restricted fund: the 'General Purposes Fund'; and one linked charity for which the Board is corporate Trustee: the 'Clergy Retirement Housing Trust'.

In its current form, the Board is a body corporate, a registered charity, and is governed by the Church of England Pensions Measure 2018 – the main operative provisions of which came into force on 1 March 2019 consolidating and replacing prior legislation. The structure of the Board was amended in 2021 by the Legislative Reform (Church of England Pensions) Order 2021. During the period covered by these accounts it was the corporate Trustee of three pension schemes:

- The Church of England Funded Pensions Scheme ("CEFPS", commonly called 'the clergy scheme')
- The Church Workers Pension Fund ("CWPF")
- The Church Administrators Pension Fund ("CAPF")

The financial statements of the three pension schemes listed above are not included in this report but are separately available.

The Board administers two other pension schemes, for which it is not a Trustee: the Church of England Pensions Scheme (for clergy service prior to 1 January 1998); and the Church Commissioners Superannuation Scheme (for staff service prior to 1 January 2000). The financial affairs of these schemes can be found in the Church Commissioners' accounts. They have no impact on the financial position of the pension schemes of which the Board is Trustee.

Public Benefit

The purposes of the Board are the provision of retirement services set by the Church of England for those who have served or worked for the Church. This is carried out primarily through the provision of retirement housing and through the administration of pensions.

In accordance with the requirements of s17(5) of the Charities Act 2011, in exercising their responsibilities the Board has had regard to the Charity Commission's published advice on public benefit, especially that contained in its supplementary guidance *"The Advancement of Religion for the Public Benefit"*.

Nationally, the Church, through its network of more than 12,000 parishes, 16,000 churches and 20,000 ordained and lay ministers seeks to build social capital and provide spiritual care for all those who might wish to engage with matters of faith in a Christian context. The local churches are a focus for community activity, and through resources available at their disposal, provide activities that support community development and social cohesion. These can include projects which support children, families, and the elderly.

Retired clergy and their dependants often play a role in these projects, and retired clergy provide valuable auxiliary ministry in parishes across the Church of England. Through the provision of comprehensive pension schemes, retirement accommodation and, where applicable, direct grants to supplement their income, the Board assists clergy in retirement to continue to play a full role in the community.

Objectives

The Board's charitable objectives are first, to provide the best possible support and care, within available resources, to those who have retired from stipendiary and lay ministry within the Church of England, and to their dependants, through the provision of retirement and supported housing, and through advice services, and discretionary grants for those most in need. Second, the Board's objective is to meet its responsibilities as Trustee and administrator for the various pension schemes, as laid out in its governing documents (see Structure and History section).

The strategic objectives of the Board are to:

1. Manage the pension schemes efficiently and effectively.
2. Offer charitable and housing services that our customers and funders value.
3. Invest for the long term to deliver on our pension promises, be a leader in ethical and responsible investment, acting in members' interests, and reflect the Church of England's ethos and mission.
4. Understand our customers to deliver excellent customer service.
5. Model good governance and stewardship.
6. Be a great place to work, where people are valued, engaged and performing well.

In December 2019 the Board agreed three strategic priorities to guide its work and the implementation of its objectives. These are:

- 1. Simplification**
- 2. Self-sufficiency**, so that the Board can be less reliant on financial support from the wider Church in the long-term
- 3. Engaging in great conversations** with those the Board serves and the companies in which it invests

These priorities together form the Board's 'Centenary Vision'.

Retirement is a significant life event and particularly so for the Church of England clergy who have lived most of their working lives in tied accommodation, and for whom retirement also entails the stress of moving to a new house and new community. The Board aims to work with clergy to assist them in this significant life transition and encourages early conversations about their pension and retirement housing options.

In 2025, the Board will continue to provide existing services within the resources available. We continue to shape and refine the services that are offered to ensure that they are sustainable in the future. Over the winter of 2023-24, the Board led a conversation with the Church about new ways to support future cohorts of retiring clergy, particularly with their housing needs. The feedback from this exercise is being used to inform the Archbishops' Council and Church Commissioners in their consideration of spending plans for the 2026-28 triennium.

The charitable activities are financed by grants, gifts, legacies, and investment income. All donations are placed in the General Purposes Fund unless otherwise specified. We are very grateful to those who have given donations and left legacies over the past year.

Charitable activities of the Board

Around one in six clergy retiring from the stipendiary ministry seek the Board's assistance with retirement accommodation, whether in the Board's properties or through advice and signposting to other providers.

Around 2,400 individuals – primarily retired clergy and their spouses or partners – receive housing direct assistance from the Board. The majority of these customers are residents in the Board's rental and community living (previously called 'supported housing') properties. The Board also operates a small shared ownership scheme, and mortgage schemes, which are closed to new applicants. Although the expression is used less now, these services continue to be referred as CHARM (Church's Housing Assistance for Retired Ministry).

Housing

The Church of England Pensions Board's retirement housing provision is designed to assist retiring clergy leaving tied accommodation and who have not been able to make their own provision for somewhere to live in retirement. The provision of housing is a discretionary facility, with the Board specifying various parameters relating to the size and type of property available. These parameters are regularly reviewed.

Information on the housing offers, eligibility and access to the various options is available on the Church of England website at www.churchofengland.org/housing.

The Board also supports retirees and their households through a Welfare Advice Service which enables us to sign-post individuals to other charities and agencies through which they can access the different types of support available to them, including helping individuals to navigate the state benefit system. The Board operates a modest discretionary grant scheme to assist those on the lowest incomes.

Rental Property

The rental option is the Board's core service, with 1,168 properties let across England and Wales as at the end of 2024 (2023: 1,164). Applicants can choose from a portfolio of available properties across the country up to five years before they intend to retire and "reserve" it for their retirement.

The Board ensures that all properties are in a good state of repair. It uses stock condition surveys to plan and carry out maintenance.

Tenants who moved into their properties after 1 April 2015 pay a "target rent" based on a social housing model; tenants who already lived in a property prior to this date pay a rent which was based on their (joint) income, which is being slowly transitioned to a target rent.

The scheme is subsidised by the wider Church of England through Vote 5 of the Archbishops' Council's budget. The total grant for 2024 was £6.1m (2023: £5.8m). Additionally, and in the context of high inflation and rising interest rates, the Archbishops' Council agreed to grant a further £9m for 2023 and £19.7m for 2024-25 to assist the Board in meeting its costs and accommodate higher demand, which has been recognised in 2024 and is payable in two instalments in 2024 and 2025. This support enables the Board to continue to offer retirement properties substantially below market rents. The Trustees remain grateful for the financial support from the wider Church towards this work.

Community Living

The Board operates seven Community Living residential retirement communities. Each setting offers residents their own self-contained flats (comprising a living room, bedroom, bathroom and a small kitchenette) within a residential community. Each setting also offers communal dining facilities, meeting spaces, a library, a chapel, laundry facilities and shared garden space.

Community Living is offered to retired clergy and their spouses / partners who wish to live as independently as possible in a Christian community. Community Living residents include retired clergy individuals, couples and surviving spouses who wish to live in a close community without the need to manage their own property. Typically, Community Living residents will have come to the setting later into their retirement; however, Community Living also welcomes those at the outset of their retirement. The Community Living settings are also open to certain categories of retired lay worker and retired clergy who ministered for other denominations.

The Board charges for the accommodation using a rent and service charge system and operates a subsidy arrangement to assist those of its residents who are unable to pay for those support charges which are not eligible for state assistance.

The total cost of running community living including central overheads, is largely met by the income the Board receives through rent and service charges. The shortfall – including costs relating to the former nursing home closed in 2017 – is met from grants, voluntary donations and investment income received by the General Purposes Fund. In 2024 legacies and miscellaneous donations amounted to £0.2m (2023: £0.1m).¹

Mortgage and Shared Ownership Schemes

The Board has previously assisted clergy in purchasing retirement properties through a mortgage scheme, which closed to new applicants in 2008, and a shared ownership scheme which ran from 2008 to 2022. The Board continues to support customers who have housing through these arrangements.

In relation to mortgages, a fixed-interest mortgage option was in operation until 31 December 1982. Mortgagors had the option to pay interest on the amount loaned during the life of the loan and then on redemption repay the nominal amount of the loan or pay one-half of the interest due during the life of the loan and on redemption repay the nominal amount of the loan together with the unpaid interest. Two loans were outstanding at the end of the year, both of which the mortgagor is paying one-half of the interest due.

A value-linked mortgage option closed on 31 March 2008. Mortgagors pay an interest-only element on the advanced sum, with the rate of interest being subject to an annual uplift in line with increases in Church pensions. When the property is sold or the mortgage redeemed, the sale proceeds are divided between the mortgagor and the Board in the same proportions as when the loan was advanced. At the end of the year mortgage loans were outstanding on 368 properties (317 from the Charity and 51 from the subsidiary company CEPB Mortgages Ltd) (2023: 413 properties (360 from the Charity and 53 from the subsidiary company CEPB Mortgages Ltd)).

Through the shared ownership scheme, the household took at least a 25% equity share, with the Board contributing up to £150,000. The household pays a rent on the unowned share, and a service charge which reflects the cost of maintaining and insuring the property. Additional shares of the property can be bought by the customer, and the Board will gladly assist those who seek to buy outright ownership, refinance the Board's share, or switch to a full repairing

¹ See note 4 for further details of the difference between charitable income from rent and service charges, and charitable expenditure incurred.

and insuring lease. The number of shared ownership properties at the end of 2024 was 84 (2023: 88). Following a review, the Board closed the shared ownership scheme to new applicants in 2022. This was primarily because the shared ownership marketplace has developed significantly since 2008, such that there are now sufficient products on the market which offer comparable or better value options for those looking for this type of arrangement.

Signposting to alternative housing options

The Board supports existing residents and those approaching retirement in exploring alternative housing options with other providers.

The Board continues to assist retiring clergy seeking home ownership or shared ownership through signposting to providers and financial advice services. In 2024 we further developed our services to support retiring clergy explore the widest possible options for their retirement housing, increasing the choice available beyond our own offer and leading to 26 households securing options with other providers, where that best met their retirement plan.

Alternative rental options include housing associations and a range of Christian charities who offer rental, supported housing or residential care.

Through information and signposting, the Board also supports residents and their families seeking a care home or extra care facility as the next stage in their retirement.

Administration of pensions

During the period covered by this report, the Church of England Pensions Board was the Trustee of three pension funds – the Church of England Funded Pension Scheme, the Church Workers Pension Fund, and the Church Administrators Pension Fund.

The administration of pensions for the clergy is one of the charitable objects of the Board; this is carried out at no cost to the charitable funds since the administration costs are charged to the relevant pension fund.

In total, the pensions for more than 44,000 people, across about 700 employers are administered by the Board. Separate reports and accounts are issued for each of the pension schemes.

Review of 2024 activities

Housing

The Board helps clergy who have lived in tied accommodation for much of their ministry with finding a retirement home that suits their circumstances.

In 2024, the Board welcomed 77 new clergy households into Church retirement properties, and also supported a further 26 households in securing options with other providers, where that best met their retirement plan. This included 10 households who, through information and

signposting from our team, were able buy their own retirement home and did not need a rental solution.

The housing team received 74 more applications for help from future retirees, and the team is now helping more than 200 clergy households in planning their future moves. A big focus has therefore been on securing enough properties to meet demand. In 2024, 49 properties were purchased for our portfolio – mainly new-build properties which are more energy efficient and cheaper to heat and run.

Investment in the Community Living sites in 2024 included a complete renewal of the heating system at Capel Court and new residents' kitchens at Stuart Court. The biggest project for 2025 is new windows for Dulverton Hall (which overlooks the sea and takes the force of storms). There was a significant reduction in the number of vacant flats in Community Living during 2024, marking a recovery following the pandemic period when it was not possible to conduct the usual round of open days which help with interest in this form of retirement living.

With the support of the Church's Net Zero Programme, the Board carried out retrofit surveys to understand the steps needed to decarbonise our properties and to inform future maintenance and improvement plans.

In 2025, the Board appointed OCS as its new principal maintenance contractor to carry out day-to-day repairs to Church retirement homes. The tender process was brought forward following notification from Sanctuary that it did not wish to extend its contract as principal maintenance contractor. The Board is grateful to Sanctuary for its assistance over several years, and particularly for the support with emergency repairs provided through the pandemic. The procurement process to select a new contractor was a major area of work for the property team (assisted by Turner & Townsend as procurement consultants) over 2024. The involvement of the Board's resident panel throughout the process was particularly welcomed and helpful. The Board decided to defer planned stock condition surveys on the rental portfolio pending appointment of a new maintenance contractor.

The Housing Committee continues to oversee and review aspects of service delivery. For instance, in improving the support to incoming residents with aids and adaptations to their homes, building on improvements already made to the process for existing tenants.

Over the winter of 2023-24 the Board engaged with the Church on our ideas about how it might enable choice for future retirees about their housing plans. With more than 850 responses from individuals, dioceses, networks and others, this feedback has now shaped an investment case for discussions about future national Church funding priorities. Subject to Church funding, the Board hopes to be able to bring many of the new choices that we had proposed to life, alongside the continued offer of quality Church retirement housing.

With around 1 in 6 clergy requiring help with retirement housing in a normal year, the service remains an important part of the overall clergy covenant and package. Indeed, survey data suggest that the proportion requiring assistance may increase over the next three to five years.

The Board also recognises that plans, needs and circumstances change over time. Through the Welfare Advice and Housing Support service, the Board is able to assist residents whose

housing situation has changed. Specific assistance was provided to 282 households, including helping them to review entitlements to state benefits.

Administration of Pensions

All the defined benefit pension schemes are in good shape and continue to be fully funded, which means that the assets held by the schemes at least cover the pensions already earned and promised to members. The good funding position has been made possible through sustained investment performance, cost reduction, favourable market conditions and the continuing support of employers. This offered new opportunities to the Board this year.

In April 2024, the Trustees were pleased to be able to increase clergy pensions by 6.7% – an inflation-matching increase going beyond the guaranteed increases set by the Scheme rules. The Board were also able to facilitate a further reduction to the contribution rate for the Church of England Funded Pension Scheme (CEFPS) to 25% of pensionable stipends, down from nearly 40% (including deficit payments) a few years ago.

For the Church Workers Pensions Fund (CWPF), the strong funding position offered the option to secure all benefits earned in the CWPF Defined Benefit Scheme through an insurance transaction (known as a 'buy in') with Aviva. This was the third such policy entered into by the Board since 2014. It means that all members in that section of the fund have added protection for their pension benefits. This transaction also represented the Board's first application of the Bulk Annuities Sustainability Charter – launched by the Board, insurers and other funds in 2023.

The Pension Builder sections of the CWPF continue to grow, with a further increase in the number of Church employers choosing these schemes to provide good, responsibly invested pensions to their employees.

The deficit recovery plan for the Church Administrators Pension Fund (CAPF) completed in December 2023, and the fund is in good shape.

The funding position of the pension schemes is summarised as follows:

	Church of England Funded Pension Scheme £m	Church Workers Pension Fund £m	Church Administrators Pension Fund £m	Total £m
Total net assets available for benefits	2,615	608	146	3,369

The table below provides summary information for the most recent concluded actuarial valuation of each pension scheme at the date indicated. The CEFPS valuation as at 31 December 2024 will be undertaken during 2025 and concluded by 31 March 2026.

	Church of England Funded Pension Scheme	Church Workers Pension Fund	Church Administrators Pension Fund
	£m	£m	£m
Date of Valuation	31 Dec 2021	31 Dec 2022	31 Dec 2022
Total Technical Provisions	(2,160)	(483)	(104)
Total net assets available for benefits	2,720	600	102
Total pension scheme surplus (deficit)	560	117	(2)

The Board continues to monitor pensions administration performance closely. In a busy year, the administration team consistently achieved or exceeded the internal Service Level Agreement target level of 95%. Retiree satisfaction was consistently scored above 8 out of 10, with feedback reviewed by management, and over 80% of members responding to a survey in 2024 stated they were satisfied or very satisfied with the service received. Members particularly complimented the helpfulness of staff on the helplines and the ease of using PensionsOnline.

The use of PensionsOnline, introduced in 2021, continues to grow. It was used almost 11,000 times in 2024 by members to update their pension records and to support their retirement planning, including through self-generating retirement quotes and now extended to transfer values for certain schemes, reducing wait times for members and work volumes for the administration team, allowing them to focus on members who need more help.

Additionally in 2024, the Board piloted a new version of the site for employers and, c.150 employers were invited to sign up. Further developments are planned for both sites next year. Meanwhile, in the background, the Board is working with other National Church Institutions to automate payments which will speed up and simplify payments to members.

In 2025, the Board will undertake the statutory valuation of the CEFPS as at 31 December 2024. The early signs are encouraging, as a result of which the Board has agreed to reduce the contribution rate from 25% of pensionable stipends to 22% from April 2025. This is a prudent move which presents no risk to members' benefits, and also had the effect of mitigating the unplanned impact of higher employer National Insurance Contributions on Responsible Bodies, thereby assisting the Covenant. In February 2024, the General Synod of the Church of England voted for a review of benefit levels for clergy pensions as part of a wider review of stipends and other conditions of Office. The Board welcomes this review and is working with the Archbishops' Council and Church Commissioners to develop specific proposals for Synod's consideration in 2025.

The Board continues to monitor and engage with the regulatory environment, and welcomed the Government's publication of draft regulations to enable a new type of pension for multi-employer funds – Collective Defined Contribution. The Board responded to the consultation

with practical suggestions to make these regulations more workable and looks forward to engaging further with the Government and the Pensions Regulator. These provisions may, in time, allow the Board to offer a new type of pension to employees of church bodies, simplifying lay pension arrangements for the Church and offering members better and fairer pensions.

The Board's Approach to Investment and Stewardship

The Board invests sustainably and responsibly on behalf of members to pay pension promises across the long term. As good stewards of the funds, and guided by Church teaching, the Board engages with the companies in which it invests. The Board also works with other investors to drive change on key issues that matter most to our members.

The duty to be a good steward of the funds entrusted to the Board underpins the approach to responsible investment. Stewardship is about ensuring members' funds are invested sustainably and for the long term. As pension benefits earned today may not be drawn for 60-80 years, responsible stewardship involves managing systemic risks to how investments will perform over decades and affords the Board, through ownership, the opportunity to have real-world impacts. Moreover, this matters to pension scheme members, with over 89% of respondents to a member survey in 2024 stating that they expect the Board to act as a leader in this space, acting in members' interests.

Investment stewardship for the Long Term

With the Board's youngest members likely to be still drawing their pensions into the next century, the Board takes seriously its responsibility to steward the funds entrusted to us for the long term.

Long-term stewardship requires consideration of systemic risks which are too big for any one actor to address – but which have real-world, long-lasting impacts. A key feature of the work is therefore building partnerships with other pension funds and investors. The Board also works with policymakers, industry and regulators, using our voice as the Church of England's Pension Fund to drive action on climate change, responsible mining, biodiversity and other issues.

The Board is guided in its approach to responsible investment by advice from the Church's Ethical Investment Advisory Group (EIAG). Informed by the EIAG's work, the Board develops policies on investment and engagement, including exclusions on certain areas of investments such as tobacco, gambling and high-rate lending. The Board is unique in offering pension schemes which fully comply with a Church of England ethical investment approach.

Climate change and biodiversity

The Board has a strong record in convening and leading investor interventions to address the climate emergency. It co-founded the Transition Pathway Initiative (TPI), an independent tool to help investors assess companies' readiness for climate transition, and applied a similar method to sovereign (government) bonds through the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) initiative. In 2024, ASCOR released its first assessment, tracking national climate action across 70 sovereign nations. Collectively this group of countries

account for more than 85% of global greenhouse gas (GHG) emissions and 90% of global GDP. This analysis will help shape the Board's ongoing engagement in this area.

The Board also co-chairs the Paris Aligned Asset Owners Initiative, which supports asset owners to align their funds to net zero by 2050, if not before, using the Net Zero Investment Framework. Engagement work includes challenging companies to align their corporate lobbying activities to their stated climate commitments. As a result of the Board's efforts, further companies disclosed details about their political lobbying practices. Through the Emerging Markets Just Transition Initiative, supported by 12 UK pension funds which collectively manage \$400bn in assets, we are highlighting the importance of emerging investment markets in the transition to the low-carbon economy.

Mining and extractive industries

The mining industry is critical to the net zero transition, as it produces the minerals needed for green technologies, such as electric car batteries and wind turbines as well as the materials needed in everyday life. The Board established the Global Investor Commission on Mining 2030 to catalyse a global response from investors with US\$14trn assets under management and growing, and to develop a bold agenda to deliver a reformed environmentally and socially responsible mining sector by 2030.

Mining activities and critical resources all too often overlap with conflicts and human rights violations in communities around the world. As the *Church of England's Pensions Board*, the Board has been working with colleagues across the Anglican Communion to define what investors can do to support peacebuilding in five such locations. Following visits to the Democratic Republic of the Congo and Mozambique, in October 2024, representatives from the Board were privileged to join the consecration, led by the Most Reverend Thabo Makgoba, Archbishop of Cape Town, of a new Global Centre for Peacebuilding and Reconciliation. This new centre, headquartered in South Africa, will help shape the investor and wider Anglican Church response to conflict, and to supporting peace.

Active ownership

The Board, working with other asset owners, launched the Fair Reward Framework. Launched in September, it now covers nearly two-thirds of the FTSE100 companies, enabling more transparency of corporate reward practices. This helps shareholders have more informed discussions on issues of fair pay and executive remuneration, particularly at company AGMs.

The Board continues to represent our members by exercising votes at the AGMs of the companies in which the funds are invested. Last year the Board voted in 99.8% of shareholder ballots, voting against company management recommendations 18.4% of the time where these did not align with the Board's policies, including on executive pay. These votes can be extremely effective in voicing dissent or signalling approval for improvements, leading to further engagement opportunities to encourage change to corporate practices and standards.

The Board continues to report in detail on its responsible investment activities through the Annual Stewardship Report and Task Force on Climate Related Financial Disclosures (TCFD)

reporting, and maintained its signatory status under the UK Stewardship Code under the auspices of the Financial Reporting Council.

Investment performance in 2024

The year started facing the tail of an inflationary spike which, in addition to having a real impact on individuals' costs of living, led to higher interest rates and revaluations of interest-rate sensitive assets. Markets consistently over-estimated the rate at which interest rates would ease for much of the year and global equity markets have been dominated by the fortunes of a small number of US tech stocks. The huge wave of elections across the globe in 2024 added to uncertainty and it is deeply sad to note that there are more active global conflict zones now than at any other time since the Second World War. Since the end of the year, global markets have seen considerable volatility in response to changes in trade policies.

Against this backdrop, the Board has heavily focused on managing risks to the good funding positions of our pension schemes. The Board also continues to ensure that the funds under its care are invested responsibly and prudently on behalf of members.

The total return across the fund was 9.4% for the year (on return-seeking assets excluding gilts held to match the income required to pay pensions in payment). The portfolio of developed and emerging market equity returned 18.8%. Although exposure to property assets (where the market continues to perform poorly) has been reduced, the Board continues to believe it is important to operate a diversified portfolio, particularly given risks such as equity concentration, and the portfolio of diversified growth investments in property and private equity returned 3.6%. The Board was pleased to see a return of 8.4% from the diversified income pool, which covers investments in infrastructure, private debt, emerging market bonds and high-yield debt.

During the year the Board appointed new managers for emerging market equities and high-yield debt, in both cases selecting managers which could offer good performance and strong responsible investment credentials. The Common Investment Fund has returned 8.1% p.a. on average, over the last two decades.

Following a competitive selection process in the second half of 2024, the Board appointed Willis Towers Watson (WTW) as its investment consultant with effect from 1 January 2025. The Board remains grateful to Mercer for its assistance over many years, and Mercer continues to provide investment advice for the Defined Contribution funds.

Financial Review

Total income for 2024 was £63.7m (2023: £43.6m). Income from charitable activities of £13.6m (2023: £10.2m) relates to the recovery of administrative costs in respect of the pension schemes administered by the Board. The remainder £50.0m (2023: £33.4m) relates to the Board's housing activities, of which £15.9m (2023: £14.9m) derives from rents, service charges and mortgage payments.

In addition to the income received through provision of its services, the Board relies upon voluntary income sources to sustain its charitable housing activities. Income from grants, donations and legacies was £26.2m (2023: £15.1m). This includes support from the wider Church of England, partly through Vote 5 of the Archbishops' Council's budget, under which a grant of £6.1m (2023: £5.8m) was made towards the provision of retirement housing. In addition to the £9m grant received in 2023, the Archbishops' Council and Church Commissioners also agreed a grant of £19.7m payable in two instalments in 2024 and 2025 to assist the Board in meeting higher demand for retirement housing and meet the higher costs resulting from inflation and higher interest rates, while maintaining rents well below market levels for residents. This grant is recognised in full in the Statement of Financial Activities, with the 2025 portion shown as a debtor on the Balance Sheet.

Total income from donations and legacies in 2024 was £0.2m (2023: £0.1m) for which the Board is extremely grateful.

The Board also received investment income of £3.1m (2023: £1.8m), and gains arising from the sale of rental & shared ownership properties of £4.9m (46 rental and 4 shared ownership) (2023: £1.6m, 15 rental and 1 shared ownership). £991k of investment income was a result of joint venture in ChECS which registered a net surplus in 2024 from its new subsidiary, the Parish Giving Scheme (PGS), following ChECS becoming sole member of PGS on 1 January 2024. The Board continues to develop the portfolio through the sale of unsuitable properties as they become vacant, using the proceeds of sale, along with external borrowing, to fund the purchase of new properties.

Total expenditure for 2024 totalled £41.2m (2023: £38.5m), with expenditure on charitable activities totalling £41.1m (2023: £38.4m). The largest component of expenditure was on rental properties of £16.6m (2023: £17.9m), with the decrease reflecting the fact less repairs & maintenance costs were required for rental properties due to less of an impact from weather and other environment factors in 2024. Expenditure on Community Living was £7.0m (2023: £6.5m).

Charitable expenditure also includes the cost of administering the pension schemes which was £13.6m (2023: £10.1m) – this is a figure which varies year to year in large part due to the level of work on statutory valuations within the year.

Total funds stood at £151.9m at the end of the year (2023: 128.1m).

The value of fixed assets increased in the year to £310.1m (2023: £300.7m), largely reflecting additional purchases for the rental portfolio, plus an increase in the value of charitable investments.

The Pension Funds of which the Board is Trustee and Administrator are wholly separate from and not included in the financial statements of the charity.

External financing

The Board has supported the long-term financing of the CHARM scheme through the issue of two listed bonds, as well as making use of a Revolving Credit Facility.

In 2015 the Board, via its subsidiary CHARM Finance plc, issued a £100m Bond, of which £70m was drawn down immediately. This gave the Board access to long-term finance to purchase additional retirement properties to secure the future of clergy housing in retirement. The Board used part of the proceeds to repay existing short term borrowings and to acquire the economic interest in 196 CHARM rental properties which had been financed by the Church Commissioners and had previously been subject to significant restrictions. Under the terms of the refinancing agreement, the Board is obliged to pay to the Commissioners any capital uplifts arising from the sale of any of these properties within a 10 year period expiring in mid-2025.

In 2018, the Board issued a £50m fixed rate bond, of which £30m was drawn down immediately and was predominantly used to repay existing borrowings.

In 2019, the Board agreed a variation to its £50m Revolving Credit Facility, extending this arrangement to 2025. During 2024 the Board engaged with the market to refinance the Revolving Credit Facility and contracted with NatWest for a new £50m facility. As at the end of 2024 the total amount drawn under the RCF was £27.8m, being £23.8m under the Natwest facility, and £4m under the Santander facility.

The Board's borrowing as at the end of the year is summarised in the following table

	Size of facility	Amount drawn as at 31.12.24	Applicable interest rate as at 31.12.24
Loans from the Church Commissioners	N/A	£40.4m	8.1%
Revolving Credit Facility (June 2025)	£4m (reduced from £50m in December 2024)	£4m	Cumulative RPI swap (0% floor, 5% cap)
New Revolving Credit Facility	£50m	£23.8m	SONIA + 1.1%
2015 Bond	£100m (£30m retained)	£70m	3.126% indexed by CPI (0% floor, 4% cap)
2018 Bond	£50m (£20m retained)	£30m	3.509% fixed interest

The Board retains Newbridge Associates as a corporate finance adviser to support its external financing activities.

Charity Investments

The charity holds investments of £42.2m (2023: £40.9m), which generated income of £2.1m in the year (2023: £1.8m).

During 2024 the majority of investments were held with Brewin Dolphin, the Charities Property Fund (CPF, managed by Savills) and the Property Income Trust for Charities (PITCH, managed by

Swiss Life Asset Managers). The CPF and PITCH funds invest wholly in UK property, principally industrial, office and retail property. They are structured as charity common investment funds, which allow investing charities to benefit from their statutory exemption from stamp duty on UK investments. The charity also holds £0.8m (2023: £0.8m) in investment properties, covering a portfolio of 6 (2023: 6) properties.

The amounts invested at the end of 2024 by the Board across the three funds are shown in the table below, along with the return generated by each investment for the Board over the year. At times, the Board's returns may differ from the funds' own returns, because of investment or disinvestment during the year, which will affect its returns.

The Board's Investment Committee monitors the performance of the charitable investments and undertook a review of the strategy and investment policy statement during 2024 in the light of changing economic conditions and business needs. The Investment Committee remained satisfied with the appropriateness and performance of the investments.

	Value at end 2024 £m	Allocation %	2024 Return for the Board %
Savills Charities Property Fund	19.2	46	5.5
Brewin Dolphin	14.8	35	11.5
Swiss Life Property Income Trust for Charities	7.4	17	5.0
Investment Properties	0.8	2	8.0
Total	42.2	100	7.4

The charity also holds £0.9m (2023: £0.9m) in short-term cash deposits with the CBF Deposit Fund (CBFDF, managed by CCLA Management Ltd.)

Further information about the two charity property funds in which the Board is invested is provided below.

	Fund returns net of fees			Yield	Net fund size
	2024	2021-2024	2019-2024	End 2024	End 2024
	%	% pa	% pa	%	£m
Savills Charities Property Fund	5.5	0.3	3.3	4.8	987
Swiss Life Property Income Trust for Charities	5.0	-3.2	1.9	5.9	546

Risk Management

The Church of England Pensions Board's risk management process supports management by facilitating the identification and assessment of significant risks to the achievement of

objectives. There is a clearly defined Risk Management Policy which outlines the roles and responsibilities of Trustees, management, and staff.

The Trustee Board reviews the strategic risk register and risk management arrangements frequently and at least annually. This includes consideration of risk as part of the business planning and budgeting cycle. The Board is supported by the Audit and Risk Committee, which regularly reviews the risk registers and the adequacy of arrangements in place to manage the risks. The strategic risk register was comprehensively reviewed and recast during 2023, and the new structure has been used through 2024.

The Board has considered its appetite for different types of risk and seeks assurance that additional actions are planned where residual risk is assessed to exceed the stated appetite. The Board recognises that fulfilment of certain Pension Trustee and charitable duties requires a measure of risk taking – for example to deliver investment returns for members – and seeks to ensure that such activities are undertaken within an appropriate control environment. The Board recognises that risks rarely materialise in isolation and is alert to the potential for multiple risks to materialise at the same time. It further recognises that horizon-scanning – however good – will never be perfect. It considers that the best mitigation is to have in place strong governance, a high quality executive management team and a culture in which risk is regularly discussed in an open and forward-looking way, supported by independent input and assurance activity.

Individual departments and identified risk owners are responsible for the identification, assessment, and review of risks in their area of responsibility. Risks are prioritised using an agreed scoring methodology, with a score applied both before and after any mitigating action. The risk management process is facilitated and monitored by the Risk and Assurance function. The management of key risks are subject to independent review and assurance through the internal audit process, which reports to the Audit and Risk Committee.

Principal Risks

The principal risks, which Trustees consider most significant, are shown in the following table together with a summary (not exhaustive) of key management actions.

Risk	Key Management Actions include
Failure or under-performance of a critical supplier	<ul style="list-style-type: none"> • Contract management, monitoring and two-way feedback • Cyclical supplier reviews and retendering where appropriate • Appropriate Investment Management Agreements • Input into ChECS (shared services) business planning • CofE finance transformation programme
The Board’s housing offer becomes unsustainable for financial or regulatory reasons	<ul style="list-style-type: none"> • Budgeting, forecasting, financial modelling, covenant monitoring, horizon scanning • Engagement with key church stakeholders on funding requirements and the changing policy environment • Retained professional advice • Diversified delivery strategy • Demand monitoring and surveying • Net Zero feasibility programme

Risk	Key Management Actions include
Data loss, systems failure, cyber incident or fraud.	<ul style="list-style-type: none"> • NCI's Cyber resilience and Technology strategy, including Cyber Essentials Plus certification • NCI's processes and programmes relating to counter-fraud, data security and GDPR, financial controls, etc.
Failure to manage change well: high profile issue arising from a Board decision, action or inaction	<ul style="list-style-type: none"> • Good planning, governance and communication processes • Trustee training • Consultative approaches • Complaints handling processes
Insufficient capacity to manage multiple simultaneous risks or external events	<ul style="list-style-type: none"> • Business planning and risk management processes • Management oversight • Business continuity plans
Regulatory change	<ul style="list-style-type: none"> • Horizon scanning, professional advice, and stakeholder engagement • Responsible investment programme
Failure to understand and respond to the paradigm shifts caused by climate change	<ul style="list-style-type: none"> • Climate change integrated into investment decision making, with independent climate scenario analysis • Climate action plan and resulting actions • Consideration of physical risks and net zero in asset planning decisions
Risk relating to responsible investment activity or inactivity	<ul style="list-style-type: none"> • Annual stewardship report accounting for work done and commitments • TCFD reporting and Stewardship Code submissions
Key person risk (Trustees and staff)	<ul style="list-style-type: none"> • Board diversity and skills monitoring • NCI people programme
Strategic plans do not deliver	<ul style="list-style-type: none"> • Rhythm of strategic and business planning and review supported by professional advisers • Engagement with key stakeholders
Pensions scheme covenant(s) materially weakened leading to funding strain	<ul style="list-style-type: none"> • Covenant monitoring and integrated risk management and liaison with employers • Liaison with Archbishops' Council on wider Church financial issues, including drawing on the Diocesan Finance Review • Horizon scanning and ad-hoc simulation or scenario planning
Failure to comply with Landlord regulatory responsibilities	<ul style="list-style-type: none"> • Landlord responsibilities identified and compliance monitoring to the Housing Committee • Retained third party support for community living • Dedicated compliance management roles • Regular review meetings with key contractors • Safeguarding training programme • Whistleblowing policy and training
Investments and scheme funding	<ul style="list-style-type: none"> • Retained professional advice • Reviews of investment strategies and risks for each scheme, including hedging strategies • Valuations processes and annual actuarial reviews and updates • Monitoring processes

In addition, the Church of England Shared Services (ChECS) charity, which provides various shared services to the National Church Institutions including the Pensions Board, maintains its

own strategic risk register. The Board receives information on this and is able to input to the consideration of ChECS risks via its nominees to the ChECS Board. The principal risks identified by ChECS with relevance for the Pensions Board include:

- Operational resilience and performance
- Cyber and business continuity
- People and key person risk
- The pan-NCI finance transformation programme

In assessing the strategic risks in 2024, the Board considered wider environmental factors, including, but not limited to:

- The changing macroeconomic and geopolitical landscape including, for example, noting that the outlook for interest rates over the next decade is likely to be different to the previous decade.
- The implications of a period of high inflation on members and beneficiaries, as well as the Board's own operations and the covenants of sponsoring employers.
- Legacy effects of the global Covid-19 pandemic, including the impact on the property care programme and the risks to diocesan income which is an essential part of the covenant supporting pension schemes.
- Growing evidence of the impacts of climate change and the risks associated with critical mineral resources, including proximity conflict zones.
- The unknown implications of Artificial Intelligence.

The Board considers these factors and others as part of its integrated risk management for the pension schemes and in its charitable activities.

Going Concern

The Board meets the cost of property purchases, fit outs and other working capital requirements through its external borrowing, comprising a bank facility and two listed bond issues. The Board prepares annual budgets and regular re-forecasts, along with a three-year financial plan to ensure that it can meet its spending commitments as they fall due, and fulfil the terms and conditions associated with external borrowing. In addition, the Board has also prepared a long-term financial model to assist in considering financial viability over a longer period than that for which formal budgets and forecasts are prepared.

The Board has considered the key risks and uncertainties which impact upon immediate liquidity and longer-term solvency. These include the level of anticipated demand for its services, the resilience of voluntary income streams and changes in economic conditions. It has modelled the impact of changes in these factors over time and has considered whether it has adequate reserves and appropriate contingency plans to deal with a range of potential adverse scenarios.

The higher interest rate environment since late 2022, while generally beneficial for the pension schemes, presented challenges for the housing activities given the sensitivity of debt obligations to interest rates and inflation. The Board received additional grant support from the Archbishops' Council and the Church Commissioners covering the period 2023 to 2025. To

assist the Board in meeting the high level of demand from retiring clergy, as well as introducing new services under the banner of *Enabling Choice*, the Board has been provisionally awarded £95.7m for the 2026-2028 triennium.

Having due regard to the above, the Trustees have reasonable expectation that the Board has adequate resources to meet its spending commitments as they fall due, including the servicing and repayment of debt and compliance with loan covenants for the foreseeable future. Accordingly, the going concern basis of accounting in preparing the annual report and accounts continues to be adopted.

Approach to Taxation

In conducting its tax affairs, the Board will:

- ensure that it conducts them not only in accordance with the letter but also the spirit of the law;
- not behave in a manner that could be considered aggressive or abusive;
- endeavour to obtain all reliefs available to it as a charity;
- ensure that all tax filings are compliant with the law and that tax payments are made in a timely manner;
- engage in dialogue with His Majesty's Revenue & Customs ("HMRC") on a regular basis to ensure that any matters where the tax treatment is uncertain or difficult are raised and discussed at an early opportunity;
- maintain suitable processes and controls to ensure that the risk of non-compliance with filing and disclosure requirements is minimised; and
- ensure appropriate compliance with any non-UK tax regimes in relation to filing and payment obligations by paying the right amount of tax in the right place at the right time and disclosing all relevant facts and circumstances to the tax authorities and claiming reliefs and incentives where available.

Reserves

Unrestricted funds

The unrestricted funds represent expenditure incurred by the Board on salaries and working expenses subsequently recovered from the pension funds administered by the Board. The Board has no net assets in its own right as a body corporate and, consequently, no unrestricted reserves are retained.

Restricted funds

Restricted income funds are to be spent or applied within a reasonable period from their receipt to further one or more, but not all of the charity's charitable purposes.

The largest restricted fund administered by the Board is the General Purposes Fund ("GPF") at £137.2m (2023: £114.5m), which exists to provide for the relief of poverty among, and housing for retired clergy and church workers and their spouses/former spouses/dependants etc. This

fund is considered to be restricted since the provisions for use of its resources are narrower than the statutory objects of the Board, which include the administration of pensions.

Within the GPF, the Board has earmarked funds of £15.5m (2023: £5.7m) for the provision of future property maintenance costs. The designation of this fund merely expresses the current intentions of the Trustees and has no legal effect. Legally, the funds are available for spending on any of the objects of the GPF.

The Clergy Retirement Housing Trust ("CRHT") is a registered charity and is a linked charity of the Board (Charity No. 236627-2). The CRHT may use its property as residences for qualified persons under the provisions of the Clergy Pensions Measure 1961 or any succeeding legislation. As a linked charity, it is accounted for as a separate restricted fund, which together with some smaller trusts is valued at £14.7m (2023: £13.6m).

Reserves policy

Reserves are held to ensure that the Board can continue to deliver services to its beneficiaries and to meet its obligations and covenants in respect of debt financing in the event of a sustained reduction in voluntary income or some other adverse scenario. The Board considers annually the level of reserves that should be maintained and takes account of the requirements of the Charities SORP and the guidance issued by the Charity Commission (Charities and reserves CC19).

Whilst it is unusual for a charity to hold reserves entirely within restricted funds, in practice the breadth of the restriction placed on the General Purposes Fund means that the Trustees have a reasonable expectation that they could meet all necessary charitable expenditure of the Board from this fund, excluding the administration of pensions, the cost of which is fully recoverable from the Pension Schemes.

For the purposes of defining an appropriate reserves policy, the Board therefore considers 'free reserves' to be the net assets of the General Purposes Fund after excluding:

- the value of tangible fixed assets net of secured borrowings, i.e. CHARM properties (most of which are debt financed);
- other fixed assets held for charitable purposes, which cannot be quickly realised;
- the amount earmarked for property maintenance;
- and after making provision for the pension liability.

The Board holds free reserves in the region of £30m - £35m, allowing it to generate annual investment income of around £1.5m whilst taking an investment approach which aims to preserve capital value. This level of reserve is regarded appropriate to give considerable cover in the case of a one-off significant financial stress event.

Plans for the future

The Pensions Board has been providing retirement services to the Church of England for almost a century. These services have changed markedly over the years and will continue to develop as customer and stakeholder needs evolve.

The Board's core work will continue to be serving its 44,000 pension scheme members and beneficiaries and 2,400 housing residents. This includes managing health and safety, regulatory compliance and performance monitoring, plus working with partner employers and responsible bodies across the Church of England.

The strategic priorities adopted by the Board in December 2019 continue to guide our strategic agenda. These priorities – simplification, engaging in great conversations, and seeking to become more self-sufficient over the long term – resonate strongly with the emerging vision for the Church of England and are manifest in various parts of our plan.

At the end of 2023, the Board commenced a conversation with the wider Church about how the Church might best assist future cohorts of retiring clergy with their housing needs. The Board set out a series of ideas about ways in which the Church could assist its clergy with better and earlier retirement planning; assisting with the challenges inherent for those in tied accommodation seeking to access the property market for those who might wish to do so in ministry; promoting a wider range of choices and options at retirement including other housing providers and later-life home ownership opportunities; and maintaining an estate of quality church retirement homes. The core concept sitting behind these ideas is that of enabling greater choice for clergy. As described above, the feedback from this process was very positive, giving the Board confidence to present specific proposals for funding consideration (from 2026) by the Archbishops' Council and Church Commissioners.

The Board also continues to monitor developments in pensions legislation and regulation. The Board is particularly interested in the possibilities that may be offered by proposed regulations to permit multi-employer Collective Defined Contribution schemes, which potentially offer better alternatives to those in traditional DC arrangements.

In addition to these strategic themes and core service delivery, other specific activities in our Delivery Plan for 2025 include the following:

1. Conducting the statutory valuation of the CEFPS and supporting the Church to consider whether it wishes to improve benefits for future service.
2. Completing the new automated payment system for pensions, and the development of the employer portal for pensions administration.
3. Working with investors and colleagues across the Anglican Communion to support the Global Centre for Peacebuilding and Reconciliation.
4. On-boarding WTW as the Board's new investment adviser, and working with them to review investments and identify further improvement opportunities.
5. Mobilising the new maintenance contract with OCS.
6. Complete the stock condition survey programme on the Board's properties.

7. Building deeper partnerships with alternative housing providers to offer greater choice to retirees.
8. Holding elections for Member Nominated Trustees to represent the CWPF and CAPF.
9. Consolidate and refresh the Board's web pages.
10. Continue to equip and support the Board's staff to deliver and improve services.

Structure, governance and management

Governance

The twelve Trustees/members of the Board represent a balance of skills and expertise and are drawn from a wide range of constituencies.

- The Chair is an appointment of the Archbishops with the approval of Synod.
- There are four member nominated Trustees (elected by the members of the pension schemes): two are from the clergy schemes and one each from the CWPF and CAPF.
- One Trustee is elected by the CAPF and/or CWPF employers
- One appointed by the Archbishops following consultation with the Commissioners and dioceses, as a proxy for the clergy 'employers'.
- Two Trustees are determined following an open process and appropriate consultation with i) the Chairs of the CofE Appointments Committee and the General Synod's House of Laity; ii) Chair of the CofE Appointments Committee and the Prolocutors of the Convocations of Canterbury and York. These are formally appointees of the Archbishops following the requisite consultations.
- The remaining three Trustees are formally appointees of the Archbishops for their skills and expertise following an open process.

The Board decides on the frequency of its meetings, which is typically five a year. For Board meetings a quorum is present when four Trustees are in attendance, including at least one person elected by the members of the pension schemes administered by the Board.

New Trustees receive an induction into the work and practices of the organisation. All have access to an online database which includes outlines of their responsibilities, copies of the Rules and other documentation for each pension scheme, policies relating to the provision and operation of retirement housing assistance, and a library of past Board and committee papers.

Trustees have completed either fully or partially the Pensions Regulator's Trustee Toolkit, or an equivalent qualification, and regular training sessions are provided at Board meetings on a range of subject areas. In 2024 Trustee training topics included updates on legal and regulatory developments; cyber security; the content and implications of the Renters' Rights Bill; the Pensions Regulator's new General Code of Practice; and the Pensions Regulator's new Defined Benefit Funding Code. Individual Trustees and executives also participated in industry training events and conferences through the year.

The Board has committees to oversee the following areas: Audit and Risk, Housing, Investment, and Pensions. The Board has delegated authority to make decisions concerning these areas

within its terms of reference and to make recommendations to the full Pension Board on other matters.

The Board has also delegated some of the day-to-day management and operation of the Schemes' affairs to professional organisations as set out on page 32.

The Board completed an externally facilitated Board Effectiveness Review in 2022. This was a thoroughly positive report, identifying numerous examples of best practice. The most significant recommendation was to introduce a new Board portal to provide Trustees with secure access to papers and other documentation relevant to their roles, and this was implemented in 2023.

The Board was saddened to learn of the death of Bishop Alan Wilson in February 2024. Bishop Alan had been a member of the Board for several years up to 2021, and remained on our Housing Committee until his death. He was a much a much valued member of the Board and the Committee and brought great insight into the Board's work.

Independent Auditors

During the year, there have not been any non-audit services performed by the external auditors Crowe U.K. LLP

Ethical Investment Advice

The Board manages the Secretariat to the Ethical Investment Advisory Group ("EIAG") on behalf of the Church of England's national investing bodies – the Church Commissioners, the Church of England Pensions Board and the CBF Church of England funds managed by CCLA Investment Management Ltd. The work of the EIAG informs the Board's investment activities and policies.

The Charity Code of Governance

The Church of England Pensions Board takes its governance responsibilities seriously and, as a large charity, aims to have a governance framework that is fit for purpose, compliant and efficient. When launched in 2017, the Charity Code of Governance was accompanied with a recommendation that charities review their level of application and to explain any aspects of the code they were not applying. In its review the Board carried out a detailed examination of each element of the code:

- Organisational purpose
- Leadership
- Integrity
- Decision making, risk and control
- Board effectiveness
- Equality, diversity and inclusion
- Openness and accountability

The Board's review found it applied the code with a few exceptions, mainly arising from the Governing documentation, which as a statutory corporation, is itself primary legislation. The main area of difference was related to the limitation of Trustee terms. On 1 July 2021, a Legislative Reform Order came into effect amending the Pensions Measure 2018. This included reducing Trustees' terms from six years to five and provides that no Trustee may serve more than ten years. This provision differs slightly from the recommendation in the Code of nine years because of the overriding need to provide a measure of continuity through triennial pension scheme valuation cycles.

The externally facilitated Board Effectiveness Review in 2022 validated the Board's self-assessment against the Charity Governance Code.

In recent years, the Board has further enhanced its compliance with the Code. These have included extending the gathering of feedback from customers, consideration of extending the aspects of diversity monitoring, and through a thorough review of the Board's charitable services.

Trustee Diversity

The Board monitors its diversity profile annually and considers what action, where necessary, should be taken to address imbalances. As at 31 December 2024:

- 42% of Trustees identified as women (58% from 1 January 2025, following elections)
- 67% of Trustees identified as being members of the Church of England

The figures for ethnicity, disability and LGBT+ have not been set out as they are small in the context of a small board, and their disclosure may identify individual Trustees.

The average age of the Trustees fell in the bracket 55-64 years old.

Trustees

The Board has members elected and appointed by various means, which are described below. It delegates some of its business and decision making to sub-committees.

Board members (1 January 2024 to 10 July 2025)

*Appointed with the approval of the General Synod,
by the Archbishops of Canterbury and York*

Clive Mather (Chair)

*Appointed by the Archbishops of Canterbury
and York*

Roger Boulton

Emma Osborne

Ian Wilson

*Appointed by the Archbishops of
Canterbury and York after consultation
with the Chairs of the Church of England
Appointments Committee and the General
Synod's House of Laity*

Tony King

Appointed by the Archbishops of Canterbury and York after consultation with the Chair of the Church of England Appointments Committee and the Prolocutors of the Convocations of Canterbury and York
The Revd Caroline Titley

Appointed by the Archbishops of Canterbury and York after consultation with the Church Commissioners and the representatives of the dioceses
Nikesh Patel

Elected by the members of the Church Workers Pensions Fund
Canon Michaela Southworth

Elected by the members of the Church Administrators Pensions Fund
Maggie Rodger

Elected by the members of the clergy pension schemes
The Revd Hugh Lee (to 31 Dec 2024)
The Revd Canon Eleanor Robertshaw
The Revd Trudie Wigley (from 1 Jan 2025)

Elected by the Employers in the Church Workers Pensions Fund and the Church Administrators Pensions Fund
Richard Hubbard (to 31 Dec 2024)
Vicky Paramour (from 1 Jan 2025)

Committee Members (1 January 2024 – 10 July 2025)

<p><i>Audit and Risk Committee</i></p> <p>Maggie Rodger (Chair) Ebele Akojie* (from 13 March 2025) Helen Ashley Taylor* (to 31 Dec 2024) Caron Bradshaw OBE* (to 31 Dec 2024) Wendy Davis* (from 13 March 2025) Tony King Canon Susan Pope* Ian Wilson</p>	<p><i>Pensions Committee</i></p> <p>Richard Hubbard (Chair) (to 31 Dec 2024) Vicky Paramour (Chair from 1 Jan 2025) The Revd Hugh Lee (to 31 Dec 2024) Maggie Rodger Canon Michaela Southworth Ian Wilson</p>
<p><i>Housing Committee</i></p> <p>The Revd Caroline Titley (Chair) Lloyd Cochrane (from 5 June 2024) Jonathan Gregory* The Rt Revd Anne Hollinghurst* (from 5 June 2024) Tony King Tom Paul* The Revd Canon Eleanor Robertshaw The Rt Revd Alan Wilson* (to Feb 2024)</p>	<p><i>Investment Committee</i></p> <p>Roger Boulton (Chair) Hannah Gore-Randall* Emma Osborne Nikesh Patel Chris Rule* Padmesh Shukla* The Revd Trudie Wigley (from 1 Jan 2025)</p>

*Indicates members of committee who kindly give of their time and experience to the committee but are not Trustees of the Pensions Board.

Attendance by Trustees at meeting of the Board and its Committee

The table below sets out the attendance of Trustees at meetings of the Board and its Committee during 2024. Where a member served for part of the year, the number of meetings that they could have attended is shown in brackets.

Trustee	Board (5)	Audit and Risk (3)	Housing (4)	Investment (4)	Pensions (4)
Clive Mather	5		4	3	4
Roger Boulton	5			4	
Richard Hubbard	4				3
Tony King	4	3	4		
The Revd Hugh Lee	5				3
Canon Emma Osborne	4			4	
Nikesh Patel	1			4	
The Revd Canon Eleanor Robertshaw	4		3		
Maggie Rodger	5	3			4
Michaela Southworth	4				4
The Revd Caroline Titley	5		4		
Ian Wilson	4	2			2

Reference and administrative information

Charity Number	236627
Principal office	Church House 29 Great Smith Street London SW1P 3PS
Chief Executive	John Ball MA(Oxon), MSc
Actuary	Aaron Punwani, Lane Clark and Peacock LLP
Independent Auditor	Crowe U.K. LLP, 55 Ludgate Hill, London, EC4M 7JW
Bankers	Lloyds Bank, 25 Gresham St, London, EC2V 7HN
Corporate financial advisor	Newbridge Advisors LLP, 2 Puddle Dock, London, EC4V 3DB
Investment Advisers	Mercer Ltd, Tower Place West, 50 Lower Thames St, London, EC3R 5BU Willis Towers Watson, 51 Lime St, London, EC3M 7DQ
Charity Investment Managers	Brewin Dolphin, 12 Smithfield St, London, EC1A 9LA Savills Investment Management Ltd, 33 Margaret St, London, W1G 0JD Swiss Life Asset Managers UK Limited, 55 Wells St, London, W1T 3PT CCLA Investment Management Ltd, One Angel Lane, London, EC4R 3AB

Enquiries should be addressed to

Post Church of England Pensions Board, PO Box 2026, Pershore, WR10 9BW

Email cepfeedback@churchofengland.org

Phone 020 7898 1890

Management

The day-to-day management of the Board's activities is delegated to the Executive Team, which is led by the Chief Executive.

Staff Remuneration and Executive Pay

Other than staff employed to work in the community living schemes, all staff in the Pensions Board, and those working for Church of England Central Services who provide support functions to the Board, are covered by a unified pay policy that operates across all the National Church Institutions. This includes those staff who have a contract of employment with the Pensions Board. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value which is based on a comprehensive job evaluation scheme, with staff being placed in one of eight 'bands'. For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market related salaries and is subject to annual review. The NCIs use a range of appropriate external data tools and internal dedicated resource to advise on market rates.

Staff pay is reviewed annually and any increases as a result of the annual pay negotiations are awarded with effect from 1 January each year.

Certain senior roles, including that of the Chief Executives, sit outside the banding system, as the skill set required to fulfil the role is not readily measured within the NCIs' standard job evaluation system. Salaries for these roles are set individually with reference to the wider market place, typically comparing to the charity and public sector market, and is overseen by the Remuneration Committee comprising senior Trustees from each of the main NCIs. In general, these staff can expect the same percentage annual uplift for cost of living as other staff. Salaries in the Board's investment function are set according to relevant industry benchmarks.

The highest paid member of staff was in the investment team. The annual salary for the highest paid member of staff was £267,000 (2023: £226,000), 11 (2023: 9) times the salary earned by the lowest paid member of staff and 5 (2022: 3.9) times the median salary.

In common with the other National Church Institutions, the Pensions Board continues to be accredited with the Living Wage Foundation.

Staff are typically eligible to join the Church Administrators Pension Fund or the Church Workers Pension Fund. Pension scheme membership is offered on a non-contributory basis.

Approval

The Trustees Report was approved by the Trustees on 10 July 2025 and signed on its behalf by



Clive Mather
Chair

Statement of Trustees' responsibilities in relation to the financial statements

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the Church of England Pensions Board

Opinion

We have audited the financial statements of The Church of England Pensions Board (the "Parent Charity") and its subsidiaries (the "Group") for the year ended 31 December 2024, which comprise:

- the consolidated Statement of Financial Activities for the year ended 31 December 2024;
- the consolidated and Parent Charity only Balance Sheets at 31 December 2024;
- the consolidated Cash Flow Statement for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Charity's affairs as at 31 December 2024 and of the Group's income and expenditure for the year then ended;
- the Group and Parent Charity financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards); and
- the financial statements have been prepared in accordance with the Charities Act 2011.

Basis for opinion

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

Conclusions relating to going concern

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.

Our evaluation of the Trustees' assessment of the entity's ability to continue to adopt the going concern basis of accounting included reviewing the detailed paper prepared by

management setting out their assessment of the Group and Parent Charity's ability to continue as a going concern. The assessment covers the period to 31 December 2026.

We have discussed this with the Parent Charity's management in order to fully understand their assessment including the associated systems and controls and the underlying assumptions applied.

In addition to this we have:

- reviewed the period used by Trustees to assess the ability of the Parent Charity and the Group to continue as a going concern;
- checked the integrity and arithmetic accuracy of budgets and forecasts prepared by management covering the period of the going concern assessment;
- discussed the Group's cash flow forecast with management, challenging key assumptions;
- obtained an understanding of the budgeting and forecasting process followed by management for the Parent Charity and the Group, including performing a retrospective review comparing the Group's actual performance in the year to 31 December 2024 against the original budget to understand whether an indication of management bias exists;
- reviewed and assessed the Group's forecast compliance with debt covenants which the directors have used in their going concern assessment; and
- considered the appropriateness of disclosure made in respect of going concern and ensuring it is consistent with our knowledge of the business and the forecasting exercise.

We have no further observations arising from that evaluation.

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 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 Trustees with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £3.26m, based on 1% of the Group's total assets (2023: £3.07m, based on 1% of the Group's total assets) due to it being an asset driven entity.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on

the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Our performance materiality was set at 70% of the financial statement's materiality, amounting to £2.3m (2023: £2.1m, set at 70% of the financial statement's materiality).

Where considered appropriate, performance materiality may be reduced to a lower level, such as for related party transactions.

We agreed with the Audit and Risk Committee to report to it all identified errors in excess of £163k (2023: £154k). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of controls, including assessing whether there was evidence of bias by the Trustees that may have represented a risk of material misstatement.

The Group comprises three components, being the Parent Charity and its principal subsidiaries CEPB Mortgages Limited and CHARM Finance plc. Audit procedures were performed on the entire financial information of each component. The work performed on the components (excluding the Parent Charity) was completed to component performance materiality levels between £97k and £1m (2023: £102k and £1m).

The main Group and its principal subsidiaries are accounted for from one central location, the Group's registered office. The audits of the Parent Charity and subsidiaries were performed by the Group audit team in the UK. The consolidation was also subject to audit procedures performed by the Group audit team in the UK.

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 which 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>How the scope of our audit addressed the key audit matter</i>
<i>Going concern</i>	Our observations on going concern are included in the "Conclusions related to going concern" section of this report.

We considered the risk that the long-term going concern assessment was not appropriate.

Refer to Note 1 (d)

Fixed asset impairment assessment

The Group holds significant levels of property assets with a total of £221.6m held at 31 December 2024.

These properties are classed as tangible fixed assets. The properties are held at cost with a policy not to depreciate.

Each year-end, management perform a impairment review which considers whether any properties within the portfolio should be impaired. This review utilises a range of valuation sources and applies a significant element of management judgment.

We considered the risk that the impairment review was inappropriate and the financial statements materially misstated.

Refer to Note 12

We reviewed management's overall impairment assessment including assessment against appropriate indicators. We assessed the associated systems and controls, and performed our own audit work on the process, agreeing items to supporting evidence where possible including verification of the house price indices used within the impairment model to third party documentation.

In addition to this, for a sample of individual properties we compared the property's carrying value to the sale value of any similar properties in the same area.

Following this work, we have determined that it is appropriate that no impairment charge is recognised in relation to the Board's properties held at 31 December 2024.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

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

We have nothing to report in this regard.

Trustees' Report

Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Trustees' Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

Matters on which we are required to report by exception

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

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept by the parent charity; or
- the 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 the trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 34 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 Group's and the Parent Charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the Parent Charity and Group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011 together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items. In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the

Parent Charity's and the Group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the Parent Charity and the Group for fraud. The laws and regulations we considered in this context for the UK operations were UK tax legislation, employment legislation, health and safety legislation and General Data Protection Regulations (GDPR).

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of revenue, the assumptions applied in the use of judgements and estimates and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, analytical review and substantive testing of income, scrutiny and challenge of management's impairment assessment ensuring policies are appropriate under the relevant accounting standards and applicable law, and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as

with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

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

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. 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 the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP
Statutory Auditor
London
Date: 11th July 2025

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

Financial Statements

Consolidated statement of financial activities of the Church of England Pensions Board for the year ended 31 December 2024

	Note	2024			2023		
		Unrestricted funds	Restricted funds	Total	Unrestricted funds	Restricted funds	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Income from:							
Grants, donations and legacies	2	-	26,185	26,185	-	15,100	15,100
Investment income	3	-	2,145	2,145	-	1,814	1,814
Investment income – Income from partnerships	3	-	991	991	-	-	-
Charitable activities	4	13,634	15,853	29,487	10,170	14,888	25,058
Other income: gain on sale of fixed assets		-	4,865	4,865	-	1,634	1,634
Total income		13,634	50,039	63,673	10,170	33,436	43,606
Expenditure on:							
Charitable activities	4	(13,634)	(27,511)	(41,145)	(10,170)	(28,218)	(38,388)
Raising funds	5	-	(83)	(83)	-	(79)	(79)
Total expenditure		(13,634)	(27,594)	(41,228)	(10,170)	(28,297)	(38,467)
Total income less expenditure before gain on investments		-	22,445	22,445	-	5,139	5,139
Net gain / (loss) on investments	9	-	1,353	1,353	-	(755)	(755)
Net (expenditure) / income		-	23,798	23,798	-	4,384	4,384
Other recognised gains and (losses)							
Other gain : adjustment to pension provision	8	-	-	-	-	161	161
Total other gains		-	-	-	-	161	161
Net movement in funds		-	23,798	23,798	-	4,545	4,545
RECONCILIATION OF FUNDS							
Total funds brought forward at 1 January		-	128,108	128,108	-	123,563	123,563
Net movement in funds in year		-	23,798	23,798	-	4,545	4,545
Total funds carried forward at 31 December	16	-	151,906	151,906	-	128,108	128,108

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

The notes on pages 46 to 66 form part of these financial statements.

Note – all figures within the consolidated statement of financial activities are the same as for the charity-only statement of financial activities.

Consolidated balance sheet of the Church of England Pensions Board as at 31 December 2024

	Note	2024			2023		
		Consolidated			Consolidated		
		£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total	£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total
FIXED ASSETS							
Investment assets	9	-	42,164	42,164	-	40,864	40,864
Programme related investments	10	20,704	1,557	22,261	23,067	641	23,708
Tangible assets - Community Living and IT	11	-	24,144	24,144	-	23,315	23,315
Tangible assets – Retirement Housing	12	19,668	201,882	221,550	21,520	191,255	212,775
Total fixed assets		40,372	269,747	310,119	44,587	256,075	300,662
CURRENT ASSETS							
Debtors	13	-	11,894	11,894	-	4,934	4,934
Short term deposits		-	911	911	-	851	851
Cash at bank and in hand		-	3,047	3,047	-	871	871
Total current assets		-	15,852	15,852	-	6,656	6,656
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	14	-	(6,220)	(6,220)	-	(8,312)	(8,312)
Loans repayable on sale of fixed assets	14	(40,372)	(513)	(40,885)	(44,587)	(665)	(45,252)
Total current liabilities		(40,372)	(6,733)	(47,105)	(44,587)	(8,977)	(53,564)
Net current (liabilities)/assets		(40,372)	9,119	(31,253)	(44,587)	(2,321)	(46,908)
Total assets less current liabilities		-	278,866	278,866	-	253,754	253,754
NON-CURRENT LIABILITIES	14	-	(126,960)	(126,960)	-	(125,646)	(125,646)
Net assets excluding pension provision		-	151,906	151,906	-	128,108	128,108
Pension deficit provision	8	-	-	-	-	-	-
NET ASSETS		-	151,906	151,906	-	128,108	128,108
FUNDS OF THE CHARITY							
Total unrestricted funds	16	-	-	-	-	-	-
Restricted funds (excl. pension reserve)	16	-	151,906	151,906	-	128,108	128,108
Pension reserve	16	-	-	-	-	-	-
Total restricted funds	16	-	151,906	151,906	-	128,108	128,108
TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER		-	151,906	151,906	-	128,108	128,108

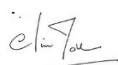
*Funded by the Church Commissioners

**Funded by the Church of England Pensions Board

(See Note [12](#) for more details)

The notes on pages 46 to 66 form part of these financial statements.

These financial statements were approved by the Trustees on 10th July 2025 and signed on their behalf by:



Clive Mather
Chair

Charity only balance sheet of the Church of England Pensions Board as at 31 December 2024

	Note	2024			2023		
		£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total	£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total
FIXED ASSETS							
Investment assets	9	-	42,177	42,177	-	40,877	40,877
Programme related investments	10	16,254	1,150	17,404	18,386	236	18,622
Tangible assets - Community Living and IT	11	-	24,144	24,144	-	23,315	23,315
Tangible assets – Retirement Housing	12	19,668	201,882	221,550	21,520	191,255	212,775
Total fixed assets		35,922	269,353	305,275	39,906	255,683	295,589
CURRENT ASSETS							
Debtors	13	4,450	12,340	16,790	4,681	4,252	8,933
Short term deposits		-	911	911	-	851	851
Cash at bank and in hand		-	2,993	2,993	-	807	807
Total current assets		4,450	16,244	20,694	4,681	5,910	10,591
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	14	-	(6,218)	(6,218)	-	(7,174)	(7,174)
Loans repayable on sale of fixed assets	14	(40,372)	(513)	(40,885)	(44,587)	(665)	(45,252)
Total current liabilities		(40,372)	(6,731)	(47,103)	(44,587)	(7,839)	(52,426)
Net current (liabilities)/assets		(35,922)	9,513	(26,409)	(39,906)	(1,929)	(41,835)
Total assets less current liabilities		-	278,866	278,866	-	253,754	253,754
NON-CURRENT LIABILITIES							
Net assets excluding pension provision	14	-	(126,960)	(126,960)	-	(125,646)	(125,646)
Net assets excluding pension provision		-	151,906	151,906	-	128,108	128,108
Pension deficit provision	8	-	-	-	-	-	-
NET ASSETS		-	151,906	151,906	-	128,108	128,108
FUNDS OF THE CHARITY							
Total unrestricted funds	15	-	-	-	-	-	-
Restricted funds (excl. pension reserve)	15	-	151,906	151,906	-	128,108	128,108
Pension reserve	15	-	-	-	-	-	-
Total restricted funds	15	-	151,906	151,906	-	128,108	128,108
TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER		-	151,906	151,906	-	128,108	128,108

*Funded by the Church Commissioners

**Funded by the Church of England Pensions Board

The notes on pages 46 to 66 form part of these financial statements.

Consolidated cash flow statement of the Church of England Pensions Board for the year ended 31 December 2024

		2024	2023
	Note	£'000	£'000
Cash flow from operating activities:			
Net movement in funds (as per the statement of financial activities)		23,798	4,545
Adjustments for:			
Depreciation and impairment – Community Living and IT systems	11	1,180	1,113
Amortisation – Santander & Natwest arrangement fee	4	38	38
Amortisation – CHARM Finance PLC bond set-up costs	4	28	27
Losses / (gains) on investments	9	(1,353)	755
Investment – arrangement fees	9	53	60
Dividends, interest and rents from investments	3	(2,074)	(1,750)
Gain from partnerships	3	(991)	-
Gains on disposal of tangible assets – Retirement Housing		(4,865)	(1,634)
Movement in pension liability	8	-	(320)
Movement in debtors	13	(6,960)	(2,597)
Movement in creditors: amounts due within less than one year	14	(2,092)	2,186
Net cash (used in) / generated by operating activities		6,762	2,423
Cash flow from investing activities:			
Cash flows from investing activities:			
Dividends, interest and rents from investments	3	2,074	1,750
Proceeds from sale/redemption of mortgage properties	10	2,438	1,926
Proceeds from the sale of tangible assets – retirement housing properties	12	10,533	6,517
Purchase of tangible assets – retirement housing properties	12	(14,445)	(8,792)
Purchase of tangible assets – Community Living and IT systems	11	(2,009)	(270)
Net cash generated from / (used in) investing activities		(1,409)	1,131
Cash flows from financing activities:			
Repayment of loans from Church Commissioners	14	(4,215)	(4,051)
Repayment of dioceses' share of rental properties	14	(152)	(10)
Additional funding from Natwest	14	1,500	(700)
Natwest funding arrangement fee		(250)	-
Net cash generated by / (used in) financing activities		(3,117)	(4,761)
Change in cash and cash equivalents in the year		2,236	(1,207)
Cash and cash equivalents at the beginning of the year		1,722	2,929
Cash and cash equivalents at the end of the year		3,958	1,722
Cash and cash equivalents and net debt comprise the following balances:			
	At 1 January	Cash Flows	At 31 December
	£'000	£'000	£'000
Cash at bank and in hand	871	2,176	3,047
Short term deposits	851	60	911
Total cash and cash equivalents	1,722	2,236	3,958
Bond financing	(100,000)	-	(100,000)
Loan from Santander & NatWest	(26,300)	(1,500)	(27,800)
Total net debt	(124,578)	736	(123,842)

The notes on pages 46 to 66 form part of these financial statements.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2024

1. Accounting policies

a) Legal Status

The Church of England Pensions Board ("the Board") is a body corporate established in 1926 but now governed by the Church of England Pensions Measure 2018. It is a registered charity in England and Wales (Charity No. 236627) and is regulated by the Charity Commission.

The Charity's address is: 29 Great Smith Street, London, SW1P 3PS.

b) Basis of preparation

The consolidated and charity-only financial statements have 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 financial statements 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 financial statements have been prepared to give a true and fair view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a true and fair view. This departure has involved following Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

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

The financial statements have been prepared on the historical cost basis (except for the revaluation of investments and where cost is deemed to be the revaluation amount at date of transition) and on the accruals basis.

The financial statements contain the financial information for the Church of England Pensions Board which is structured as follows:

- Unrestricted Funds - representing expenditure incurred by the Board on salaries and working expenses subsequently recovered in full from the pension funds administered by the Board.
- Restricted Funds - these funds have narrower purposes than that of the Board.

A summary of the accounting policies, which have been applied consistently across the Group, is set out below.

c) Basis of consolidation

The consolidated statement of financial activities ("SOFA") and the balance sheet include the financial information of the Board and its subsidiary undertakings (CEPB Mortgages and CHARM Finance plc). The subsidiaries have been consolidated on a line by line basis. Intra-group balances and transactions are eliminated on consolidation.

The Board has chosen not to present its non-consolidated statement of financial activities separately as the numbers are the same as for the consolidated equivalent. The Board has also taken advantage of the exemption conferred by FRS 102 Section 1 not to prepare a charity-only cash flow statement.

The Board, together with the Archbishops' Council and the Church Commissioners are equal partners in Church of England Central Services (ChECS), a joint venture. This jointly controlled entity is included in the Board's consolidated financial statements using the equity method. The Board's share of profits or losses from ChECS is included in the SOFA and its share of net assets is included in the balance sheet.

d) Going concern

The Board meets the cost of property purchases, fit-outs and other working capital requirements through its external borrowing, comprising a bank facility and two listed bond issues. The Board prepares annual budgets and regular re-forecasts, along with a three-year financial plan in order to ensure that it can meet its spending commitments as they fall due, and fulfil the terms and conditions associated with external borrowing. In addition, the Board has also prepared a long-term business plan to consider financial viability over a longer period than that for which formal budgets and forecasts are prepared.

The Board has considered the key risks and uncertainties which impact upon immediate liquidity and longer term solvency. These include the level of anticipated demand for its services, the resilience of voluntary income streams and changes in economic conditions. It has modelled the impact of changes in these factors over time and has considered whether it has adequate reserves and appropriate contingency plans to deal with a range of potential adverse scenarios.

The Board has considered the continuing financial impact of inflation, demand and interest rates on its operations and its future obligations and commitments.

Having due regard to the above, the Trustees have reasonable expectation that the Board has adequate resources to meet its spending commitments as they fall due, including the servicing and repayment of debt and compliance with loan covenants for the foreseeable future. Accordingly, the going concern basis of accounting in preparing the annual report and accounts continues to be adopted.

e) Income

All income is recognised once the Board has entitlement to the income, it is probable that the income will be received, and the amount of income receivable can be measured reliably.

i) Grants, donations and legacies

Donations are accounted for when received. Grants are recognised when the Board is entitled to receive them and revenue recognition criteria of entitlement, probability and measurement have been met. Gift Aid receivable is included in income when there is a valid declaration from the donor.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2024

1. Accounting policies (continued)

Pecuniary legacies are recognised as receivable once probate has been granted and notification has been received. Residuary legacies are recognised as receivable once probate has been granted, where sufficient information has been received and are recognised on an estimated basis as follows: cash elements are recognised at monetary value, with property and other assets, including investments, valued at probate or net realisable value. Values are reviewed and, if material, adjusted up to the point of financial statement approval.

In the case of donated properties, these are valued at market value and recognised within Donations.

ii) Investment income

Income from investments is recognised on an accruals basis.

iii) Income from charitable activities

Income from charitable activities represents rent from rental properties, rent and service charge from shared ownership properties, income from mortgaged properties and fees and service charges from Community Living schemes, which are all recognised on the accruals basis.

iv) Other income

Other income is recognised when the Board is entitled to receive it and revenue recognition criteria of entitlement, probability and measurement have been met.

f) Expenditure

All expenditure is accounted for on the accruals basis. Expenditure and liabilities are recognised when a legal or constructive obligation exists as outlined in Section 7 of FRS 102. The SOFA has been presented on an activity basis. Costs have been distinguished between charitable activities and those incurred to raise funds.

i) Charitable activities

Direct costs and grants are allocated directly to activities. Grants payable are recognised when the grant is formally approved by the Board and has been communicated to the recipient.

ii) Support costs

Costs include shared service costs (finance, IT, HR, legal, internal audit), department running costs and governance costs. They are allocated across the charitable activities and raising funds as detailed in notes 4 and 5. Governance costs relate to the general running of the Board, which include costs associated with the strategic, as opposed to day-to-day, management of the Board's activities, and compliance with constitutional and statutory requirements.

g) Pensions

Staff pensions are described in note 8. Defined benefit schemes are considered to be multi-employer schemes as described in FRS 102 paragraph 28.11 and consequently are accounted for as if they were defined contribution schemes, where employer contributions payable in the year are charged to expenditure.

Where schemes have deficit recovery contribution plans in place, FRS 102 paragraph 28.11A requires the present value of these agreed payments to be recognised as a liability. Amounts paid during the year are charged against this liability.

h) Fixed assets

Rental properties, shared ownership properties and Community Living properties generate income from the furtherance of the charity's objects. As such, they are not considered to be investment properties but are classed as tangible fixed assets held at cost.

Where fixed assets were purchased with significant restrictions as a result of agreements with the funder such that the Board has a right of use of the asset for the lifetime of a beneficiary of the charity but the risks and rewards relating to capital value accrue entirely to the lender, these assets are shown in a separate category. Proceeds on eventual sale of these properties are not accounted for by the Board as they are received as agent for the lender and are used to settle the corresponding liability.

i) Rental properties

Properties are held at original cost or for properties received as gifts, the notional cost equivalent to the market value. Funding arrangements are explained in note 12.

Costs relating to the repair and maintenance of properties are charged to the SOFA in the year incurred.

A depreciation rate of 0% is applied on long leasehold or freehold properties due to the long life and the high residual value of properties which would result in immaterial depreciation for each asset and in aggregate.

An impairment review is carried out annually and where materially different from historic cost, the properties are carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

ii) Shared ownership properties

These properties are purchased by the Board and the resident buys a 90-year lease for a share in the property (at least 25%) and pays a rent and a service charge on the proportion of the property that they do not own. Residents can purchase further shares in their property if their financial circumstances change, and the equity interests are adjusted accordingly.

The Board holds each property at its equity percentage of the original cost, subject to an impairment review. An impairment review is carried out annually and where materially different from historic cost, the Board's proportion of each property is carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2024

1. Accounting policies (continued)

A depreciation rate of 0% is applied on long leasehold or freehold properties due to the long life and the high residual value of properties which would result in immaterial depreciation for each asset and in aggregate.

iii) Community Living properties

The properties and their associated land are held at deemed cost. Freehold land is not depreciated. The buildings are depreciated.

Fixtures, fittings, plant and equipment are held at original cost to the Board less depreciation.

Depreciation is charged on the following basis:

Tangible asset	Basis	Rate
Freehold buildings	Straight line	2.5% per annum
Fixtures, fittings, plant and equipment	Straight line	5-50 years following the NHF guidelines for all assets acquired after 2017

iv) Programme Related Investments – Mortgage properties

Mortgaged properties were purchased by the Board under a scheme that closed to new business in 2008. These mortgages operate as value linked loans which are classified as concessionary loans in accordance with FRS102. The Board's equity interest in a property is the amount loaned to the resident (up to 95% of the property value) and the resident's equity interest is the amount funded directly by the resident. If a resident pays off part of their loan, the equity interests are adjusted accordingly.

On the sale of a property, the Board and the resident receive proceeds in the same proportion as their equity interests.

The Board accounts for each property at its equity percentage of original cost, subject to an impairment review. An impairment review is carried out annually and where materially different from historic cost, the Board's proportion of each property is carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

v) Programme related investments – ChECS

Programme related investments are recognised at their initial cost, less any impairments.

vi) Investment properties

Investment properties are held at fair value. Valuations are carried out every year in accordance with the Appraisals & Valuation Manual issued by the Royal Institute of Chartered Surveyors. No depreciation is charged.

vii) IT systems

IT systems are held at original cost to the Board less depreciation charged on a straight-line basis over 5 years. Systems are capitalised while under construction until implementation and at that stage depreciation commences.

viii) Gains (or losses) from sale of fixed assets

Gains (or losses) resulting from the sale of fixed assets are recognised in income (or expenditure). Gains or losses resulting from the sale and revaluation of investment assets are recognised in the SOFA in a separate section before net income/expenditure.

i) Loans

The Board applies the measurements provisions of FRS 102 paragraphs PBE34.90-92 to all its concessionary loans. Loans from the Church Commissioners are measured at the amount received from the Commissioners. See notes 12 and 13 for more information.

The loan from Santander is a basic financial instrument and measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. Arrangement fees are deducted from the transaction price and are amortised over 15 years (July 2010 to July 2025).

The loan from NatWest is a basic financial instrument and measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. Arrangement fees are deducted from the transaction price and are amortised over 15 years (Dec 2024 to Dec 2039).

The loan from CHARM Finance PLC to the Charity is a basic financial instrument and is measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. Arrangement fees are deducted from the transaction price and are amortised over the length of the facility.

The Bond liabilities relate to the corporate bonds issued by CHARM Finance PLC, and are basic financial instruments measured initially at the proceeds of issue less transaction costs directly attributable to the issue of the Bonds. After initial recognition the liabilities are measured at amortised cost using the effective interest method with transaction costs being amortised over the length of the facility.

j) Financial instruments

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

Basic financial instruments

Listed and unlisted investments are initially measured at fair value. Such assets are subsequently held at fair value at each balance sheet date. The changes in fair value are recognised in the SOFA. The fair value of listed investments is determined using bid price in accordance with the practice of the appropriate stock exchange. Unlisted investments are valued by reference to latest dealing prices, valuations from reliable sources or net asset values.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2024

1. Accounting policies (continued)

k) Subsidiary undertakings

Investment in the Board's subsidiary companies are held at cost less accumulated impairment losses.

l) Taxation

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

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

m) Related parties

The Church of England comprises a large number of legally independent bodies in its parishes, cathedrals and dioceses as well as at national level. These bodies are not related to the Board as defined in the Charities SORP or chapter 33 of FRS 102: Related parties disclosures. 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 Church of England Pensions Board is related to ChECS, as it is a partner in this joint venture. Details are given in Note 18.

n) Funds

In line with the SORP, the Board segregates its funds between those that are restricted and those that are unrestricted.

Unrestricted funds are funds received by the Board that are available for use at the discretion of the Board in pursuing the general charitable objectives of the charity.

Restricted funds are funds received by the Board for particular purposes and are to be used in accordance with those purposes. An analysis of restricted funds is provided in note 16.

o) Significant judgements and estimates

The Board's key judgements, which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:

- Carrying value of tangible assets – judgements in respect of the depreciation policies and impairment considerations undertaken for the assets of the Charity. Further details are disclosed in notes 9 to 12.

The Board's key estimates, which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:

- Residuary legacies - estimation required for residuary legacies receivable once probate has been granted.
- Pension deficit provision - estimations surrounding the methodology used in the calculation of the Charity's defined benefit pension deficit provision. Further details are disclosed in note 8.
- Support costs – estimation surrounding the methodology used in the apportionment of support costs between the restricted and unrestricted funds.
- Investment properties – estimation surrounding the valuation methodology used in determining the fair value of these properties.

2. Income from grants, donations and legacies

		<u>2024</u>	<u>2023</u>
	Note	£'000	£'000
Grants from:			
The Archbishops' Council	4	25,952	14,932
Other grants		23	23
Total grants		25,975	14,955
Donations		36	62
Legacies		174	83
Total income from grants, donations and legacies		26,185	15,100

The Archbishops' Council makes grants from money provided by the dioceses under the General Synod Vote 5, towards the costs of the Retirement Housing schemes. All income from grants, donations and legacies was attributable to restricted funds.

Notes to the financial statements of the Church of England Pensions Board For the year ended 31 December 2024

3. Investment income

		<u>2024</u>	<u>2023</u>
	Note	£'000	£'000
Dividends		2,074	1,750
Rental income from investment properties		11	11
Interest on cash		60	53
Income from partnerships	10	991	-
Total income from investments		3,136	1,814

All income from investments of £3,136,000 (2023: £1,814,000) was attributable to restricted funds.

Notes to the financial statements of the Church of England Pensions Board For the year ended 31 December 2024

4. Charitable activities

	Rental properties	Shared ownership	Mortgage properties	Community Living	Other charitable activities	Total restricted funds	Unrestricted Pension Schemes	2024 Total	2023 Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities:									
Rent received	8,684	545	-	1,719	-	10,948	-	10,948	9,993
Service charge received	-	99	-	2,847	-	2,946	-	2,946	2,885
Income from mortgage properties	-	-	1,959	-	-	1,959	-	1,959	2,010
Support costs recharge	-	-	-	-	-	-	13,634	13,634	10,170
Total income from charitable activities	8,684	644	1,959	4,566	-	15,853	13,634	29,487	25,058
Expenditure on charitable activities:									
Financing costs (interest and commitment fee)	6,286	461	1,901	-	-	8,648	-	8,648	9,082
Grant making	-	-	-	-	79	79	-	79	88
Property costs (repairs, insurance and other costs)	7,873	19	198	111	-	8,201	-	8,201	9,204
Support costs	6	2,348	783	522	1,565	5,218	13,634	18,852	15,068
Amortisation of arrangement fees	66	-	-	-	-	66	-	66	62
Service charge costs	-	19	-	3,126	-	3,145	-	3,145	2,950
Nursing care costs (former residents)	-	-	-	97	-	97	-	97	131
Community Living and other direct costs	-	-	-	877	-	877	-	877	849
Depreciation and impairment charges	11	-	-	1,180	-	1,180	-	1,180	1,113
Total expenditure on charitable activities	16,573	1,282	2,621	6,956	79	27,511	13,634	41,145	38,547
Unwinding of pension deficit on charitable activities	-	-	-	-	-	-	-	-	(159)
Total expenditure including pension deficit movement in year	16,573	1,282	2,621	6,956	79	27,511	13,634	41,145	38,388

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2024

4. Charitable activities (continued)

For comparative purposes, details of 2023 charitable income and expenditure are set out below:

	Rental properties	Shared ownership	Mortgage properties	Community Living	Other charitable activities	Total restricted funds	Unrestricted funds Pension Schemes	2023 Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities:								
Rent received	7,873	531	-	1,589	-	9,993	-	9,993
Service charge received	-	91	-	2,794	-	2,885	-	2,885
Income from mortgage properties	-	-	2,010	-	-	2,010	-	2,010
Support costs recharge	-	-	-	-	-	-	10,170	10,170
Total income from charitable activities	7,873	622	2,010	4,383	-	14,888	10,170	25,058
Expenditure on charitable activities:								
Financing costs (interest and commitment fee)	6,691	451	1,940	-	-	9,082	-	9,082
Grant making	-	-	-	-	88	88	-	88
Property costs (repairs, insurance and other costs)	8,964	44	101	95	-	9,204	-	9,204
Support costs	6 2,204	735	490	1,469	-	4,898	10,170	15,068
Amortisation of arrangement fees	62	-	-	-	-	62	-	62
Service charge costs	-	47	-	2,903	-	2,950	-	2,950
Nursing care costs (former residents)	-	-	-	131	-	131	-	131
Community Living and other direct costs	-	-	-	849	-	849	-	849
Depreciation and impairment charges	10 -	-	-	1,113	-	1,113	-	1,113
Total expenditure on charitable activities	17,921	1,277	2,531	6,560	88	28,377	10,170	38,547
Unwinding of pension deficit on charitable activities	(71)	(24)	(16)	(48)	-	(159)	-	(159)
Total expenditure including pension deficit movement in year	17,850	1,253	2,515	6,512	88	28,218	10,170	38,388

The deficit on charitable activities is funded through a combination of specific and general voluntary income, investment income, and realised gains on disposal of investments and property. In the year ended 31 December 2024 grants of £25,952,100 were received from the Archbishops' Council towards the Retirement Housing schemes (2023: £14,932,000). In addition, the Board's broader charitable activities were funded through voluntary income of £234,000 (2023: £169,000), investment income of £3,136,000 (2023: £1,814,000) and gains on disposal of property of £4,865,000 (2023: £1,629,000).

Income & Expenditure from charitable activities:

Rental Properties

The Archbishops' Council, from money provided by the dioceses under the General Synod Vote 5 and distributions it receives from the Church Commissioners, makes grants towards the costs of the rental scheme.

Rent from tenancies starting after 1 April 2015 are target rents based on the value of the property and are subsidised so that they are more affordable than market rents. Rent from tenancies before this are based on the occupant's ability to pay. Residents pay for moving costs, furnishings and white goods, contents insurance and on-going utility and council tax costs. The Board pays for repairs and on-going maintenance of the properties.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2024

4. Charitable activities (continued)

There are a small number of properties that are let on the open market at market rents during short periods when a property is not occupied by residents eligible for the rental scheme. At 31 December 2024 there were 17 (2023: 13) such tenancies.

All tenancies fall into the definition of operating leases as set out in FRS 102 section 20 and clarified in the Housing SORP 2014 paragraph 10.3 (which though the Board does not apply, it does look to this guidance for clarification where the Charities SORP and FRS 102 are silent on particular issues). All tenancies are cancellable, either on death or notice of the resident and are not assignable.

Shared Ownership

Residents pay rent based on the Board's share of the ownership of the property and the cost of buildings insurance.

For some properties bought before 1 April 2014, residents also pay a service charge towards the repairs and maintenance of properties. For properties bought after 1 April 2014, or where residents have opted, the responsibility for repairs and maintenance lies with the resident.

Mortgage Properties

The mortgage scheme offered value linked loans to retired clergy and closed to new business in 2008. Mortgagees pay an interest-only amount on the capital advanced.

A small number of loans pre-dating the 1983 CHARM mortgage scheme remain, where a fixed amount of interest is paid based on the capital advanced. At 31 December 2024, the number of such loans in place was 2 (2023: 2).

Community Living

Some residents in the schemes receive subsidies from the Board's charitable funds. The cost of running the schemes is not met fully by rent and service charge fees. The nursing home closed in March 2017 however the Board continues to subsidise the nursing care of former residents of the nursing home. The operating deficit is met from the Board's charitable funds.

Other charitable activities

Grants are payable to augment the income of those retired clergy and clergy widow(er)s whose income falls below a certain standard, which is reviewed annually.

5. Raising funds

	2024	2023
	£'000	£'000
Investment management costs (direct costs)	83	79
Total cost of raising funds	83	79

6. Support costs

Support costs include department running costs and governance costs, plus charges for using shared services operated by ChECS. They are included in charitable expenditure (note 4) and are apportioned to the various charitable activities to which they relate.

	Restricted funds				Total	Unrestricted funds	Total
	Rental properties	Shared ownership	Mortgage properties	Community Living		Pension schemes	
	£'000	£'000	£'000	£'000		£'000	
Housing department	1,428	476	317	952	3,173	-	3,173
Executive and Secretariat	197	66	44	131	438	532	970
Governance costs	83	28	18	56	185	245	430
Pensions department	-	-	-	-	-	7,702	7,702
Investments department	-	-	-	-	-	3,428	3,428
Shared services	640	213	143	426	1,422	1,727	3,149
Total support costs	2,348	783	522	1,565	5,218	13,634	18,852

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2024

6. Support costs (continued)

For comparative purposes, details of 2023 support costs are set out below:

	Restricted funds				Total	Unrestricted funds Pension schemes	Total 2023
	Rental properties	Shared ownership	Mortgage properties	Community Living			
	£'000	£'000	£'000	£'000			
Housing department	1,325	442	294	883	2,944	-	2,944
Executive and Secretariat	161	54	36	107	358	421	779
Governance costs	78	26	17	52	173	254	427
Pensions department	-	-	-	-	-	4,805	4,805
Investments department	-	-	-	-	-	3,015	3,015
Shared services	640	213	143	427	1,423	1,675	3,098
Total support costs	2,204	735	490	1,469	4,898	10,170	15,068

Housing department costs

These costs are allocated on a 'per head' basis: costs of housing staff are allocated 45% to rental properties, 30% to Community Living schemes, 10% to mortgages and 15% to shared ownership.

Executive and Secretariat and shared service costs

Centrally incurred management and shared service costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 45% to rental properties, 30% to Community Living schemes, 10% to mortgages and 15% to shared ownership.

Governance costs

Governance costs comprise staff and non-staff costs relating to the general running of the Board, including supporting the work of the Board and its Committees. Trustees (and co-opted members) of the Board are reimbursed for travel expenses incurred whilst on official business but are not entitled to any other remuneration or allowances. In the year to 31 December 2024, 8 (2023: 8) Trustees claimed a total of £5,247 (2023: £4,686). Governance costs other than external audit costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 45% to rental properties, 30% to Community Living schemes and nursing care, 10% to mortgages and 15% to shared ownership.

	2024	2023
	£'000	£'000
External audit (including VAT)	83	79
Internal audit	101	95
Board and committee meetings	35	17
Total governance costs	219	191

Total fees paid (excluding VAT) to Crowe U.K. LLP are shown below:

	2024	2023
	£'000	£'000
Audit of CEPB and its subsidiary undertakings	69	66
Total audit fees relating to current year for CEPB and its subsidiaries	69	66
Audit of Pension Schemes	115	104
Total audit fees relating to current year for Pension Schemes	115	104

Pensions department costs

Expenses are incurred by the Board for administering the pension schemes. These costs are recovered from the pension schemes by charging an administration fee to each scheme.

Investment department costs

Expenses are incurred by the Board for managing the investment portfolio of the Church of England Investment Fund for Pensions through which the pension schemes hold investments. These costs are recovered by the Board as part of the administration fee the Board charges each pension scheme.

Shared service costs

Shared services are provided by Church of England Central Services. Expenses incurred by the Board for administering the Pension Funds are either charged directly to the activity to which they relate or are allocated to the funds in proportion to staff costs, number of data processes or other relevant criteria.

Notes to the financial statements of the Church of England Pensions Board For the year ended 31 December 2024

7. Staff numbers and costs

The Chief Executive and staff employed to work in the investment team and the Community Living schemes are employed directly by the Board. The Board is joint employer, together with the other National Church Institutions (the NCIs), of most of the staff of the NCIs. In addition to staff employed directly, the work of the Board is supported by staff in shared service departments who provide finance, HR, communications, legal, IT and internal audit services. Since 1 April 2014 they have been employed by a separate NCI, Church of England Central Services (ChECS).

The SORP requires that the costs of staff employed by third parties who operate on the organisation's behalf be disclosed in the financial statements. In order to comply with the spirit of the SORP, the costs of all ChECS staff are shown in aggregate in the tables below – the Board's share of which was £1,843,000 (2023: £1,787,000). The cost of staff for which the Board is the managing employer and for ChECS (in aggregate) was:

	Pensions Board own staff										ChECS	
	Housing		Pensions and Investments		Secretariat		Community Living		Total		Shared services	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Average number employed	40	41	52	45	6	6	86	87	184	179	211	178
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	2,051	1,865	4,066	3,191	531	482	1,763	1,673	8,411	7,211	11,044	9,121
National Insurance costs	232	204	497	379	66	59	146	133	941	775	1,272	1,046
Pension contributions	284	272	538	433	73	66	237	223	1,132	994	1,466	1,263
Total cost of staff	2,567	2,341	5,101	4,003	670	607	2,146	2,029	10,484	8,980	13,782	11,430
Total chargeable to Charitable Funds	2,567	2,341	-	-	302	279	2,146	2,029	5,015	4,649		

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2024

7. Staff numbers and costs (continued)

There were no redundancy costs paid in the year (2023: £24,000) to any individuals (2023: 2) for restructuring. Restructuring costs are accounted for in full in the year in which the restructure is announced. The number of staff whose total employee benefits for the year fell in the following bands were:

	Pensions Board own staff								ChECS	
	Housing		Pensions and Investments		Secretariat		Community Living		Shared services	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
£60,001 to £70,000	5	1	8	3	1	1	1	1	19	15
£70,001 to £80,000	2	3	4	2	-	1	-	-	14	9
£80,001 to £90,000	2	1	4	2	1	-	-	-	4	8
£90,001 to £100,000	-	-	1	1	-	-	-	-	7	1
£100,001 to £110,000	1	-	1	2	-	1	-	-	3	4
£110,001 to £120,000	-	-	-	2	1	-	-	-	5	2
£120,001 to £130,000	-	-	2	1	-	-	-	-	1	-
£130,001 to £140,000	-	-	2	-	-	-	-	-	1	1
£140,001 to £150,000	-	-	-	-	-	-	-	-	1	1
£150,001 to £160,000	-	-	2	1	-	-	-	-	1	-
£160,001 to £170,000	-	-	-	-	-	1	-	-	-	-
£170,001 to £180,000	-	-	1	-	-	-	-	-	-	-
£180,001 to £190,000	-	-	-	-	1	-	-	-	-	-
£190,001 to £200,000	-	-	-	-	-	-	-	-	-	-
£200,001 to £210,000	-	-	-	1	-	-	-	-	-	-
£210,001 to £220,000	-	-	-	-	-	-	-	-	-	-
£220,001 to £230,000	-	-	-	1	-	-	-	-	-	-
£230,001 to £240,000	-	-	-	-	-	-	-	-	-	-
£240,001 to £250,000	-	-	1	-	-	-	-	-	-	-
£250,001 to £260,000	-	-	-	-	-	-	-	-	-	-
£260,001 to £270,000	-	-	1	-	-	-	-	-	-	-

Employee benefits include gross salaries and termination payments but do not include employer pension contributions and employer National Insurance contributions.

Most staff above were members of the Church Administrators Pension Fund. Of those directly managed by the Board, 27 (2023: 14) staff accrued benefits under a defined contributions scheme for which contributions for the year were £295,374 (2023: £151,142). The other 3 (2023: 2) staff accrued benefits under a defined benefit scheme.

Of those managed by ChECS, 46 (2023:37) staff accrue benefits under a defined contribution scheme for which contributions for the year were £509,000 (2023: £428,000), 5 (2023:4) staff members accrue benefits under a defined benefit scheme, and 3 (2023: nil) staff members accrue benefits under the Church Workers Pension Fund scheme.

Of the remaining staff managed directly by the Board, 11 (2023: 9) staff accrued benefits in the Church Workers Pension Fund under a 'cash-balance' scheme for which contributions for the year were £227,915 (2023: £155,487), and 1 staff members (2023: 1 staff member) accrued no benefits in any pension scheme.

The highest paid member of staff earned £267,111 (2023: £226,000). Further details of the Board's remuneration policy are included in the Management section of the Board's report, on page 33. The Board's executive leadership team comprises 9 individuals (2023: 10), 7 (2023: 8) of whom are employed directly by the Board and 3 (2023: 2) by ChECS. The aggregate remuneration for these 9 individuals, including National Insurance and pension contributions, was £1,712,000 (2023: £1,494,000). Interest free loans are made for travel season tickets and interest free green travel loans for the purchase of bicycles and electric scooters.

Notes to the financial statements of the Church of England Pensions Board For the year ended 31 December 2024

8. Staff pensions

Staff employed jointly by the National Church Institutions

Pension benefits from Service up to 31 December 1999

These are met by the Church Commissioners for England, so no costs or liability are reflected by the Board.

Pension benefits from Service from 1 January 2000

Benefits for staff arising from service from 1 January 2000 are provided by the Church Administrators Pension Fund ("CAPF").

The participating employers are responsible for making contributions of £650,000 (2023: £500,000) towards the administration costs of the CAPF. The Board's share of these costs was £94,500 (2023: £76,500).

Staff who were in service as at 30 June 2006 are members of the defined benefit section of the CAPF. This is considered to be a multi-employer scheme as described in FRS 102 paragraph 28.11 and consequently is accounted for as if it were a defined contribution scheme, where employer contributions payable in the year are charged to expenditure.

The contributions to the CAPF are assessed by an independent qualified actuary using the projected unit method of valuation. A valuation of the scheme is carried out once every three years, the most recent having been carried out as at 31 December 2022. This revealed a deficit of £2.4m for the entire scheme. As agreed prior to the valuation, the employers collectively paid contributions of 27.6% of Pensionable Salaries each month and deficit payments of £2.4m until December 2023, in respect of the shortfall in the scheme. As at 31 December 2024, there is no deficit in relation to the Defined Benefit Section. Future contributions of Pensionable Salaries from 01 January 2024 onwards has been agreed to be 16.5%.

The provision provided for the shortfall in the scheme is measured at its net present value. The table below shows the movement on the provision:

	CEPB staff	Share of ChECS staff	2024	CEPB staff	Share of ChECS staff	2023
Provision at 1 January	-	-	-	136	184	320
Contributions Paid	-	-	-	(123)	(36)	(159)
Interest charged on provision	-	-	-	-	-	-
Adjustment to net present value of provision	-	-	-	(13)	(148)	(161)
Provision at 31 December	-	-	-	-	-	-

Staff who joined after 20 June 2006 are members of the defined contributions section of the CAPF. Employer contributions payable in the year are charged to expenditure.

Staff employed directly by the Board (mainly in Community Living schemes and the investment team)

Pension benefits for staff in managerial positions of the Community Living schemes are provided for by a defined benefit section of the Church Workers Pension Fund ("CWPF"). The scheme is considered to be a multi-employer scheme as described in FRS 102 paragraph 28.11 and consequently is accounted for as if it were a defined contribution scheme, where employer contributions payable in the year are charged to expenditure.

The contributions to the Fund are assessed by an independent qualified actuary using the projected unit method of valuation. The last full valuation of the Fund, as at 31 December 2022, showed there is no more deficit (2016: £29.4m). There is no deficit recovery needed from each participating employer in the scheme from 2024.

Pension benefits for other staff are provided for by a defined contribution scheme in CWPF, where employer contributions payable in the year are charged to expenditure.

Notes to the financial statements of the Church of England Pensions Board For the year ended 31 December 2024

9. Investment assets

GROUP	At 1 January 2024	Additions	Disposals	Gains/(losses)	Cash movements	At 31 December 2024
	£'000					£'000
UK investment funds	40,048	-	-	1,300	(53)	41,295
UK investment properties	816	-	-	53	-	869
Consolidated total investment assets	40,864	-	-	1,353	(53)	42,164

CHARITY	At 1 January 2024	Additions	Disposals	Gains/(losses)	Cash movements	At 31 December 2024
	£'000					£'000
UK investment funds	40,048	-	-	1,300	(53)	41,295
UK investment properties	816	-	-	53	-	869
Investment in subsidiary	13	-	-	-	-	13
Charity's total investment assets	40,877	-	-	1,353	(53)	42,177

Funds were managed by Savills, Swiss Life and Brewin Dolphin. Investment funds were held as follows:

	2024	2023
	£'000	£'000
Savills	19,190	19,085
Swiss Life	7,354	7,432
Brewin Dolphin	14,751	13,531
Total	41,295	40,048

Subsidiaries

The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held originally to undertake property and building development at the Community Living schemes and nursing home. This company was dissolved and removed from the Register on 7th January 2025.

The Board owns 100% of CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC, a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle which in August 2015 provided £70m of funds to the Board via the issue of £100m of 3.126% Secured Bonds (including £30m in principal amount of Retained Bonds) due August 2048. In April 2018 CHARM Finance PLC provided a further £30m of funds to the Board via the issue of £50m of 3.509% Secured Bonds (including £20m in principal amount of Retained Bonds) also due in 2048. These funds are being used to secure current and future obligations for clergy housing in retirement.

The financial results of the Subsidiaries are detailed in Note 17.

UK investment properties

The valuers of the investment properties were Savills LLP.

The Pensions Board have no associated undertakings.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2024

10. Programme related investments

The Board's programme related investments comprise of concessionary loans provided under the mortgage scheme up until 2008, and the investment in the ChECS joint venture.

ChECS is a charitable joint venture between the Church 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 charity was registered with the Charity Commission on 31 December 2013 and started operating from 1 April 2014. Prior to this, the responsibility for the provision of shared services was split between the three main NCIs. The previous management arrangements continued into the new structure.

On 1 January 2024, ChECS became a sole member of Parish Giving Scheme (PGS). PGS is a charitable organisation with over 88,000 givers in 35 dioceses who give approximately £100m a year to over 5,500 parishes. As a result, the net surplus has been apportioned equally amongst the joint partners of ChECS.

GROUP	At 1 January 2024	Additions	Disposals	Gains/(losses)	Impairment	At 31 December 2024
	£'000	£'000	£'000	£'000	£'000	£'000
Mortgaged properties (Funded by CC)	23,067	-	(2,363)	-	-	20,704
Mortgaged properties (Funded by PB)	641	-	(75)	-	-	566
ChECS Joint Venture	-	-	-	991	-	991
Consolidated total investment assets	23,708	-	(2,438)	991	-	22,261

CHARITY	At 1 January 2024	Additions	Disposals	Gains/(losses)	Impairment	At 31 December 2024
	£'000	£'000	£'000	£'000	£'000	£'000
Mortgaged properties (Funded by CC)	18,386	-	(2,132)	-	-	16,254
Mortgaged properties (Funded by PB)	236	-	(77)	-	-	159
ChECS Joint Venture	-	-	-	991	-	991
Consolidated total investment assets	18,622	-	(2,209)	991	-	17,404

During the year, there were sale/redemptions totalling 44 CC funded mortgage properties and 1 PB funded mortgage property. As at 31 December 2024, there were 361 CC funded mortgage properties and 7 PB funded mortgage properties remaining within the charity group.

As at 31 December 2024, £886,000 was owed by the Board to ChECS (2023: £1,877,000 owed by ChECS to the Board) representing amounts loaned to ChECS by the Board, and amounts owed to ChECS for services rendered during the year.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2024

11. Tangible assets – Community Living and IT systems

Consolidated and charity	At 1 January 2024	Additions	Disposals	Charge in year	Impairment	At 31 December 2024
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Community Living land and buildings</i>						
Cost	25,785	-	-	-	-	25,785
Depreciation	(5,277)	-	-	(506)	-	(5,783)
Net book value	20,508	-	-	(506)	-	20,002
<i>Fixtures and fittings</i>						
Cost	4,782	2,009	-	-	-	6,791
Depreciation	(3,602)	-	-	(123)	-	(3,725)
Net book value	1,180	2,009	-	(123)	-	3,066
<i>IT systems</i>						
Cost	3,715	-	-	-	-	3,715
Depreciation	(2,088)	-	-	(551)	-	(2,639)
Net book value	1,627	-	-	(551)	-	1,076
Total Community Living and IT systems	23,315	2,009	-	(1,180)	-	24,144

IT systems represents the capitalised costs incurred in respect of the construction of the new Housing Management System and a major upgrade to the Pensions Administration System. Depreciation is being charged for the Housing Management System and for the Pension Administration system. No depreciation is charged for the second phase of Pensions Administration System whilst the assets are under construction.

12. Tangible assets – Rental and Shared Ownership

The Board owns a number of different types of properties which it uses to fulfil its charitable objective: to provide retirement housing for retired clergy.

Consolidated	Book value at 1 January 2024	Additions	Disposals	Book value at 31 December 2024	No. of properties at 1 January 2024	Additions	Disposals	No. of properties at 31 December 2024
	£'000	£'000	£'000	£'000				
Rental properties								
Funded by CC	18,760	-	(1,620)	17,140	192	-	(21)	171
Funded by PB	185,900	14,445	(3,574)	196,771	972	50	(25)	997
Rental properties total	204,660	14,445	(5,194)	213,911	1,164	50	(46)	1,168
Shared ownership properties								
Funded by CC	2,760	-	(232)	2,528	31	-	(2)	29
Funded by PB	5,355	-	(244)	5,111	57	-	(2)	55
Shared ownership properties total	8,115	-	(476)	7,639	88	-	(4)	84
Totals								
<i>Properties with significant restrictions (funded by Church Commissioners)</i>	21,520	-	(1,852)	19,668	223	-	(23)	200
<i>Properties without significant restrictions (funded by the Pensions Board)</i>	191,255	14,445	(3,818)	201,882	1,029	50	(27)	1,052
Total	212,775	14,445	(5,670)	221,550	1,252	50	(50)	1,252

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2024

12. Tangible assets – Rental and Shared Ownership

Charity Only	Book value at 1 January 2024	Additions	Disposals	Book value at 31 December 2024	No. of properties at 1 January 2024	Additions	Disposals	No. of properties at 31 December 2024
	£'000	£'000	£'000	£'000				
Rental properties								
Funded by CC	18,760	-	(1,620)	17,140	192	-	(21)	171
Funded by PB	185,900	14,445	(3,574)	196,771	972	50	(25)	997
Rental properties total	204,660	14,445	(5,194)	213,911	1,164	50	(46)	1,168
Shared ownership properties								
Funded by CC	2,760	-	(232)	2,528	31	-	(2)	29
Funded by PB	5,355	-	(244)	5,111	57	-	(2)	55
Shared ownership properties total	8,115	-	(476)	7,639	88	-	(4)	84
Totals								
<i>Properties with significant restrictions (funded by Church Commissioners)</i>	21,520	-	(1,852)	19,668	223	-	(23)	200
<i>Properties without significant restrictions (funded by the Pensions Board)</i>	191,255	14,445	(3,818)	201,882	1,029	50	(27)	1,052
Total	212,775	14,445	(5,670)	221,550	1,252	50	(50)	1,252

The fixed assets shown in the Charity-only table above include only those mortgage loans made directly by the Board, for which CC-funding was received. Loans made by the Board to CEPB Mortgages Ltd, but ultimately funded by CC, are reflected in current debtors. See note 13. The related mortgages issued by CEPB Mortgages Ltd are shown in note 10.

Financing and restriction

Historically, the Board's own properties were funded from trusts and legacies. From 1983 until July 2010 most of the rental, shared ownership and mortgage scheme properties purchased were financed by loans from the Church Commissioners. Under this arrangement, the legal ownership of each property lay with the Board but a significant part of the economic interest lay with the Commissioners. In the case of mortgaged and shared ownership properties, the Commissioners' economic interest was in the same proportion as the amount of financing they provided compared to the purchase price. Purchases were recognised at cost and the loan from the Commissioners recognised at an equal amount within creditors. If the property were sold, an amount equal to the proceeds (for mortgaged and shared ownership properties, in the same proportion as the financing they provided compared to the purchase price) would be repayable. This arrangement meant that the Commissioners retained a significant degree of financial control over the properties they funded, and on a property becoming vacant, determined if and when it was sold and for how much.

Since the end of the Commissioners' funding arrangement, financing for purchases of new rental or shared ownership properties has been provided through three sources. Firstly in 2010 the Board put in place a loan facility with Santander (transitioned to NatWest over 2024 and 2025). Secondly in 2015 the Board was loaned £70,000,000 from its subsidiary CHARM Finance PLC, which raised funds through the issue of a listed bond. Thirdly in 2018 the Board was loaned £30,000,000 from its subsidiary CHARM Finance PLC, which raised funds through the issue of a second listed bond. Further details of both facilities are provided in Note 14.

Of the £70,000,000 loaned to the Board in 2015, £41,841,000 was used to purchase the economic interest in 196 properties which had originally been funded by the Commissioners. The Commissioners have retained a right to receive any profit on disposal of any of the 196 properties up to August 2025, over the agreed purchase price of that property, and in 2024 four (2023: four) properties were sold by the Board, with £144,143 (2023: £334,534) subsequently paid to the Church Commissioners (£43,368 paid in 2024 & £100,775 paid in 2025) as a result of this agreement. In the opinion of the Trustees however, as the remainder of these properties have been identified for long-term use by the Charity, it is not expected that many further payments will accrue to the Church Commissioners as a result of this arrangement.

In addition to these arrangements, 48 rental properties were purchased with contributions from dioceses and others, where the contributions are repayable when the property is sold, as either a simple repayment or in the same proportion as the original contribution to the purchase price, depending on the agreement made. The Board recognises the full cost of the property and also recognises a liability for the amount contributed (see note 14).

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2024

13. Debtors

	Consolidated		Charity	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Trade debtors	663	705	651	701
Subsidiary undertakings & related parties	8	38	4,874	5,127
Prepayments and accrued income	11,054	2,137	11,054	999
Joint venture (ChECS)	-	1,969	-	1,969
Other debtors	169	85	211	137
Total	11,894	4,934	16,790	8,933

* Loans from the Church of England Pensions Board to CEPB Mortgages Ltd are repayable when the properties associated with them are sold. This is categorised as a current debtor for the Charity in line with FRS 102 section 4.7. See Note 13 for more details.

14. Creditors

Current liabilities:	Consolidated		Charity	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade creditors	1,311	1,626	1,309	1,626
Accruals and deferred income	3,569	4,355	3,569	3,217
Tax creditor	32	6	32	6
Other creditors	412	2,325	412	2,325
Joint venture (ChECS)	896	-	896	-
Total amounts falling due within one year:	6,220	8,312	6,218	7,174
Concessionary loans repayable on sale of fixed assets				
Loans from Church Commissioners for:				
- rental properties	17,028	18,760	17,028	18,760
- shared ownership properties	2,640	2,760	2,640	2,760
- mortgage properties	20,704	23,067	20,704	23,067
Diocesan and other creditors	513	665	513	665
Total loans repayable on sale of fixed assets	40,885	45,252	40,885	45,252
Total current liabilities	47,105	53,564	47,103	52,426

Loans from the Church Commissioners are repayable when the properties associated with them are sold. The trigger for the repayment is the sale of the property and the proceeds are passed in full to the Church Commissioners. Properties are sold when residents vacate rented properties, shared ownership properties are sold and mortgages are redeemed. These assets are classified as fixed assets and are included in note 12.

FRS 102 section 4.7 states that where the repayment of a creditor cannot unconditionally be deferred for more than a year, it must be classed as a current liability. Even though experience has shown that loans from the Church Commissioners will be repaid steadily over a timeline substantially longer than one year, they meet this definition and as a result are included within current liabilities.

The terms of these concessionary loans are: for loans granted prior until 31 March 1993 the initial interest rate was 3%, increasing in line with RPI each April; for loans granted from 1 April 1993 the initial interest rate was 4%, increasing in line with RPI each April.

The same current liability classification has been applied to the Diocesan loans to the Pensions Board.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2024

14. Creditors (continued)

	Consolidated		Charity	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Non-current liabilities:				
Bond liabilities – 2015 Bond	70,000	70,000	-	-
Bond liabilities – 2018 Bond	30,000	30,000	-	-
Bond liabilities – capitalised bond set-up costs	(575)	(604)	-	-
Intra-group liability – loan repayable to CHARM Finance PLC	-	-	100,000	100,000
Intra-group liability – capitalised bond set-up costs	-	-	(575)	(604)
Loans from Santander & NatWest	27,800	26,300	27,800	26,300
Loans from Santander & NatWest - capitalised set-up costs	(265)	(50)	(265)	(50)
Total	126,960	125,646	126,960	125,646

The two bonds, issued by subsidiary undertaking CHARM Finance plc, were issued to finance the growth and development of the CHARM scheme. Transaction costs of £509,000 were incurred in respect of the 2015 bond, and £306,000 in respect of the 2018 bond. At 31 December 2024, the amortised cost of the set-up fees incurred (predominantly legal and financial advice fees) for both bonds was £575,000 (2023: £604,000).

For the 2015 bond, interest due up to August 2017 was based on the initial interest rate of 3.126% adjusted for changes in CPI (subject to a 4% cap and a floor of zero). Since August 2017 the applicable interest rate has risen to 3.154%. Repayment of the bond is due in five equal instalments of £14m due in August of 2038, 2041, 2043, 2045 and 2048 respectively. The bond is secured by a fixed charge over 403 properties held by the Charity.

For the 2018 bond, interest due is based on the fixed interest rate of 3.509%. Repayment of the bond is due in three instalments on 12 November 2044, 12 November 2046 and 12 April 2048. The bond is secured by a fixed charge over 188 properties held by the Charity.

The following table details the maturity of the bond-related contractual payments as at 31 December 2024:

Period	2015 Bond		2018 Bond	
	Interest due	Capital repayment	Interest due	Capital repayment
	£'000	£'000	£'000	£'000
Due to end December 2024	870	-	140	-
Due within one year (to end December 2025)	2,652	-	1,053	-
Due between one and five years (to end December 2029)	10,600	-	4,206	-
Due after five years	36,255	70,000	17,590	30,000
Total	50,377	70,000	22,989	30,000

The intra-group liability due by the charity to CHARM Finance plc mirrors the terms of the bonds noted above.

The charity has a loan facility with NatWest and a separate loan with Santander (through Abbey National Treasury Services PLC), which at December 2024 were secured by fixed charges over 239 properties (2023: 244 properties) owned by the charity, with occupied market value of £63,130,000 (2023: £60,147,000), and net book value of £41,196,000 (2023: £42,015,000). The loans are repayable, subject to terms and conditions, at Dec 2039.

The cost of the Santander arrangement fee of £500,000 (1% of the loan facility) is offset against the loans and is being amortised over 15 years. At 31 December 2024, the amortised cost was £265,000 (2023: £50,000).

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2024

15. Financial Instruments

	Note	Consolidated		Charity	
		2024	2023	2024	2023
		£'000	£'000	£'000	£'000
Financial assets at fair value through statement of financial activities					
Listed non-current investments	9	42,164	40,864	42,177	40,877
Total financial assets		42,164	40,864	42,177	40,877

16. Funds

Consolidated and charity	Balance at 1 January 2024	Income	Expenditure	Investment losses	Other gains	Transfers	Balance at 31 December 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	-	13,634	(13,634)	-	-	-	-
Total unrestricted funds	-	13,634	(13,634)	-	-	-	-
Restricted funds:-							
General Purposes Fund:							
- General Funds	108,822	48,284	(24,612)	1,139	-	(12,000)	121,633
- Earmarked – Property Maintenance	5,700	-	(2,170)	-	-	12,000	15,530
Clergy Retirement Housing Trust & other trusts	13,586	1,755	(812)	214	-	-	14,743
Total restricted funds (excl. pension reserve)	128,108	50,039	(27,594)	1,353	-	-	151,906
Pension reserve	-	-	-	-	-	-	-
Total funds	128,108	63,673	(41,228)	1,353	-	-	151,906

For comparative purposes, the table below shows the movement on funds for the year ending 31 December 2023:

Consolidated and charity	Balance at 1 January 2023	Income	Expenditure	Investment gains	Other gains	Transfers	Balance at 31 December 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	-	10,170	(10,170)	-	-	-	-
Total unrestricted funds	-	10,170	(10,170)	-	-	-	-
Restricted funds:-							
General Purposes Fund:							
- General Funds	109,305	32,817	(24,955)	(908)	-	(7,437)	108,822
- Earmarked – Property Maintenance	1,175	-	(2,912)	-	-	7,437	5,700
Clergy Retirement Housing Trust & other trusts	13,403	619	(589)	153	-	-	13,586
Total restricted funds (excl. pension reserve)	123,883	33,436	(28,456)	(755)	-	-	128,108
Pension reserve	(320)	-	159	-	161	-	-
Total funds	123,563	43,606	(38,467)	(755)	161	-	128,108

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2024

16. Funds (continued)

Unrestricted funds

The **unrestricted funds** represent expenditure incurred by the CEPB on salaries and working expenses subsequently recovered from the pension funds administered by the Board. The CEPB has no net assets or liabilities in its own right as a body corporate.

Restricted funds

The **General Purposes Fund ("GPF")** is the largest charitable fund administered by the Church of England Pensions Board, covering the provision, maintenance & management of homes of residence for retired clergy and church workers and their spouses/former spouses/dependants, etc.

£23.2m was transferred from the restricted general fund to the earmarked Property Maintenance fund (2023: £7.4m was transferred to the Property Maintenance fund from the general fund).

The **Clergy Retirement Housing Trust ("CRHT")** is a registered charity (Charity No. 236627-2) and is a linked charity of the Board. As a linked charity, it is accounted for as a restricted fund. The charitable object of the CRHT is to use its property as residences for those persons who are qualified for such residence by virtue of the provisions of the Clergy Pensions Measure 1961 or any succeeding legislation.

Below is a summary of the assets and liabilities of each fund as at 31 December 2024:

FUND	Fixed Assets	Current Assets	Current Liabilities	Non-Current Liabilities	SUB TOTAL	Provision for Pension Liability	NET ASSETS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	454	1,199	(1,653)	-	-	-	-
Restricted Funds:							
General Purposes Fund	298,340	11,054	(45,271)	(126,960)	137,163	-	137,163
Clergy Retirement Housing Trust & other trusts	11,325	3,599	(181)	-	14,743	-	14,743
Total	310,119	15,852	(47,105)	(126,960)	151,906	-	151,906

For comparative purposes, the table below provides a summary of the assets and liabilities of each fund as at 31 December 2023:

FUND	Fixed Assets	Current Assets	Current Liabilities	Non-Current Liabilities	SUB TOTAL	Provision for Pension Liability	NET ASSETS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	648	2,730	(3,378)	-	-	-	-
Restricted Funds:							
General Purposes Fund	288,706	1,608	(50,144)	(125,646)	114,524	-	114,524
Clergy Retirement Housing Trust & other trusts	11,308	2,318	(42)	-	13,584	-	13,584
Total	300,662	6,656	(53,564)	(125,646)	128,108	-	128,108

17. Subsidiary results

The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held to undertake property and building development at the Community Living schemes. This company was dissolved and removed from the Register on 7 January 2025. The Board owns 100% of CEPB Mortgages Ltd (company no. 05540666), a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC (incorporated and acquired 17 July 2015, company no. 09692222, registered at 29 Great Smith Street, London, SW1P 3PS), a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle which in August 2015 provided £70m of funds to the Board via the issue of £100m of 3.126% Secured Bonds (including £30m in principal amount of Retained Bonds) due August 2048. In April 2018 CHARM Finance PLC provided a further £30m of funds to the Board via the issue of £50m of 3.509% Secured Bonds (including £20m in principal amount of Retained Bonds) also due in 2048. These funds are being used to secure current and future obligations for clergy housing in retirement.

Summaries of the Board's significant subsidiaries' results are shown below:

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2024

17. *Subsidiary results (continued)*

	CEPB Mortgages		CHARM Finance PLC	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Revenue	365	361	3,640	3,605
Expenditure	(365)	(361)	(3,640)	(3,605)
Result	-	-	-	-
Total Assets	4,869	5,090	100,538	100,484
Total Liabilities	(4,868)	(5,089)	(100,525)	(100,471)
Net Assets	1	1	13	13

18. *Related Parties*

Subsidiary companies

The Board received £365,000 from CEPB Mortgages (2023: £361,000) in respect of mortgage interest received by the Company. At the balance sheet date, CEPB Mortgages owed the Board £4,868,000 (2023: £5,089,000) in respect of mortgage loans repayable.

The Board paid £3,560,286 to CHARM Finance PLC in 2024 in respect of bond interest paid by the Company (2023: £3,580,254). At the balance sheet date, the Board owed CHARM Finance PLC £99,425,000 (2023: £99,396,000) in respect of loans repayable in relation to the 2015 and 2018 bonds, and CHARM Finance PLC owed the Board £41,494 (2023: £51,901) in respect of interest repayable.

Joint ventures

Church of England Central Services (ChECS) is a joint venture between the Church Commissioners, the Archbishops' Council and the Church of England Pensions Board, and therefore a related party of the Board. More information can be found in Note 10.

Pension Schemes

Details of amounts paid to the pension schemes are disclosed in note 8.

THE CHURCH OF ENGLAND PENSIONS BOARD

England & Wales - Charity number 236627

Accounts

**The Church of England
Pensions Board**

Annual Report

Year ended 31 December 2023

Contents

Introduction from the Chair and Chief Executive	4
Report of the trustees for the year ended 31 December 2023	6
Structure and history.....	6
Public Benefit.....	7
Objectives.....	7
Charitable activities of the Board.....	8
Housing.....	8
Rental Property	9
Community Living.....	9
Shared Ownership.....	10
Mortgage Schemes.....	11
Signposting to alternative housing options	11
Administration of pensions.....	11
Review of 2023 activities	11
Administration of Pensions.....	12
The Board’s Approach to Investment & Stewardship.....	15
Financial Review	17
External financing	18
Charity Investments.....	19
Risk Management.....	20
Principal Risks.....	20
Going Concern	23
Approach to Taxation.....	23
Reserves.....	24
Unrestricted funds.....	24
Restricted funds.....	24
Reserves policy	24
Plans for the future.....	25
Structure, governance and management	26
Governance.....	26
Independent Auditors.....	27
Ethical Investment Advice.....	28
The Charity Code of Governance	28
Trustees	29
Attendance by Trustees at meeting of the Board and its Committee	31
Reference and administrative information	32
Management	33

Approval	34
Statement of Trustees' responsibilities in relation to the financial statements.....	35
Independent auditor's report to the Church of England Pensions Board	36
Consolidated Statement of Financial Activities of the Church of England Pensions Board for the year ended 31 December 2023	42
Consolidated Balance Sheet of the Church of England Pensions Board as at 31 December 2023.....	43
Charity only Balance Sheet of the Church of England Pensions Board as at 31 December 2023.....	44
Consolidate Cash Flow Statement of the Church of England Pensions Board for the year ended 31 December 2023.....	45
Notes to the Financial Statements of the Church of England Pensions Board for the year ended 31 December 2023.....	46

Introduction from the Chair and Chief Executive

In the global economy, 2023 marked a decisive break from the long period of ultra-low interest rates experienced since the 2008 financial crisis, as central banks increased rates to try and curb surging inflation. The associated dramatic increase in the cost of living has caused much distress in society.

Within pensions, higher interest rates also meant that government and corporate bonds offered higher yields, and the Board increased its holdings of these lower risk assets during the year. These rates also benefitted scheme funding, by reducing the value of liabilities – i.e. the assets needed to provide for all future pensions.

Together with cost savings and sustained investment returns over the past decade, this resulted in our defined benefit (DB) schemes being fully funded as at the end of 2023. This gives members and employers greater security for the future. It also enabled the Board to provide higher, discretionary, pension increases in some schemes for 2023 and 2024, including inflation-matching clergy pension increases in both years. Welcome although those will have been, for many of our pensioners these past two years have been very challenging financially, even with the additional support offered by the Board through welfare advice and charitable grants.

High inflation and interest rates have had a more difficult impact on the Board's charitable housing activities. The costs of maintaining properties and preparing new houses for rent have increased dramatically. Demand for properties from retirees has also increased, as has the cost of borrowing to buy homes to meet this demand. In 2023, 109 households moved into their new Church retirement property, the highest number of new tenancies in recent memory. While the Board did all that it could to reduce costs, we were only able to meet the demand thanks to substantial extra funding from the Archbishops' Council and the Church Commissioners. These funds will help with maintaining current arrangements whilst options for the future are considered. In this respect, the Board commenced an open, wide conversation last November about how the Church might best support future cohorts of retiring clergy with housing. We think there is an opportunity for the Church to shift from focusing on just one form of support at one point in the ministry journey, to many points of guidance and practical support at different stages of life to enable choice for clergy about their housing plans. We are encouraged by the responses and feedback already received and look forward to developing these ideas further in 2024.

Responsible investment of the pensions assets under our stewardship remains a priority. In May 2023, and informed by Transition Pathway Initiative analysis, we took the decision to disinvest from the last of our oil and gas holdings in line with the commitments made in 2018. In November, the Board published its [Climate Action Plan](#), which sets out our next steps as an investor to tackle the climate emergency. This includes engagement with companies and sectors that are significant users of fossil fuels, a focus on climate solutions and supporting a just transition. The Board is continuing to advocate for transformation across the mining sector, addressing matters of safety, human rights and social justice, including through leadership of a new Global Investor Commission on the future of the sector.

In February 2024 we were shocked to learn of the sudden and unexpected deaths of the Rt Revd Alan Wilson, a member of the Housing Committee and former Trustee, and Nigel Stokes, a member of staff in the housing team. We would like to pay tribute to Bishop Alan and Nigel for their service to the Board and our customers and will continue to honour their memories.

We look forward to 2024, and to continuing to support our members, and the mission and ministry of the Church well in the years to come.

Clive Mather
Chair

John Ball
Chief Executive Officer

Report of the trustees for the year ended 31 December 2023

The trustees present their annual report and financial statements of the charity for the year ended 31 December 2023. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the Charities Act 2011, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Finance Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" ("the SORP").

Structure and history

The Church of England Pensions Board ("the Board") was established in 1926 by the Church Assembly (now the General Synod) by the Clergy Pensions Measure 1926, to serve as the pensions authority for the Church of England and to administer a comprehensive pension scheme for clergy. Prior to 1926 there was no proper pension system for clergy.

The Board was given powers in 1948 to provide housing for retired clergy and their widows and dependants, and in subsequent years also became trustee of various charitable funds and trusts to provide for the relief of poverty of retired clergy and their widows and dependants. In 1964 the Board became a registered charity. Since then, the funds and trusts have been amalgamated and now exist as a single restricted fund: the 'General Purposes Fund'; and one linked charity for which the Board is corporate trustee: the 'Clergy Retirement Housing Trust'.

In its current form, the Board is a body corporate, a registered charity, and is governed by the Church of England Pensions Measure 2018 – the main operative provisions of which came into force on 1 March 2019 consolidating and replacing prior legislation. The structure of the Board was amended in 2021 by the Legislative Reform (Church of England Pensions) Order 2021. During the period covered by these accounts it was the corporate Trustee of three pension schemes:

- The Church of England Funded Pensions Scheme ("CEFPS", commonly called 'the clergy scheme')
- The Church Workers Pension Fund ("CWPF")
- The Church Administrators Pension Fund ("CAPF")

The financial statements of the three pension schemes listed above are not included in this report but are separately available.

The Board administers two other pension schemes, for which it is not a trustee: the Church of England Pensions Scheme (for clergy service prior to 1 January 1998); and the Church Commissioners Superannuation Scheme (for staff service prior to 1 January 2000). The financial affairs of these schemes can be found in the Church Commissioners' accounts. They have no impact on the financial position of the pension schemes of which the Board is trustee.

Public Benefit

The purposes of the Board are the provision of retirement services set by the Church of England for those who have served or worked for the Church. This is carried out primarily through the provision of retirement housing and through the administration of pensions.

In accordance with the requirements of s17(5) of the Charities Act 2011, in exercising their responsibilities the Board has had regard to the Charity Commission's published advice on public benefit, especially that contained in its supplementary guidance *"The Advancement of Religion for the Public Benefit"*.

Nationally, the Church, through its network of more than 12,000 parishes, 16,000 churches and 20,000 ordained and lay ministers seeks to build social capital and provide spiritual care for all those who might wish to engage with matters of faith in a Christian context. The local churches are a focus for community activity, and through resources available at their disposal, provide activities that support community development and social cohesion. These can include projects which support children, families, and the elderly.

Retired clergy and their dependants often play a role in these projects, and retired clergy provide valuable auxiliary ministry in parishes across the Church of England. Through the provision of comprehensive pension schemes, retirement accommodation and, where applicable, direct grants to supplement their income, the Board assists clergy in retirement to continue to play a full role in the community.

Objectives

The Board's charitable objectives are first, to provide the best possible support and care, within available resources, to those who have retired from stipendiary and lay ministry within the Church of England, and to their dependants, through the provision of retirement and supported housing, and through advice services, and discretionary grants for those most in need. Second, the Board's objective is to meet its responsibilities as trustee and administrator for the various pension schemes, as laid out in its governing documents (see Structure and History section).

The strategic objectives of the Board are to:

1. Manage the pension schemes efficiently and effectively
2. Offer charitable and housing services that our customers and funders value
3. Demonstrate leadership in ethical and responsible investment to achieve a sustainable return on our investment funds and help counteract climate change
4. Understand our customers to deliver excellent customer service
5. Model good governance and stewardship
6. A great place to work, where people are valued, engaged and performing well

In December 2019 the Board agreed three strategic priorities to guide its work and the implementation of its objectives. These are:

- 1. Simplification**
- 2. Self-sufficiency**, so that the Board can be less reliant on financial support from the wider Church in the long-term
- 3. Engaging in great conversations** with those the Board serves and the companies in which it invests

These priorities together form the Board's 'Centenary Vision'.

Retirement can be a stressful life event and particularly so for the Church of England clergy who have lived most of their working lives in tied accommodation and for whom retirement also entails the stress of moving to a new house. The Board aims to work with clergy to assist them in this significant life transition and encourages early conversations about retirement housing and pension provision. We aim to provide an appropriate level of service over the long term, and retirement housing which is well maintained and suits its purpose.

In 2024, the Board will continue to provide existing services within the resources available. We continue to shape and refine the services that are offered to ensure that they are sustainable in the future. As described below, in 2023, the Board commenced a conversation with the Church about new ways to support future cohorts of retiring clergy, particularly with their housing needs.

The charitable activities are financed by grants, gifts, legacies, and investment income. All donations are placed in the General Purposes Fund unless otherwise specified. We are very grateful to those who have given donations and left legacies over the past year.

Charitable activities of the Board

Around one in six clergy retiring from the stipendiary ministry seek the Board's assistance with retirement accommodation, whether in the Board's properties or through advice and signposting to other providers.

Around 2,500 individuals – primarily retired clergy and their spouses or partners – receive housing direct assistance from the Board. The majority of these customers are residents in the Board's rental and community living (previously supported housing) properties. The Board also operates a small shared ownership scheme and mortgage schemes, which are closed to new applicants. Although the expression is used less now, these services continue to be referred to by the acronym CHARM (Church's Housing Assistance for Retired Ministry).

Housing

The Church of England Pensions Board's retirement housing provision is designed to assist retiring clergy leaving tied accommodation and who have not been able to make their own

provision for somewhere to live in retirement. The provision of housing is a discretionary facility, with the Board specifying various parameters relating to the size and type of property available. These parameters are regularly reviewed.

Information on the housing offers, eligibility and access to the various options is available on the Church of England website at www.churchofengland.org/housing.

The Board also supports retirees and their households through a Welfare Advice Service which enables us to sign-post individuals to other charities and agencies through which they can access the different types of support available to them, including helping individuals to navigate the state benefit system. The Board operates a modest discretionary grant scheme to assist those on the lowest incomes.

Rental Property

The rental option is the Board's core service, with 1,164 properties let across England and Wales as at the end of 2023 (2022: 1,172). Applicants can choose from a portfolio of available properties across the country up to five years before they intend to retire and "reserve" it for their retirement.

The Board ensures that all properties are in a good state of repair. It uses stock condition surveys to plan and carry out maintenance.

Tenants who moved into their properties after 1 April 2015 pay a "target rent" based on a social housing model; tenants who already lived in a property prior to this date pay a rent which was based on their (joint) income, which is being slowly transitioned to a target rent.

The CHARM scheme is subsidised by the wider Church of England through Vote 5 of the Archbishops' Council's budget. The total grant for 2023 was £5.8m (2022: £5.6m). In the context of high inflation and rising interest rates, the Archbishops' Council agreed to grant a further £9m in 2023 to assist the Board in meeting its costs and accommodate higher demand. A further grant of £19.7m was agreed in early 2024 to provide further support across financial years 2024 and 2025. This support enables the Board to continue to offer target rents at a lower level than market rents. The Trustees are grateful for the financial support from the wider Church towards this work.

Community Living

The Board has operated supported housing residential communities for 75 years. In 2023 the Board restyled these settings as 'community living' to more effectively describe the offer. Each of the Board's seven community living settings offers residents their own flat within a residential community. Each setting includes communal dining facilities, meeting spaces, a library, a chapel, laundry facilities and shared garden space. The self-contained flats include a living room, bedroom, bathroom and a small kitchenette.

Community living is offered to retired clergy and their spouses / partners who wish to live as independently as possible in a community of Christians. Some retired clergy, or their surviving spouses or civil partners, no longer feel comfortable living by themselves or find it increasingly

difficult to maintain and manage a home of their own. Some wish to continue living within a community where the liturgical and spiritual life of the Church of England is central and practical support is available to enrich older living. While most community living residents will have come to the setting later into their retirement, community living also welcomes those at the outset of their retirement.

The Board charges for the accommodation using a rent and service charge system and operates a subsidy arrangement to assist those of its residents who are unable to pay for those support charges which are not eligible for state assistance.

The total cost of running community living including central overheads, is largely met by the income the Board receives through rent and service charges. The shortfall – including costs relating to the former nursing home closed in 2017 – is met from grants, voluntary donations and investment income received by the General Purposes Fund. In 2023 legacies and miscellaneous donations amounted to £0.1m (2022: £0.8m).¹

Following consultation with residents and stakeholders, in 2022 the Board commenced a pilot to permit a small number of retired ministers from partner denominations to apply for the Board's community living. This move is in keeping with the Church of England's ecumenical partnerships and is designed to assist in managing voids for the good of the schemes and their residents. The initial feedback from the pilot is positive.

Shared Ownership

The Board has previously assisted clergy in purchasing retirement properties through a mortgage scheme, which closed to new applicants in 2008, and a shared ownership scheme which ran from 2008 to 2022.

The marketplace for shared ownership has developed considerably since the Board started its scheme. This has combined with declining interest in the Board's scheme for a number of years, a review in 2022 concluded that there are now sufficient products on the market which offer comparable or better value options this has led to the Board closing its shared ownership scheme to new applicants in 2022.

The Board continues to assist retiring clergy seeking home ownership or shared ownership through signposting to providers and financial advice services. In 2023, a number of households were assisted in this way to buy their own retirement home via a later life mortgage or shared ownership with a specialist provider.

The Board also continues to support existing shared owners, which numbered 88 at the end of 2023 (2022: 91). Through the shared ownership scheme, the household took at least a 25% equity share, with the Board contributing up to £150,000. The household paying a rent on the unowned share, and a service charge which reflects the cost of maintaining and insuring the property. Additional shares of the property can be bought by the customer, and the Board will gladly assist those who seek to buy outright ownership, refinance the Board's share, or switch to a full repairing and insuring lease.

¹ See note 4 for further details of the shortfall between charitable income from rent and service charges, and charitable expenditure incurred.

Mortgage Schemes

A fixed-interest mortgage option was in operation until 31 December 1982. Mortgagors had the option to pay interest on the amount loaned during the life of the loan and then on redemption repay the nominal amount of the loan or pay one-half of the interest due during the life of the loan and on redemption repay the nominal amount of the loan together with the unpaid interest. Two loans were outstanding at the end of the year, both of which the mortgagor is paying one-half of the interest due.

A value-linked mortgage option closed on 31 March 2008. Mortgagors pay an interest-only element on the advanced sum, with the rate of interest being subject to an annual uplift in line with increases in Church pensions. When the property is sold or the mortgage redeemed, the sale proceeds are divided between the mortgagor and the Board in the same proportions as when the loan was advanced. At the end of the year mortgage loans were outstanding on 413 properties (360 from the Charity and 53 from the subsidiary company CEPB Mortgages Ltd) (2022: 447 properties (391 from the Charity and 56 from the subsidiary company CEPB Mortgages Ltd)).

Signposting to alternative housing options

The Board supports existing residents (and, increasingly, newly retiring clergy) in exploring alternative housing options with other providers. Such other providers include Christian charities who offer care or community living and housing associations. In some cases the Board supports residents and their families in seeking a next phase of retirement living in a care home or extra care facility.

Administration of pensions

During the period covered by this report, the Church of England Pensions Board was the trustee of three pension funds – the Church of England Funded Pension Scheme, the Church Workers Pension Fund, and the Church Administrators Pension Fund.

The administration of pensions for the clergy is one of the charitable objects of the Board; this is carried out at no cost to the charitable funds since the administration costs are charged to the relevant pension fund.

In total, the pensions for more than 43,000 people, across about 700 employers are administered by the Board. Separate reports and accounts are issued for each of the pension schemes.

Review of 2023 activities

Housing

Around 1 in 6 clergy require help with housing in a normal year. The lingering effect of the pandemic (which saw some clergy delay retirement moves, and then others bring them

forward), combined with more retirements (due to demographic factors), means that 2023 was the Board's busiest year on record. In 2023, 109 households moved into Church retirement homes, either a flat within the Community Living schemes or a rental property. This was the highest number of new tenancies in recent memory. Additionally, the Board's housing team worked with a number of households to secure alternative retirement accommodation, including becoming homeowners or a rental arrangement with another provider.

Across the year, 208 applications were received for future help with housing. The Board is grateful for additional funding from the Archbishops' Council and Church Commissioners, to help meet this demand challenge in the near term, in the context of ongoing financial pressures caused by inflation and higher interest rates.

As part of the ongoing asset management programme, in 2023 periodic stock condition surveys were undertaken of our Community Living schemes to help target planned maintenance work. A similar programme for the rental portfolio starts in 2024. The rolling programme of gas safety (or equivalent) inspections continued and remains a high area of focus. The Board continues to benefit from its investment in a Housing Management System to replace manual records. This is a valuable tool in managing and monitoring compliance and repairs, and in asset planning.

Meanwhile, further steps were taken on the journey to achieve the Church's ambition of net zero by 2030 by piloting retrofit surveys at several locations. This work is being taken forward in partnership with other Church bodies as part of the CofE Net Zero programme.

All the Board's staff completed a further round of safeguarding training across the winter of 2023/24.

In the spring and autumn, the Board hosted sessions with Diocesan Retirement Officers to help establish closer ways of working in supporting retirees well. The Residents' Panel continues to meet quarterly, offering invaluable feedback to help improve services.

Towards the end of 2023, the Board commenced a conversation with the wider Church about how the model of support with retirement housing could evolve in the future – thinking beyond the traditional approach of rental housing at retirement. For instance, considering how the Church might practically help clergy in more easily accessing home ownership in ministry or at retirement, and to engage with retirement planning earlier. These ideas reflect changing ministry patterns and needs, and seek to ensure services can be generationally sustainable. The conversation period ran to February 2024 and elicited over 800 responses and more than 1300 replies to the accompanying survey on current retirement plans. This is valuable feedback which will be used in 2024 to take the ideas into more specific proposals for the Church to consider.

Administration of Pensions

On the back of our strong investment performance over the last decade, careful cost management and changing financial conditions, all of the Defined Benefit pension

schemes of which the Board is Trustee were estimated to be fully funded by the end of 2023. This means that the investment assets held by the scheme cover the accrued pensions promised to members – good news for members, Dioceses and other organisations that participate in our schemes.

Within the Church of England Funded Pension Scheme, which covers clergy pensions accrued since 1998, the strong funding position allowed the Trustees to make a discretionary inflation-matching increase to pensions in payment of 10.1% from April 2023. This increase was more than double that guaranteed under the scheme rules. The Trustees were pleased to be able to exercise similar discretion again for increases from April 2024, with a 6.7% inflation matching increase.

From 1 January 2023 the Board reduced contribution rates for clergy pensions from 39.9% to 28% of pensionable stipends as agreed at the last valuation. This is equivalent to freeing up an extra £25m p.a. for the Church's mission and ministry. In late 2023, the Board determined that it could reduce the contribution rate by a further 3 percentage points. This unusual step, taking place ahead of the next valuation, was justified by improving financial conditions. The move has been welcomed by participating Church bodies and has facilitated the Central Stipends Authority recommending a higher increase in the National Minimum Stipend (NMS) from April 2024 than it had previously planned. This is also good news for scheme members because of the link between the NMS and starting pensions.

In 2023, the Board completed the statutory valuation of the Church Administrators Pension Fund (as at 31 December 2022). This showed a reduction in the deficit, which was fully eliminated through planned recovery contributions by the end of 2023. The Board also reviewed the CAPF DC funds on offer to members.

The statutory valuation of the Church Workers Pension Fund (as at 31 December 2022) brought good news for participating employers and members, with all sections now fully funded on a going concern basis. The CWPF is the most complex of the pension schemes, with over 400 participating employers of varying sizes, and its valuation will be concluded in early 2024. The strong funding position in this scheme also enabled a modest discretionary increase to some pensions in payment. Meanwhile, the Board is exploring with employers how we might reduce risk further within the Defined Benefit section, consolidating the current position and securing member benefits.

The financial results of the schemes are not reflected in those of the Board and may be found in the separate annual report and accounts produced for each scheme. The table below provides summary information for the net assets of each scheme as at 31 December 2023. Investment performance is described in the following section.

	Church of England Funded Pension Scheme £m	Church Workers Pension Fund £m	Church Administrators Pension Fund £m	Total £m
Total net assets available for benefits	2,548	622	147	3,317

The table below provides summary information for the most recent concluded actuarial valuation of each pension scheme at the date indicated. The CWPF valuation will be concluded in early 2024.

	Church of England Funded Pension Scheme £m	Church Workers Pension Fund £m	Church Administrators Pension Fund £m
<i>Date of Valuation</i>	<i>31 Dec 2021</i>	<i>31 Dec 2022</i>	<i>31 Dec 2022</i>
Total Technical Provisions	(2,160)	(483)	(104)
Total net assets available for benefits	2,720	600	102
Total pension scheme surplus (deficit)	560	117	(2)

The Board monitors pensions administration performance. In 2023, customer satisfaction at retirement averaged 8.4 out of 10. Meanwhile, the budget figure of 95% achievement of Service Level Agreements for different pensions processes was achieved consistently through the year. In 2024 we plan to introduce new surveys to deepen our understanding of member experience across their entire pensions journey with the Board.

As of the end of the year, almost 50% of members were registered for PensionsOnline, our secure online pensions portal, and in 2023 as a whole, PensionsOnline was used more than 3,200 times by members to update their contact information and personal details, including updating us on changes to pension nominees. Updating details in this way has saved time for members and has freed up the Pensions admin team to deliver responses to other member queries more quickly.

Among the new features in 2023 was the functionality to allow clergy members to run retirement quotes online, delivering results in just seconds rather than needing to call the helpline and wait for a letter or email. Around 2,300 quotes were produced in the year, supporting clergy in considering different options for their retirement.

At the end of 2023, PensionsOnline started to be trialled for CAPF DC members, becoming available to all CAPF DC members in early 2024. These improvements will help members with planning well for retirement.

The Board's Approach to Investment & Stewardship

The Board invests sustainably and responsibly on behalf of members to pay pension promises across the long term. As good stewards of the funds, and guided by Church teaching, the Board engages with the companies in which it invests. The Board also works with other investors to drive change on key issues that matter most to our members.

The duty to be a good steward of the funds entrusted to the Board underpins the approach to responsible investment. Stewardship is about ensuring members' funds are invested sustainably and for the long term. As pension benefits earned today may not be drawn for 60-80 years, responsible stewardship involves managing systemic risks to how investments will perform over decades and affords us through our ownership the opportunity to have real-world impacts.

Managing systemic risk

The Board has a long history of acting to tackle risks posed by climate change and associated with a disorderly transition to a low carbon economy. The Board co-founded the Transition Pathway Initiative (TPI), which is now the leading investor tool for assessing the robustness of a company's climate transition plans. Many investments of pension funds are also in sovereign bonds (government bonds) and in 2023, the Board, together with the BT Pension Fund, led a global initiative with TPI to develop a methodology that will help investors apply the same transition-readiness lens to sovereign bonds.

In May 2023 the Board decided to disinvest from its remaining holdings in the oil and gas sector (which represented less than 0.2% of investments at the time). This decision was reported to General Synod in July 2023 in a presentation which set out the progress from our engagement with the oil and gas sector in the previous five years. We also presented the TPI assessment, which shows that despite progress, no company could demonstrate alignment with the 1.5 degree scenario over the short, medium and long term.

The Board also set out the broadening of our climate engagement work, focusing on industries that create most of the demand for fossil fuels, such as car manufacturing and utilities. This was detailed in the Board's new Climate Action Plan, published in November 2023. The plan includes case studies on engagement with National Grid and Volkswagen, where the Board's work has led to improvements in company approaches to climate lobbying. Climate solutions, including renewable energy, energy efficiency, and green technology, account for just under 5% of the fund, and are set to grow over time.

The Board chairs the Emerging Markets Just Transition Initiative, which recognises the importance of emerging markets (such as South Africa) to the transition to the low carbon economy. This initiative is supported by 12 pension funds, which collectively manage £400bn in assets. Through 2023 and into 2024, the Board is reviewing its Emerging Market investment

portfolio, in line with the aims of the initiative, with changes already made to how we select, appoint, and engage with external asset managers.

Driving change through partnership

A further priority for the Board is the systemic risks within mining. This is a crucial sector for making the transition to a low-carbon economy, as for instance, batteries are mineral intensive. Yet it is a sector with many challenges, including safety, environmental impacts, workers' rights, and the rights of indigenous and first nations communities. Over 80 investors, managing \$11trn of assets, have now pledged their support to the Global Investor Commission on Mining. This Commission, chaired and established by the Board with the support of the UN Environment Programme, will develop a socially responsible vision for the sector by 2030. Our role in driving forward this work, builds on the steps we have taken to address safety standards and improve transparency in the sector following the tragic tailings dam disaster at Brumadinho, Brazil, in 2019. The Board is also working with the support of the Archbishop of Canterbury and colleagues within the Anglican Communion to understand the role investors can play in addressing conflict in mining areas, aiding peacebuilding and reconciliation.

Active ownership

The Board is an active owner, exercising our voting powers and rights to attend and speak at company Annual General Meetings to encourage change to corporate practice and standards. Our votes can be extremely effective in encouraging change to corporate practices and standards. Last year the Board voted in 99.58% of shareholder ballots in the companies in which the funds invest, voting against company management recommendations 18.4% of the time where these did not align with our policies. In particular, the Board only voted in line with management recommendations in 61% of votes cast on matters of executive remuneration.

Given the continued concern around excessive executive pay, in 2022 the Board convened a summit on this issue, to explore how shareholder concerns can best be heard and addressed. A key outcome of this summit was a commitment to develop a transparent public tool that can better assess pay across the whole company and not just the top. After concluding consultations, we will together be publishing a Fair Reward Framework (FRF) to assess the largest UK listed companies in the first half of 2024.

In 2023 the Board also convened pension funds and insurers to explore how responsible investment considerations can be better factored into how insurers work with pension funds. This is important because many pension funds – including the Board – are taking advantage of improved funding positions to insure some or all of their liabilities. The Board already holds two 'buy-in' insurance policies as assets of the CWPF, with further buy-in policies to be considered (subject to market conditions) to reduce risk.

The Board prepared and submitted its first Task Force on Climate Related Financial Disclosures (TCFD) report in 2023, and maintained its signatory status under the UK Stewardship Code.

Investment performance in 2023

Following almost 15 years of low inflation and falling interest rates, market conditions changed significantly in 2023, as a rapid acceleration in inflation caused the major central banks to tighten monetary policy in order to bring inflation under control.

High inflation and rising interest rates in turn caused a rise in government and corporate bond yields in the first part of the year. Such difficult financial conditions led to disappointing returns from some asset classes, including our property holdings (-6.7%). However, the total return for the year across the fund excluding gilts held to match the income required to pay pensions in payment, was 7.3% in 2023. The public equity portfolio held up particularly well, recording gains of 14.3% in 2023, and within that portfolio the assets allocated to the FTSE- TPI Global Transition Index (created by the Board in 2019), returned 16.7%. Listed credit returned gains of 10.8%, buoyed by hopes that short-term interest rates, have peaked and may now start to come down in 2024.

Investment diversification continues to mitigate volatility in individual asset classes and markets. Returns over the last 10 years have averaged 7.8% per annum (excluding the LDI portfolios, which aim to match the underlying liability characteristics of the schemes). Consistency of returns achieved over time, combined with an increase in bond yields, has led to an improvement in the funding positions of the schemes.

Against the backdrop of a volatile market environment and improved funding positions, the Board took further steps to increase the amount of high-quality fixed and alternative income assets held by the schemes. This should help reduce market risk and help us continue to meet and secure future pension promises for our members.

Financial Review

Total income for 2023 was £43.6m (2022: £31.7m), with income from charitable activities being £25.0m (2022: £22.1m), this includes income from rents and service charges for CHARM properties and the community living schemes along with interest received in relation to mortgage properties, which together amount to £14.9m (2022: £13.6m). The remaining income from charitable activities of £10.2m (2022: £8.5m) relates to the recovery of administrative costs in respect of the pension schemes administered by the Board.

In addition to the income received through provision of its services, the Board relies upon voluntary income sources to sustain its charitable activities. Income from grants, donations and legacies was £15.1m (2022: £6.4m). This includes support from the wider Church of England, through Vote 5 of the Archbishops' Council's budget, under which a grant of £5.8 (2022: £5.6m) was made towards the provision of retirement housing. Total income from donations and legacies in 2023 was £0.1m (2022: £0.8m) for which the Board is extremely grateful.

The Board also received investment income of £1.8m (2022: £1.6m), and gains arising from the sale of CHARM properties of £1.6m (15 rental and 1 shared ownership) (2022: £1.5m, 10 rental and 7 shared ownership). The Board continues to develop the portfolio through the sale of unsuitable properties as they become vacant, using the proceeds of sale, along with external borrowing, to fund the purchase of new properties.

Total expenditure for 2023 totalled £38.5m (2022: £34.9m), with expenditure on charitable activities totalling £38.4m (2022: £34.8m). The largest component of expenditure was on rental properties of £17.9m (2022: £16.3m), with the year-on-year increase reflecting the high cost environment pressures from key expenditure items, and increased cost of borrowing, a

subsequence of increased interest rates. Expenditure on supported housing was £6.5m (2022: £6.2m).

Charitable expenditure also includes the cost of administering the pension schemes which was £10.2m (2022: £8.5m) – this is a figure which varies year to year in large part due to the level of work on statutory valuations within the year.

Despite net losses of £0.8m on investment funds (2022: losses of £5.1m), overall total funds increased by £4.5m to £128.1m (2022: £123.6m).

The value of fixed assets reduced in the year to £300.7m (2022: £300.3m). The overall value of the CHARM portfolio increased by £2m to £236.5m, reflecting acquisitions and disposals in the year, whilst the value of CEPB funded properties increased to £191.9m (2022: £185.9m).

The Board’s pension deficit liability in relation to its participation in the CAPF scheme was £nil at the end of 2023 (2022: £0.3m).

External financing

The Board has supported the long-term financing of the CHARM scheme through the issue of two listed bonds, as well as making use of a Revolving Credit Facility.

In 2015 the Board, via its subsidiary CHARM Finance plc, issued a £100m Bond, of which £70m was drawn down immediately. This gave the Board access to long-term finance to purchase additional retirement properties to secure the future of clergy housing in retirement. The Board used part of the proceeds to repay existing short term borrowings and to acquire the economic interest in 196 CHARM rental properties which had been financed by the Church Commissioners and had previously been subject to significant restrictions. Under the terms of the refinancing agreement, the Board is obliged to pay to the Commissioners any capital uplifts arising from the sale of any of these properties within a 10 year period expiring in mid-2025.

In 2018, the Board issued a £50m fixed rate bond, of which £30m was drawn down immediately and was predominantly used to repay existing borrowings.

In 2019, the Board agreed a variation to its £50m Revolving Credit Facility, extending this arrangement to 2025.

The Board’s borrowing as at the end of the year is summarised in the following table

	Size of facility	Amount drawn as at 31.12.23	Applicable interest rate as at 31.12.23
Loans from the Church Commissioners	N/A	£44.6m	8.1%
Revolving Credit Facility	£50m	£26.3m	SONIA + 1.8% & £4m cumulative RPI swap
2015 Bond	£100m (£30m retained)	£70m	3.126% indexed by CPI (0% floor, 4% cap)
2018 Bond	£50m (£20m retained)	£30m	3.509% fixed interest

The Board retains a corporate finance adviser to support its external financing activities. Following a competitive tender exercise at the end of 2023, the Board appointed Newbridge Associates as its new corporate finance adviser from 2024 in succession to TradeRisks (part of the Gresham House group). The Board records its thanks to TradeRisks for its support over more than a decade.

Charity Investments

The charity holds investments of £40.8m (2022: £41.7m), which generated income of £1.8m in the year (2022: £1.6m).

During 2023 the majority of investments were held with Brewin Dolphin, the Charities Property Fund (CPF, managed by Savills) and the Property Income Trust for Charities (PITCH, managed by Swiss Life Asset Managers). The CPF and PITCH funds invest wholly in UK property, principally industrial, office and retail property. They are structured as charity common investment funds, which allow investing charities to benefit from their statutory exemption from stamp duty on UK investments. The charity also holds £0.8m (2022: £0.8m) in investment properties, covering a portfolio of 6 (2022: 6) properties.

The amounts invested at the end of 2023 by the Board across the three funds are shown in the table below, along with the return generated by each investment for the Board over the year. At times, the Board's returns may differ from the funds' own returns, because of investment or disinvestment during the year, which will affect its returns.

The Board's Investment Committee monitors the performance of the charitable investments and will continue to review the strategy for these investments in 2024 in the light of changing economic conditions and business needs.

	Value at end 2023 £m	Allocation %	2023 Return for the Board %
Savills Charities Property Fund	19.1	47	0.1
Brewin Dolphin	13.5	33	9.6
Swiss Life Property Income Trust for Charities	7.4	18	-0.6
Investment Properties	0.8	2	1.5
Total	40.8	100	3.1

The charity also holds £0.9m (2022: £0.8m) in short-term cash deposits with the CBF Deposit Fund (CBDFD, managed by CCLA Management Ltd.)

Further information about the two charity property funds in which the Board is invested is provided below.

	Fund returns net of fees			Yield	Net fund size
	2023	2020-2023	2018-2023	End 2023	End 2023
	%	% pa	% pa	%	£m
Savills Charities Property Fund	0.1	3.2	2.6	5.0	1,060
Swiss Life Property Income Trust for Charities	-0.6	2.0	1.4	6.2	521

Risk Management

The Church of England Pensions Board’s risk management process supports management by facilitating the identification and assessment of significant risks to the achievement of objectives. There is a clearly defined Risk Management Policy which outlines the roles and responsibilities of Trustees, management, and staff.

The Trustee Board reviews the strategic risk register and risk management arrangements frequently and at least annually. In 2023, in addition to the regular review of the strategic risks, and consideration of risk as part of the business planning cycle, the trustees participated in a risk management workshop to explore strategic risks in greater detail. The Board is supported by the Audit and Risk Committee, which regularly reviews the risk registers and the adequacy of arrangements in place to manage the risks.

The Board has considered its appetite for different types of risk and seeks assurance that additional actions are planned where residual risk is assessed to exceed the stated appetite. The Board recognises that fulfilment of certain Pension Trustee and charitable duties requires a measure of risk taking – for example to deliver investment returns for members – and seeks to ensure that such activities are undertaken within an appropriate control environment. The Board recognises that risks rarely materialise in isolation and is alert to the potential for multiple risks to materialise at the same time. It further recognises that horizon-scanning – however good – will never be perfect. It considers that the best mitigation is to have in place strong governance, a high quality executive management team and a culture in which risk is regularly discussed in an open and forward-looking way, supported by independent input and assurance activity.

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

Principal Risks

During 2023, the Trustees and Executive undertook a full review and refresh of the strategic risk register.

The principal risks, which Trustees consider most significant, are shown in the following table together with a summary (not exhaustive) of key management actions.

Risk	Key Management Actions include
Failure or under-performance of a critical supplier	<ul style="list-style-type: none"> • Contract management and monitoring • Cyclical supplier reviews • Appropriate Investment Management Agreements • Input into ChECS (shared services) business planning • CofE finance transformation programme
Failure to manage change well: high profile issue arising from a Board decision, action or inaction	<ul style="list-style-type: none"> • Good planning, governance and communication processes • Trustee training • Consultative approaches • Complaints handling processes
Data loss, systems failure, cyber incident or fraud.	<ul style="list-style-type: none"> • NCI's Cyber resilience and Technology strategy, including Cyber Essentials Plus certification • NCI's processes and programmes relating to counter-fraud, data security and GDPR, financial controls, etc.
Insufficient capacity to manage multiple simultaneous risks or external events	<ul style="list-style-type: none"> • Business planning and risk management processes • Management oversight • Business continuity plans
The Board's housing offer becomes unsustainable for financial or regulatory reasons	<ul style="list-style-type: none"> • Budgeting, forecasting, financial modelling, covenant monitoring, horizon scanning, and engagement with key church stakeholders • Diversified delivery strategy • Demand monitoring and surveying • Net Zero feasibility programme
Risk relating to responsible investment activity or inactivity	<ul style="list-style-type: none"> • Annual stewardship report accounting for work done and commitments • TCFD reporting and Stewardship Code submissions
Key person risk (trustees and staff)	<ul style="list-style-type: none"> • Board diversity and skills monitoring • NCI people programme
Investments and scheme funding	<ul style="list-style-type: none"> • Retained professional advice • Reviews of investment strategies and risks for each scheme, including hedging strategies • Valuations processes and annual actuarial reviews and updates • Monitoring processes
Strategic plans do not deliver	<ul style="list-style-type: none"> • Rhythm of strategic and business planning and review supported by professional advisers • Engagement with key stakeholders
Failure to understand and respond to the paradigm shifts caused by climate change	<ul style="list-style-type: none"> • Climate change integrated into investment decision making, with independent climate scenario analysis • Climate action plan and resulting actions • Consideration of physical risks and net zero in asset planning decisions
Regulatory change	<ul style="list-style-type: none"> • Horizon scanning, professional advice, and stakeholder engagement • Responsible investment programme
Pensions scheme covenant(s) materially weakened leading to	<ul style="list-style-type: none"> • Covenant monitoring and integrated risk management and liaison with employers

Risk	Key Management Actions include
funding strain	<ul style="list-style-type: none"> • Close liaison with Archbishops' Council on wider church financial issues • Horizon scanning and ad-hoc simulation or scenario planning
Failure to comply with Landlord regulatory responsibilities	<ul style="list-style-type: none"> • Landlord responsibilities identified and compliance monitoring to the Housing Committee • Retained third party support for community living • Dedicated compliance management roles • Regular review meetings with key contractors • Safeguarding training programme • Whistleblowing policy and training

In addition, the Church of England Shared Services (ChECS) charity, which provides various shared services to the National Church Institutions including the Pensions Board, maintains its own strategic risk register. The Board receives information on this and is able to input to the consideration of ChECS risks via its nominees to the ChECS Board. The principal risks identified by ChECS with relevance for the Pensions Board include:

- Operational resilience and performance
- Cyber and business continuity
- People and key person risk
- The pan-NCI finance transformation programme

In assessing the strategic risks in 2023, the Board considered wider environmental factors, including, but not limited to:

- The on-going implications of the global Covid-19 pandemic, noting that while the immediate health risk had reduced significantly, there were on-going effects of the pandemic including for example the need to catch up on non-urgent property surveys and works deferred for infection control reasons.
- The changing macro-economic landscape, noting outlook for interest rates over the next decade is likely to be different to the previous decade.
- The implications of a period of high inflation on members and beneficiaries as well as the Board's own operations and the covenants of sponsoring employers.
- Mounting evidence that the implications of a changing climate are real and immediate.

The Board considers all of these factors and others as part of its integrated risk management for pension schemes and in its charitable activities.

Going Concern

The Board meets the cost of property purchases, fit outs and other working capital requirements through its external borrowing, comprising a bank facility and two listed bond issues. The Board prepares annual budgets and regular re-forecasts, along with a three-year financial plan to ensure that it can meet its spending commitments as they fall due, and fulfil the terms and conditions associated with external borrowing. In addition, the Board has also prepared a long-term financial model to assist in considering financial viability over a longer period than that for which formal budgets and forecasts are prepared.

The Board has considered the key risks and uncertainties which impact upon immediate liquidity and longer-term solvency. These include the level of anticipated demand for its services, the resilience of voluntary income streams and changes in economic conditions. It has modelled the impact of changes in these factors over time and has considered whether it has adequate reserves and appropriate contingency plans to deal with a range of potential adverse scenarios.

The Board has considered the on-going legacy of the COVID-19 pandemic on its operations, including the impact of delayed activity on its future obligations and commitments. These include but are not limited to rescheduling of property works that were not appropriate to undertake during the height of the pandemic and the wider consequences on pension scheme covenants.

The macroeconomic environment changed significantly from late 2022 with higher interest rates and a period of high inflation extending through 2023. The Board considered the implications carefully in the context of its financial covenants and the steps it could or may need to take. These issues were discussed with the Archbishops' Council, which resulted in additional funds being made available to the Board in 2023 to support meeting elevated demand for retirement housing in the light of the changing economic environment. A further grant was agreed with the Council and Church Commissioners in early 2024, to be paid out in 2024 and 2025. As part of these discussions the Board highlighted that there is likely to be a need for further support in the 2026-28 triennium, beyond the standard Vote 5 grant.

Having due regard to the above, the trustees have reasonable expectation that the Board has adequate resources to meet its spending commitments as they fall due, including the servicing and repayment of debt and compliance with loan covenants for the foreseeable future. Accordingly, the going concern basis of accounting in preparing the annual report and accounts continues to be adopted.

Approach to Taxation

In conducting its tax affairs, the Board will:

- ensure that it conducts them not only in accordance with the letter but also the spirit of the law;
- not behave in a manner that could be considered aggressive or abusive;
- endeavour to obtain all reliefs available to it as a charity;

- ensure that all tax filings are compliant with the law and that tax payments are made in a timely manner;
- engage in dialogue with His Majesty’s Revenue & Customs (“HMRC”) on a regular basis to ensure that any matters where the tax treatment is uncertain or difficult are raised and discussed at an early opportunity;
- maintain suitable processes and controls to ensure that the risk of non-compliance with filing and disclosure requirements is minimised; and
- ensure appropriate compliance with any non-UK tax regimes in relation to filing and payment obligations by paying the right amount of tax in the right place at the right time and disclosing all relevant facts and circumstances to the tax authorities and claiming reliefs and incentives where available.

Reserves

Unrestricted funds

The unrestricted funds represent expenditure incurred by the Board on salaries and working expenses subsequently recovered from the pension funds administered by the Board. The Board has no net assets in its own right as a body corporate and, consequently, no unrestricted reserves are retained.

Restricted funds

Restricted income funds are to be spent or applied within a reasonable period from their receipt to further one or more, but not all of the charity’s charitable purposes.

The largest restricted fund administered by the Board is the General Purposes Fund (“GPF”) at £114.5m (2022: £110.2m), which exists to provide for the relief of poverty among, and housing for retired clergy and church workers and their spouses/former spouses/dependants etc. This fund is considered to be restricted since the provisions for use of its resources are narrower than the statutory objects of the Board, which include the administration of pensions.

Within the GPF, the Board has earmarked funds of £5.7m (2022: £1.2m) for the provision of future property maintenance costs. The designation of this fund merely expresses the current intentions of the Trustees and has no legal effect. Legally, the funds are available for spending on any of the objects of the GPF.

The Clergy Retirement Housing Trust (“CRHT”) is a registered charity and is a linked charity of the Board (Charity No. 236627-2). The CRHT may use its property as residences for qualified persons under the provisions of the Clergy Pensions Measure 1961 or any succeeding legislation. As a linked charity, it is accounted for as a separate restricted fund, which together with some smaller trusts is valued at £13.6m (2022: £13.4m).

Reserves policy

Reserves are held to ensure that the Board can continue to deliver services to its beneficiaries and to meet its obligations and covenants in respect of debt financing in the event of a sustained

reduction in voluntary income or other adverse scenario. The Board considers annually the level of reserves that should be maintained and takes account of the requirements of the Charities SORP and the guidance issued by the Charity Commission (Charities and reserves CC19).

Whilst it is unusual for a charity to hold reserves entirely within restricted funds, in practice the breadth of the restriction placed on the General Purposes Fund means that the trustees have a reasonable expectation that they could meet all necessary charitable expenditure of the Board from this fund, excluding the administration of pensions, the cost of which is fully recoverable from the Schemes.

For the purposes of defining an appropriate reserves policy, the Board therefore considers 'free reserves' to be the net assets of the General Purposes Fund after excluding:

- the value of programme related assets net of secured borrowings, i.e. CHARM properties (most of which are debt financed);
- other fixed assets held for charitable purposes, which cannot be quickly realised;
- the amount earmarked for property maintenance;
- and after making provision for the pension liability.

The Board holds free reserves in the region of £30m - £35m, allowing it to generate annual investment income of around £1.5m whilst taking an investment approach which aims to preserve capital value. This level of reserve is regarded appropriate to and give considerable cover in the case of a one-off significant financial stress event.

Plans for the future

The Pensions Board has been providing retirement services to the Church of England for almost a century. These services have changed markedly over the years and will continue to develop as customer and stakeholder needs evolve.

Our core work will continue to be serving a growing population of 43,000 pension scheme members and beneficiaries and 2,500 housing residents, plus working with partner employers and responsible bodies across the Church of England. This includes managing health and safety, regulatory compliance and performance monitoring.

The strategic priorities adopted by the Board in December 2019 continue to guide our strategic agenda. These priorities – simplification, engaging in great conversations, and seeking to become more self-sufficient over the long term – resonate strongly with the emerging vision for the Church of England and are manifest in various parts of our plan.

At the end of 2023, the Board commenced a conversation with the wider Church about how the Church might best assist future cohorts of retiring clergy with their housing needs. The Board set out a series of ideas about ways in which the Church could assist its clergy with better and earlier retirement planning; assisting with the challenges inherent for those in tied-accommodation seeking to access the property market for those who might wish to do so in ministry; promoting a wider range of choices and options at retirement including other housing providers and later-life home ownership opportunities; and maintaining an estate of quality

church retirement homes. The core concept sitting behind these ideas is that of enabling greater choice for clergy. The initial conversation period ran from mid-November 2023 through to the end of January 2024. The feedback from this exercise will be reviewed and the ideas further developed through 2024, working with the Archbishops' Council and other stakeholders.

The Board also continues to monitor developments in pensions legislation and regulation. The Board is particularly interested in the possibilities that may be offered by proposed regulations to permit multi-employer Collective Defined Contribution schemes, which potentially offer better alternatives to those in traditional DC arrangements.

In addition to these strategic themes and core service delivery, other specific activities in our Delivery Plan for 2024 include the following:

1. Complete the statutory valuation of the CWPF, and explore the potential for a further insurance of liabilities in the Defined Benefit Section if conditions are favourable.
2. Implement a further reduction in the contribution rate for the CEFPS from 1 April 2024.
3. Commence the rollout of an employer pensions portal to simplify updating of information and collection contribution.
4. Commence stock condition surveys of the rental portfolio, on the back of the surveys completed for community living in 2023, to inform asset management planning.
5. Work with the Board's new corporate finance adviser to update the long term financial model and prepare for refinancing the revolving credit facility.
6. Review the Board's emerging market allocations and explore ways in which emerging market investments contribute to climate transition.
7. Begin to implement the Board's new climate action plan, launched late 2023.
8. Pilot a customer sentiment survey in housing as part of continued work to listen to customers.
9. Undertake the member-nominated trustee elections for the clergy schemes using electronic voting for the first time.
10. Continue staff training and development, including completing a safeguarding training refresher programme for staff and trustees, and support the pan-NCI belonging and inclusion programme.

Structure, governance and management

Governance

The twelve trustees/members of the Board represent a balance of skills and expertise and are drawn from a wide range of constituencies.

The Chair is an appointment of the Archbishops with the approval of Synod. There are four member nominated trustees, two drawn from the clergy schemes and one each from the CWPF and CAPF. One trustee is elected by the CAPF and/or CWPF employers and one appointed by

the Archbishops following consultation with the Commissioners and dioceses, as a proxy for the clergy 'employers'. The remaining trustees are formally appointees of the Archbishops for their skills and expertise following an open process and appropriate consultations.

The Board decides on the frequency of its meetings, which is typically five a year. For Board meetings a quorum is present when four trustees are in attendance, including at least one person elected by the members of the pension schemes administered by the Board.

New trustees receive an induction into the work and practices of the organisation. All have access to an online database which includes outlines of their responsibilities, copies of the Rules and other documentation for each pension scheme, policies relating to the provision and operation of retirement housing assistance, and a library of past Board and committee papers.

Trustees have completed either fully or partially the Pensions Regulator's Trustee Toolkit, or an equivalent qualification, and regular training sessions are provided at Board meetings on a range of subject areas. In 2023 trustee training topics included updates on legal and regulatory developments; and a risk workshop was held where trustees considered situations of multiple risks occurring at the same time. Additionally, the Housing Committee had a training session on legal and regulatory developments in housing, and recent ombudsman cases.

The Board has committees to oversee the following areas: Audit and Risk, Housing, Investment, and Pensions. The Board has delegated authority to make decisions concerning these areas within its terms of reference and to make recommendations to the full Pension Board on other matters.

The Board has also delegated some of the day-to-day management and operation of the schemes' affairs to professional organisations as set out on page 32.

The Board completed an externally facilitated Board Effectiveness Review in 2022. This was a thoroughly positive report, identifying numerous examples of best practice. Various recommendations for further improvements were taken forward in 2023, most notably, the introduction of a new board portal to provide trustees with secure access to papers and other documentation relevant to their roles.

The Board was saddened to learn of the death of Bishop Alan Wilson in February 2024. Bishop Alan had been a member of the Board for several years up to 2021, and remained on our Housing Committee until his death. He was a much a much valued member and brought great insight into the Board's work.

Independent Auditors

During the year, there have not been any non-audit services performed by the external auditors Crowe U.K. LLP

Ethical Investment Advice

The Board manages the Secretariat to the Ethical Investment Advisory Group (“EIAG”) on behalf of the Church of England’s national investing bodies – the Church Commissioners, the Church of England Pensions Board and the CBF Church of England funds managed by CCLA Investment Management Ltd. The work of the EIAG informs the Board’s investment activities and policies.

The Charity Code of Governance

The Church of England Pensions Board takes its governance responsibilities seriously and, as a large charity, aims to have a governance framework that is fit for purpose, compliant and efficient. When launched in 2017, the Charity Code of Governance was accompanied with a recommendation that charities review their level of application and to explain any aspects of the code they were not applying. In its review the Board carried out a detailed examination of each element of the code:

- Organisational purpose
- Leadership
- Integrity
- Decision making, risk and control
- Board effectiveness
- Equality, diversity and inclusion
- Openness and accountability

The Board’s review found it applies the code with a few exceptions, mainly arising from the Governing documentation, which as a statutory corporation, is itself primary legislation. The main area of difference was related to the limitation of trustee terms. On 1 July 2021, a Legislative Reform Order came into effect amending the Pensions Measure 2018. This included reducing trustees’ terms from six years to five and provides that no trustee may serve more than ten years. This provision differs slightly from the recommendation in the Code of nine years because of the overriding need to provide a measure of continuity through triennial pension scheme valuation cycles.

The externally facilitated Board Effectiveness Review in 2022 validated the Board’s self-assessment against the Charity Governance Code.

In recent years, the Board has also enhanced its compliance with the Code. These have included extending the gathering of feedback from customers, consideration of extending the aspects of diversity we monitor, and through a thorough review of our charitable services.

Trustee Diversity

The Board monitors its diversity profile annually and considers what action, where necessary, should be taken to address imbalances. As at 31 December 2023:

- 42% of trustees identified as women
- 67% of trustees identified as being members of the Church of England

The figures for ethnicity, disability and LGBT+ have not been set out as they are small in the context of a small board, and their disclosure may identify individual trustees.

The average age of the trustees fell in the bracket 55-64 years old.

Trustees

The Board has members elected and appointed by various means, which are described below. It delegates some of its business and decision making to sub-committees.

Board members (1 January 2023 to 11 July 2024)

<p>Appointed with the approval of the General Synod, by the Archbishops of Canterbury and York Clive Mather (Chair)</p>	
<p>Appointed by the Archbishops of Canterbury and York Roger Boulton Emma Osborne Ian Wilson</p>	<p>Appointed by the Archbishops of Canterbury and York after consultation with the Chairs of the Church of England Appointments Committee and the General Synod’s House of Laity Tony King</p>
<p>Appointed by the Archbishops of Canterbury and York after consultation with the Chair of the Church of England Appointments Committee and the Prolocutors of the Convocations of Canterbury and York The Revd Caroline Titley</p>	<p>Appointed by the Archbishops of Canterbury and York after consultation with the Church Commissioners and the representatives of the dioceses Nikesh Patel</p>
<p>Elected by the members of the Church Workers Pensions Fund Canon Michaela Southworth</p>	<p>Elected by the members of the Church Administrators Pensions Fund Maggie Rodger</p>
<p>Elected by the members of the clergy pension schemes The Revd Hugh Lee The Revd Canon Eleanor Robertshaw</p>	<p>Elected by the Employers in the Church Workers Pensions Fund and the Church Administrators Pensions Fund Richard Hubbard</p>

Committee Members (1 January 2023 – 11 July 2024)

<p>Audit and Risk Committee</p> <p>Maggie Rodger (Chair) Tony King Ian Wilson Helen Ashley Taylor* Canon Susan Pope* Caron Bradshaw OBE*</p>	<p>Pensions Committee</p> <p>Richard Hubbard (Chair) The Revd Hugh Lee Maggie Rodger Canon Michaela Southworth Ian Wilson</p>
<p>Housing Committee</p> <p>The Revd Caroline Titley (Chair) Tony King The Revd Canon Eleanor Robertshaw Jonathan Gregory* Tom Paul* Lawrence Santcross (to December 2023)* The Rt Revd Alan Wilson (to February 2024)*</p>	<p>Investment Committee</p> <p>Roger Boulton (Chair) Emma Osborne Nikesh Patel Matthew Beesley* (to June 2023) Jonathan Rodgers* (to May 2023) Chris Rule* (from March 2023) Hannah Gore-Randall* (from March 2023) Padmesh Shukla* (from March 2023)</p>

*Indicates members of committee who kindly give of their time and experience to the committee but are not trustees of the Pensions Board.

Attendance by Trustees at meeting of the Board and its Committee

The table below sets out the attendance of trustees at meetings of the Board and its Committee during 2023. Where a member served for part of the year, the number of meetings that they could have attended is shown in brackets.

Trustee	Board (6)	Audit & Risk (3)	Housing (5)	Investment (4)	Pensions (4)
Clive Mather	6		5	4	4
Roger Boulton	6			4	
Richard Hubbard	5				4
Tony King	6	3	5		
The Revd Hugh Lee	4				3
Emma Osborne	4			4	
Nikesh Patel	4			3	
Canon Eleanor Robertshaw	4		4		
Maggie Rodger	6	3			4
Canon Michaela Southworth	5				4
The Revd Caroline Titley	6		5		
Ian Wilson	5	3			3

Reference and administrative information

Charity Number	236627
Principal office	Church House 29 Great Smith Street London SW1P 3PS
Chief Executive	John Ball MA(Oxon), MSc
Actuary	Aaron Punwani, Lane Clark and Peacock LLP
Independent Auditor	Crowe UK LLP
Bankers	Lloyds Bank
Corporate financial advisor	Traderisks Ltd (to December 2023) Newbridge Associates (from January 2024)
Investment Advisers	Mercer Ltd
Charity Investment Managers	Brewin Dolphin Savills Investment Management Ltd Swiss Life Asset Managers UK Limited CCLA Investment Management Ltd

Enquiries should be addressed to

Post Church of England Pensions Board, PO Box 2026, Pershore, WR10 9BW

Email cepbfeedback@churchofengland.org

Phone 020 7898 1890

Management

The day-to-day management of the Board's activities is delegated to the Executive Team, which is led by the Chief Executive.

Staff Remuneration and Executive Pay

Other than staff employed to work in the community living schemes, all staff in the Pensions Board, and those working for Church of England Central Services who provide support functions to the Board, are covered by a unified pay policy that operates across all the National Church Institutions. This includes those staff who have a contract of employment with the Pensions Board. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value which is based on a comprehensive job evaluation scheme, with staff being placed in one of eight 'bands'. For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market related salaries and is subject to annual review. The NCIs use a range of appropriate external data tools and internal dedicated resource to advise on market rates.

Staff pay is reviewed annually and any increases as a result of the annual pay negotiations are awarded with effect from 1 January each year.

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

The annual salary for the highest paid member of staff was £226,000 (2022: £193,000), 9 (2022: 11.5) times the salary earned by the lowest paid member of staff and 3.9 (2022: 5.1) times the median salary. The highest paid member of staff was in the investment team.

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

Staff employed by the Board directly, mainly in the community living settings and the Board's investment team, are eligible to join the Church Workers Pension Fund.

In common with the other National Church Institutions, the Pensions Board continues to be accredited with the Living Wage Foundation.

Approval

The Trustees Report was approved by the Trustees on 11 July 2024 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Clive Mather', with a horizontal line underneath.

Clive Mather
Chair

Statement of Trustees' responsibilities in relation to the financial statements

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the Church of England Pensions Board

Opinion

We have audited the financial statements of The Church of England Pensions Board (the "Parent Charity") and its subsidiaries (the "Group") for the year ended 31 December 2023, which comprise:

- the consolidated Statement of Financial Activities for the year ended 31 December 2023;
- the consolidated and Parent Charity only Balance Sheets at 31 December 2023;
- the consolidated Cash Flow Statement for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Charity's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group and Parent Charity financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards); and
- the financial statements have been prepared in accordance with the Charities Act 2011.

Basis for opinion

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

Conclusions relating to going concern

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. Our evaluation of the Trustees' assessment of the entity's ability to continue to adopt the going

concern basis of accounting included reviewing the detailed paper prepared by management setting out their assessment of the Group and Parent Charity's ability to continue as a going concern. The assessment covers the period to 31 December 2025.

We have discussed this with the Board's management in order to fully understand their assessment including the associated systems and controls and the underlying assumptions applied.

In addition to this we have:

- Reviewed the period used by Trustees to assess the ability of the Group and Parent Charity to continue as a going concern;
- Examined budgets and forecasts prepared by management covering the period of the going concern assessment including checking mathematical accuracy;
- Reviewed the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year; and
- Reviewed and assessed the forecast compliance with debt covenants which the directors have used in their going concern assessment.

We have no further observations arising from that evaluation.

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 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 Trustees with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £3.07m, based on 1% of the Group's total assets due to it being an asset driven entity.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Our performance materiality was set at 70% of the financial statement's materiality, amounting to £2.1m.

Where considered appropriate, performance materiality may be reduced to a lower level, such as for related party transactions.

We agreed with the Audit and Risk Committee to report to it all identified errors in excess of £153.7k. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including the Group’s system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of controls, including assessing whether there was evidence of bias by the Trustees that may have represented a risk of material misstatement.

We identified three significant components, being the Parent Charity and its principal subsidiaries CEPB Mortgages Limited and CHARM Finance plc. Our group audit strategy focused on these, and all significant components were subject to a full scope audit.

The main Group and its principal subsidiaries are accounted for from one central location, the Group’s registered office. The audits of the Parent Charity and subsidiaries were performed by the Group audit team in the UK. The consolidation was also subject to a full scope audit performed by the Group audit team in the UK.

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 which 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>How the scope of our audit addressed the key audit matter</i>
<p><i>Going concern</i></p> <p>We considered the risk that the long-term going concern assessment was not appropriate.</p> <p>Refer to Note 1 (d)</p>	<p>Our observations on going concern are included in the “Conclusions related to going concern” section of this report.</p>
<p><i>Fixed asset impairment assessment</i></p> <p>The Group holds significant levels of property assets with a total of £236.5m held at 31 December 2023.</p>	<p>We reviewed management’s overall impairment assessment, including assessing the associated systems and controls, and performed our own audit work on the process, agreeing items to supporting evidence where possible including verification of the house price indices used within the impairment model to third party documentation.</p>

These properties are classed as programme related investments since they generate income in furtherance of the Group's charitable objectives. As such, these properties are not revalued and are rather held at cost with an annual review for potential impairment.

Each year-end, management perform a full impairment review which considers whether any properties within the portfolio should be impaired. This review utilises a range of valuation sources and applies a significant element of management judgment.

We considered the risk that the impairment review was inappropriate and the financial statements materially misstated.

Refer to Note 11

In addition to this, for a sample of individual properties we compared the property's carrying value to the sale value of any similar properties in the same area.

Following this work, we have determined that it is appropriate that no impairment charge is recognised in relation to the Board's properties held at 31 December 2023.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

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

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

We have nothing to report in this regard.

Trustees' Report

Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Trustees' Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

Matters on which we are required to report by exception

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

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept by the parent charity; or
- the 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 the trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 35, 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 group's and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the 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.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the trustees made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and component level to respond to the risks, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the group and charity financial statements. Our tests included, but were not limited to, the review of financial statement disclosures, enquiries of management and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the trustees that represented a risk of material misstatement due to fraud.

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

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

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. 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 the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Cuswe U.K. LLP

Crowe U.K. LLP
Statutory Auditor
London

Date: 17th July 2024

Financial Statements

Consolidated statement of financial activities of the Church of England Pensions Board for the year ended 31 December 2023

	Note	2023			2022		
		Unrestricted funds	Restricted funds	Total	Unrestricted funds	Restricted funds	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Income from:							
Grants, donations and legacies	2	-	15,100	15,100	-	6,396	6,396
Investment income	3	-	1,814	1,814	-	1,609	1,609
Charitable activities	4	10,170	14,888	25,058	8,519	13,618	22,137
Other income: gain on sale of fixed assets		-	1,634	1,634	-	1,522	1,522
Total income		10,170	33,436	43,606	8,519	23,145	31,664
Expenditure on:							
Charitable activities	4	(10,170)	(28,218)	(38,388)	(8,519)	(26,259)	(34,778)
Raising funds	5	-	(79)	(79)	-	(81)	(81)
Total expenditure		(10,170)	(28,297)	(38,467)	(8,519)	(26,340)	(34,859)
Total income less expenditure before gain on investments		-	5,139	5,139	-	(3,195)	(3,195)
Net (loss) / gain on investments	9	-	(755)	(755)	-	(5,118)	(5,118)
Net (expenditure) / income		-	4,384	4,384	-	(8,313)	(8,313)
Other recognised gains and (losses)							
Other gain : adjustment to pension provision	8	-	161	161	-	18	18
Total other gains		-	161	161	-	18	18
Net movement in funds		-	4,545	4,545	-	(8,295)	(8,295)
RECONCILIATION OF FUNDS							
Total funds brought forward at 1 January		-	123,563	123,563	-	131,858	131,858
Net movement in funds in year		-	4,545	4,545	-	(8,295)	(8,295)
Total funds carried forward at 31 December	15	-	128,108	128,108	-	123,563	123,563

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

The notes on pages 46 to 63 form part of these financial statements.

Note – all figures within the consolidated statement of financial activities are the same as for the charity-only statement of financial activities.

Consolidated balance sheet of the Church of England Pensions Board as at 31 December 2023

	Note	2023			2022		
		£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total	£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total
FIXED ASSETS							
Investment assets	9	-	40,864	40,864	-	41,679	41,679
Tangible assets - supported housing and IT	10	-	23,315	23,315	-	24,158	24,158
Tangible assets - CHARM	11	44,587	191,896	236,483	48,638	185,867	234,505
Total fixed assets		44,587	256,075	300,662	48,638	251,704	300,342
CURRENT ASSETS							
Debtors	12	-	4,934	4,934	-	2,337	2,337
Short term deposits		-	851	851	-	838	838
Cash at bank and in hand		-	871	871	-	2,090	2,090
Total current assets		-	6,656	6,656	-	5,265	5,265
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	13	-	(8,312)	(8,312)	-	(6,126)	(6,126)
Loans repayable on sale of fixed assets	13	(44,587)	(665)	(45,252)	(48,638)	(675)	(49,313)
Total current liabilities		(44,587)	(8,977)	(53,564)	(48,638)	(6,801)	(55,439)
Net current (liabilities)/assets		(44,587)	(2,321)	(46,908)	(48,638)	(1,536)	(50,174)
Total assets less current liabilities		-	253,754	253,754	-	250,168	250,168
NON-CURRENT LIABILITIES							
Net assets excluding pension provision	13	-	(125,646)	(125,646)	-	(126,285)	(126,285)
Pension deficit provision	8	-	-	-	-	(320)	(320)
NET ASSETS		-	128,108	128,108	-	123,563	123,563
FUNDS OF THE CHARITY							
Total unrestricted funds	15	-	-	-	-	-	-
Restricted funds (excl. pension reserve)	15	-	128,108	128,108	-	123,883	123,883
Pension reserve	15	-	-	-	-	(320)	(320)
Total restricted funds	15	-	128,108	128,108	-	123,563	123,563
TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER		-	128,108	128,108	-	123,563	123,563

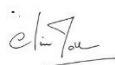
*Funded by the Church Commissioners

**Funded by the Church of England Pensions Board

(See Note [11](#) for more details)

The notes on pages 46 to 63 form part of these financial statements.

These financial statements were approved by the trustees on 11th July 2024 and signed on their behalf by:



Clive Mather
Chair

Charity only balance sheet of the Church of England Pensions Board as at 31 December 2023

	Note	2023			2022		
		£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total	£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total
FIXED ASSETS							
Investment assets	9	-	40,877	40,877	-	41,692	41,692
Tangible assets - supported housing and IT	10	-	23,315	23,315	-	24,158	24,158
Tangible assets - CHARM	11	39,906	191,491	231,397	43,655	185,461	229,116
Total fixed assets		39,906	255,683	295,589	43,655	251,311	294,966
CURRENT ASSETS							
Debtors	12	4,681	4,252	8,933	4,983	3,142	8,125
Short term deposits		-	851	851	-	838	838
Cash at bank and in hand		-	807	807	-	1,529	1,529
Total current assets		4,681	5,910	10,591	4,983	5,509	10,492
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	13	-	(7,174)	(7,174)	-	(5,977)	(5,977)
Loans repayable on sale of fixed assets	13	(44,587)	(665)	(45,252)	(48,638)	(675)	(49,313)
Total current liabilities		(44,587)	(7,839)	(52,426)	(48,638)	(6,652)	(55,290)
Net current (liabilities)/assets		(39,906)	(1,929)	(41,835)	(43,655)	(1,143)	(44,798)
Total assets less current liabilities		-	253,754	253,754	-	250,168	250,168
NON-CURRENT LIABILITIES							
Net assets excluding pension provision	13	-	(125,646)	(125,646)	-	(126,285)	(126,285)
Net assets excluding pension provision		-	128,108	128,108	-	123,883	123,883
Pension deficit provision	8	-	-	-	-	(320)	(320)
NET ASSETS		-	128,108	128,108	-	123,563	123,563
FUNDS OF THE CHARITY							
Total unrestricted funds	15	-	-	-	-	-	-
Restricted funds (excl. pension reserve)	15	-	128,108	128,108	-	123,883	123,883
Pension reserve	15	-	-	-	-	(320)	(320)
Total restricted funds	15	-	128,108	128,108	-	123,563	123,563
TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER		-	128,108	128,108	-	123,563	123,563

*Funded by the Church Commissioners

**Funded by the Church of England Pensions Board

The notes on pages 46 to 63 form part of these financial statements.

Consolidated cash flow statement of the Church of England Pensions Board for the year ended 31 December 2023

		2023	2022
		£'000	£'000
Cash flow from operating activities:			
	Note		
Net movement in funds (as per the statement of financial activities)		4,545	(8,295)
Adjustments for:			
Depreciation and impairment – supported housing and IT systems	10	1,113	1,108
Amortisation – Santander arrangement fee	13	38	33
Amortisation – CHARM Finance PLC bond set-up costs	13	27	29
Losses / (gains) on investments	9	755	5,118
Investment – arrangement fees	9	60	61
Dividends, interest and rents from investments	3	(1,750)	(1,597)
Gains on disposal of tangible assets – CHARM		(1,634)	(1,522)
Movement in pension liability	8	(320)	(145)
Movement in debtors	12	(2,597)	(938)
Movement in creditors: amounts due within less than one year	13	2,186	221
Net cash (used in) / generated by operating activities		2,423	(5,927)
Cash flow from investing activities:			
Cash flows from investing activities:			
Dividends, interest and rents from investments	3	1,750	1,597
Proceeds from the sale of tangible assets – CHARM properties	11	8,443	6,878
Purchase of tangible assets – CHARM properties	11	(8,792)	(5,686)
Purchase of tangible assets – supported housing and IT systems	10	(270)	(269)
Net cash generated from / (used in) investing activities		1,131	2,520
Cash flows from financing activities:			
Repayment of loans from Church Commissioners	13	(4,051)	(3,513)
Repayment of dioceses' share of rental properties	13	(10)	(25)
Additional funding from Santander	13	(700)	5,500
Net cash generated by / (used in) financing activities		(4,761)	1,962
Change in cash and cash equivalents in the year		(1,207)	(1,445)
Cash and cash equivalents at the beginning of the year		2,929	4,374
Cash and cash equivalents at the end of the year		1,722	2,929
Cash and cash equivalents and net debt comprise the following balances:			
	At 1 January	Cash Flows	At 31 December
	£'000	£'000	£'000
Cash at bank and in hand	2,091	(1,220)	871
Short term deposits	838	13	851
Total cash and cash equivalents	2,929	(1,207)	1,722
Bond financing	(100,000)	-	(100,000)
Loan from Santander	(27,000)	700	(26,300)
Total net debt	(124,071)	(507)	(124,578)

The notes on pages 46 to 63 form part of these financial statements.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2023

1. Accounting policies

a) Legal Status

The Church of England Pensions Board ("the Board") is a body corporate established in 1926 but now governed by the Church of England Pensions Measure 2018. It is a registered charity in England and Wales (Charity No. 236627) and is regulated by the Charity Commission.

The Charity's address is: 29 Great Smith Street, London, SW1P 3PS.

b) Basis of preparation

The consolidated and charity-only financial statements have 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 financial statements 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 financial statements have been prepared to give a true and fair view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a true and fair view. This departure has involved following Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

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

The financial statements have been prepared on the historical cost basis (except for the revaluation of investments and where cost is deemed to be the revaluation amount at date of transition) and on the accruals basis.

The financial statements contain the financial information for the Church of England Pensions Board which is structured as follows:

- Unrestricted Funds - representing expenditure incurred by the Board on salaries and working expenses subsequently recovered in full from the pension funds administered by the Board.
- Restricted Funds - these funds have narrower purposes than that of the Board.

A summary of the accounting policies, which have been applied consistently across the Group, is set out below.

c) Basis of consolidation

The consolidated statement of financial activities ("SOFA") and the balance sheet include the financial information of the Board and its subsidiary undertakings (CEPB Developments Ltd, CEPB Mortgages and CHARM Finance plc). The subsidiaries have been consolidated on a line by line basis. Intra-group balances and transactions are eliminated on consolidation.

The Board has chosen not to present its non-consolidated statement of financial activities separately as the numbers are the same as for the consolidated equivalent. The Board has also taken advantage of the exemption conferred by FRS 102 Section 1 not to prepare a charity-only cash flow statement.

The Board, together with the Archbishops' Council and the Church Commissioners are equal partners in Church of England Central Services (ChECS), a joint venture. This jointly controlled entity is included in the Board's consolidated financial statements using the equity method. The Board's share of profits or losses from ChECS is included in the SOFA and its share of net assets is included in the balance sheet.

d) Going concern

The Board meets the cost of property purchases, fit-outs and other working capital requirements through its external borrowing, comprising a bank facility and two listed bond issues. The Board prepares annual budgets and regular re-forecasts, along with a three-year financial plan in order to ensure that it can meet its spending commitments as they fall due, and fulfil the terms and conditions associated with external borrowing. In addition, the Board has also prepared a long-term business plan to consider financial viability over a longer period than that for which formal budgets and forecasts are prepared.

The Board has considered the key risks and uncertainties which impact upon immediate liquidity and longer term solvency. These include the level of anticipated demand for its services, the resilience of voluntary income streams and changes in economic conditions. It has modelled the impact of changes in these factors over time and has considered whether it has adequate reserves and appropriate contingency plans to deal with a range of potential adverse scenarios.

Having due regard to the above, the trustees have reasonable expectation that the Board has adequate resources to meet its spending commitments as they fall due, including the servicing and repayment of debt and compliance with loan covenants for the foreseeable future. Accordingly, the going concern basis of accounting in preparing the annual report and accounts continues to be adopted.

e) Income

All income is recognised once the Board has entitlement to the income, it is probable that the income will be received, and the amount of income receivable can be measured reliably.

i) Grants, donations and legacies

Donations are accounted for when received. Grants are recognised when the Board is entitled to receive them and revenue recognition criteria of entitlement, probability and measurement have been met. Gift Aid receivable is included in income when there is a valid declaration from the donor.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2023

1. Accounting policies (continued)

Pecuniary legacies are recognised as receivable once probate has been granted and notification has been received. Residuary legacies are recognised as receivable once probate has been granted, where sufficient information has been received and are recognised on an estimated basis as follows: cash elements are recognised at monetary value, with property and other assets, including investments, valued at probate or net realisable value. Values are reviewed and, if material, adjusted up to the point of financial statement approval.

In the case of donated properties, these are valued at market value and recognised within Donations.

ii) Investment income

Income from investments is recognised on an accruals basis.

iii) Income from charitable activities

Income from charitable activities represents rent from rental properties, rent and service charge from shared ownership properties, income from mortgaged properties and fees and service charges from supported housing schemes, which are all recognised on the accruals basis.

iv) Other income

Other income is recognised when the Board is entitled to receive it and revenue recognition criteria of entitlement, probability and measurement have been met.

f) Expenditure

All expenditure is accounted for on the accruals basis. Expenditure and liabilities are recognised when a legal or constructive obligation exists as outlined in Section 7 of FRS 102. The SOFA has been presented on an activity basis. Costs have been distinguished between charitable activities and those incurred to raise funds.

i) Charitable activities

Direct costs and grants are allocated directly to activities. Grants payable are recognised when the grant is formally approved by the Board and has been communicated to the recipient.

ii) Support costs

Costs include shared service costs (finance, IT, HR, legal, internal audit), department running costs and governance costs. They are allocated across the charitable activities and raising funds as detailed in notes 4 and 5. Governance costs relate to the general running of the Board, which include costs associated with the strategic, as opposed to day-to-day, management of the Board's activities, and compliance with constitutional and statutory requirements.

g) Pensions

Staff pensions are described in note 8. Defined benefit schemes are considered to be multi-employer schemes as described in FRS 102 paragraph 28.11 and consequently are accounted for as if they were defined contribution schemes, where employer contributions payable in the year are charged to expenditure.

Where schemes have deficit recovery contribution plans in place, FRS 102 paragraph 28.11A requires the present value of these agreed payments to be recognised as a liability. Amounts paid during the year are charged against this liability.

h) Fixed assets

Rental properties, shared ownership properties, mortgaged properties and supported housing properties generate income from the furtherance of the charity's objects. As such, they are not considered to be investment properties but are classed as programme related investments, which under the SORP, do not need to be revalued.

Where fixed assets were purchased with significant restrictions as a result of agreements with the funder such that the Board has a right of use of the asset for the lifetime of a beneficiary of the charity but the risks and rewards relating to capital value accrue entirely to the lender, these assets are shown in a separate category. Proceeds on eventual sale of these properties are not accounted for by the Board as they are received as agent for the lender and are used to settle the corresponding liability.

i) Rental properties

Properties are held at original cost or for properties received as gifts, the notional cost equivalent to the market value. Funding arrangements are explained in note 11.

Costs relating to the repair and maintenance of properties are charged to the SOFA in the year incurred.

No depreciation is charged on long leasehold or freehold properties due to the long life and the high residual value of properties which would result in immaterial depreciation for each asset and in aggregate.

An impairment review is carried out annually and where materially different from historic cost, the properties are carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

ii) Shared ownership properties

These properties are purchased by the Board and the resident buys a 90-year lease for a share in the property (at least 25%) and pays a rent and a service charge on the proportion of the property that they do not own. Residents can purchase further shares in their property if their financial circumstances change, and the equity interests are adjusted accordingly.

The Board holds each property at its equity percentage of the original cost, subject to an impairment review. An impairment review is carried out annually and where materially different from historic cost, the Board's proportion of each property is carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2023

1. Accounting policies (continued)

No depreciation is charged on leasehold or freehold shared ownership properties due to the long life and the high residual value of properties which would result in immaterial depreciation for each asset and in aggregate.

iii) Mortgaged properties

Mortgaged properties were purchased by the Board under a scheme that closed to new business in 2008. These mortgages operate as value linked loans, where the Board's equity interest in a property is the amount loaned to the resident (up to 95% of the property value) and the resident's equity interest is the amount funded directly by the resident. If a resident pays off part of their loan, the equity interests are adjusted accordingly.

On the sale of a property, the Board and the resident receive proceeds in the same proportion as their equity interests.

The Board's interest is therefore classified as a tangible fixed asset and not as a financial instrument, as the rights attaching are more closely linked to the ownership of a share of a property. The Board accounts for each property at its equity percentage of original cost, subject to an impairment review. An impairment review is carried out annually and where materially different from historic cost, the Board's proportion of each property is carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

iv) Supported housing schemes and nursing home

The properties and their associated land are held at deemed cost. Freehold land is not depreciated. The buildings are depreciated.

Fixtures, fittings, plant and equipment are held at original cost to the Board less depreciation.

Depreciation is charged on the following basis:

Tangible asset	Basis	Rate
Freehold buildings	Straight line	2.5% per annum
Fixtures, fittings, plant and equipment	Straight line	5-50 years following the NHF guidelines for all assets acquired after 2017

v) Investment properties

Investment properties are held at fair value. Valuations are carried out every year in accordance with the Appraisals & Valuation Manual issued by the Royal Institute of Chartered Surveyors. No depreciation is charged.

vi) IT systems

IT systems are held at original cost to the Board less depreciation charged on a straight-line basis over 5 years. Systems are capitalised while under construction until implementation and at that stage depreciation commences.

vii) Gains (or losses) from sale of fixed assets

Gains (or losses) resulting from the sale of fixed assets are recognised in income (or expenditure). Gains or losses resulting from the sale and revaluation of investment assets are recognised in the SOFA in a separate section before net income/expenditure.

i) Loans

The Board applies the measurements provisions of FRS 102 paragraphs PBE34.90-92 to all its concessionary loans. Loans from the Church Commissioners are measured at the amount received from the Commissioners. See notes 11 and 13 for more information.

The loan from Santander is a basic financial instrument and measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. Arrangement fees are deducted from the transaction price and are amortised over 15 years (July 2010 to July 2025).

The loan from CHARM Finance PLC to the Charity is a basic financial instrument and is measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. Arrangement fees are deducted from the transaction price and are amortised over the length of the facility.

The Bond liabilities relate to the corporate bonds issued by CHARM Finance PLC, and are basic financial instruments measured initially at the proceeds of issue less transaction costs directly attributable to the issue of the Bonds. After initial recognition the liabilities are measured at amortised cost using the effective interest method with transaction costs being amortised over the length of the facility.

j) Financial instruments

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

Basic financial instruments

Listed and unlisted investments are initially measured at fair value. Such assets are subsequently held at fair value at each balance sheet date. The changes in fair value are recognised in the SOFA. The fair value of listed investments is determined using bid price in accordance with the practice of the appropriate stock exchange. Unlisted investments are valued by reference to latest dealing prices, valuations from reliable sources or net asset values.

k) Subsidiary undertakings

Investment in the Board's subsidiary companies are held at cost less accumulated impairment losses.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2023

1. Accounting policies (continued)

l) Taxation

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

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

m) Related parties

The Church of England comprises a large number of legally independent bodies in its parishes, cathedrals and dioceses as well as at national level. These bodies are not related to the Board as defined in the Charities SORP or chapter 33 of FRS 102: Related parties disclosures. 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 Church of England Pensions Board is related to ChECS, as it is a partner in this joint venture. Details are given in Note 17.

n) Funds

In line with the SORP, the Board segregates its funds between those that are restricted and those that are unrestricted.

Unrestricted funds are funds received by the Board that are available for use at the discretion of the Board in pursuing the general charitable objectives of the charity.

Restricted funds are funds received by the Board for particular purposes and are to be used in accordance with those purposes. An analysis of restricted funds is provided in note 15.

o) Significant judgements and estimates

The Board's key judgements, which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:

- Carrying value of investment properties and tangible assets – judgements in respect of appropriate valuation methods used for the assets of the Charity. Further details are disclosed in notes 9 to 11.

The Board's key estimates, which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:

- Residuary legacies - estimation required for residuary legacies receivable once probate has been granted.
- Pension deficit provision - estimations surrounding the methodology used in the calculation of the Charity's defined benefit pension deficit provision. Further details are disclosed in note 8.
- Support costs – estimation surrounding the methodology used in the apportionment of support costs between the restricted and unrestricted funds.

2. Income from grants, donations and legacies

		2023	2022
	Note	£'000	£'000
Grants from:			
The Archbishops' Council	4	14,932	5,567
Other grants		23	28
Total grants		14,955	5,595
Donations		62	62
Legacies		83	739
Total income from grants, donations and legacies		15,100	6,396

The Archbishops' Council makes grants from money provided by the dioceses under the General Synod Vote 5, towards the costs of the CHARM scheme. All income from grants, donations and legacies was attributable to restricted funds.

3. Investment income

	2023	2022
	£'000	£'000
Dividends	1,750	1,597
Rental income from investment properties	11	11
Interest on cash	53	1
Total income from investments	1,814	1,609

All income from investments of £1,814,000 (2022: £1,609,000) was attributable to restricted funds.

Notes to the financial statements of the Church of England Pensions Board For the year ended 31 December 2023

4. Charitable activities

	Rental proper ties	Shared owners hip	Mortgage properties	Supported housing	Other charitable activities	Total restricted funds	Unrestricted Pension Schemes	2023 Total	2022 Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities:									
Rent received	7,873	531	-	1,589	-	9,993	-	9,993	9,251
Service charge received	-	91	-	2,794	-	2,885	-	2,885	2,409
Income from mortgage properties	-	-	2,010	-	-	2,010	-	2,010	1,958
Support costs recharge	-	-	-	-	-	-	10,170	10,170	8,519
Total income from charitable activities	7,873	622	2,010	4,383	-	14,888	10,170	25,058	22,137
Expenditure on charitable activities:									
Financing costs (interest and commitment fee)	6,691	451	1,940	-	-	9,082	-	9,082	8,244
Grant making	-	-	-	-	88	88	-	88	92
Property costs (repairs, insurance and other costs)	8,964	44	101	95	-	9,204	-	9,204	8,604
Support costs	6	2,204	735	490	1,469	4,898	10,170	15,068	12,968
Amortisation of arrangement fees	62	-	-	-	-	62	-	62	62
Service charge costs	-	47	-	2,903	-	2,950	-	2,950	2,806
Nursing care costs (former residents)	-	-	-	131	-	131	-	131	130
Supported Housing and other direct costs	-	-	-	849	-	849	-	849	893
Depreciation and impairment charges	10	-	-	1,113	-	1,113	-	1,113	1,108
Total expenditure on charitable activities	17,921	1,277	2,531	6,560	88	28,377	10,170	38,547	34,907
Unwinding of pension deficit on charitable activities	(71)	(24)	(16)	(48)	-	(159)	-	(159)	(129)
Total expenditure including pension deficit movement in year	17,850	1,253	2,515	6,512	88	28,218	10,170	38,388	34,778

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2023

4. Charitable activities (continued)

For comparative purposes, details of 2022 charitable income and expenditure are set out below:

	Rental properties	Shared ownership	Mortgage properties	Supported housing	Other charitable activities	Total restricted funds	Unrestricted funds Pension Schemes	2022 Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities:								
Rent received	7,289	518	-	1,444	-	9,251	-	9,251
Service charge received	-	95	-	2,314	-	2,409	-	2,409
Income from mortgage properties	-	-	1,958	-	-	1,958	-	1,958
Support costs recharge	-	-	-	-	-	-	8,519	8,519
Total income from charitable activities	7,289	613	1,958	3,758	-	13,618	8,519	22,137
Expenditure on charitable activities:								
Financing costs (interest and commitment fee)	5,892	439	1,913	-	-	8,244	-	8,244
Grant making	-	-	-	-	92	92	-	92
Property costs (repairs, insurance and other costs)	8,428	25	116	35	-	8,604	-	8,604
Support costs 6	2,002	667	445	1,335	-	4,449	8,519	12,968
Amortisation of arrangement fees	62	-	-	-	-	62	-	62
Service charge costs	-	63	-	2,743	-	2,806	-	2,806
Nursing care costs	-	-	-	130	-	130	-	130
Supported Housing and other direct costs	-	-	-	893	-	893	-	893
Depreciation and impairment charges 10	-	-	-	1,108	-	1,108	-	1,108
Total expenditure on charitable activities	16,384	1,194	2,474	6,244	92	26,388	8,519	34,907
Unwinding of pension deficit on charitable activities	(58)	(19)	(13)	(39)	-	(129)	-	(129)
Total expenditure including pension deficit movement in year	16,326	1,175	2,461	6,205	92	26,259	8,519	34,778

The deficit on charitable activities is funded through a combination of specific and general voluntary income, investment income, and realised gains on disposal of investments and property. In the year ended 31 December 2023 grants of £14,932,000 were received from the Archbishops' Council towards the CHARM scheme (2022: £5,567,000). In addition, the Board's broader charitable activities were funded through voluntary income of £169,000 (2022: £828,000), Investment income of £1,814,000 (2022: £1,609,000) and gains on disposal of property of £1,629,000 (2022: £1,522,000).

Income & Expenditure from charitable activities:

Rental Properties

The Archbishops' Council, from money provided by the dioceses under the General Synod Vote 5, makes grants towards the costs of the CHARM scheme, being the excess of direct expenditure and interest payable over maintenance contributions receivable from residents.

Rent from tenancies starting after 1 April 2015 are target rents based on the value of the property and are subsidised so that they are more affordable than market rents. Rent from tenancies before this are based on the occupant's ability to pay. Residents pay for moving costs, furnishings and white goods, contents insurance and on-going utility and council tax costs. The Board pays for repairs and on-going maintenance of the properties.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2023

4. Charitable activities (continued)

There are a small number of properties that are let on the open market at market rents during short periods when a property is not occupied by residents eligible for the CHARM scheme. At 31 December 2023 there were 13 (2022: 15) such tenancies.

All tenancies fall into the definition of operating leases as set out in FRS 102 section 20 and clarified in the Housing SORP 2014 paragraph 10.3 (which though the Board does not apply, it does look to this guidance for clarification where the Charities SORP and FRS 102 are silent on particular issues). All tenancies are cancellable, either on death or notice of the resident and are not assignable.

Shared Ownership

Residents pay rent based on the Board's share of the ownership of the property and the cost of buildings insurance.

For some properties bought before 1 April 2014, residents also pay a service charge towards the repairs and maintenance of properties. For properties bought after 1 April 2014, or where residents have opted, the responsibility for repairs and maintenance lies with the resident.

Mortgage Properties

The mortgage scheme offered value linked loans to retired clergy and closed to new business in 2008. Mortgagees pay an interest-only amount on the capital advanced.

A small number of loans pre-dating the 1983 CHARM mortgage scheme remain, where a fixed amount of interest is paid based on the capital advanced. At 31 December 2023, the number of such loans in place was 2 (2022: 3).

Supported Housing

Some residents in the schemes receive subsidies from the Board's charitable funds. The cost of running the schemes is not met fully by rent and service charge fees. The nursing home closed in March 2017 however the Board continues to subsidise the nursing care of former residents of the nursing home. The operating deficit is met from the Board's charitable funds.

Other charitable activities

Grants are payable to augment the income of those retired clergy and clergy widow(er)s whose income falls below a certain standard, which is reviewed annually.

5. Raising funds

	2023	2022
	£'000	£'000
Investment management costs (direct costs)	79	81
Total cost of raising funds	79	81

6. Support costs

Support costs include department running costs and governance costs, plus charges for using shared services operated by ChECS. They are included in charitable expenditure (note 4) and are apportioned to the various charitable activities to which they relate.

	Restricted funds				Total	Unrestricted funds Pension schemes	Total 2023
	Rental properties	Shared ownership	Mortgage properties	Supported housing			
	£'000	£'000	£'000	£'000			
Housing department	1,325	442	294	883	2,944	-	2,944
Executive and Secretariat	161	54	36	107	358	421	779
Governance costs	78	26	17	52	173	254	427
Pensions department	-	-	-	-	-	4,805	4,805
Investments department	-	-	-	-	-	3,015	3,015
Shared services	640	213	142	427	1,422	1,675	3,097
Total support costs	2,204	735	489	1,469	4,897	10,170	15,067

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2023

6. Support costs (continued)

For comparative purposes, details of 2022 support costs are set out below:

	Restricted funds				Total	Unrestricted funds Pension schemes	Total 2022
	Rental properties	Shared ownership	Mortgage properties	Supported housing			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing department	1,209	403	268	807	2,687	-	2,687
Executive and Secretariat	121	40	27	80	268	437	705
Governance costs	53	18	12	35	118	49	167
Pensions department	-	-	-	-	-	4,087	4,087
Investments department	-	-	-	-	-	2,319	2,319
Shared services	619	206	138	413	1,376	1,627	3,003
Total support costs	2,002	667	445	1,335	4,449	8,519	12,968

Housing department costs

These costs are allocated on a 'per head' basis: costs of housing staff are allocated 45% to rental properties, 30% to supported housing schemes, 10% to mortgages and 15% to shared ownership.

Executive and Secretariat and shared service costs

Centrally incurred management and shared service costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 45% to rental properties, 30% to supported housing schemes, 10% to mortgages and 15% to shared ownership.

Governance costs

Governance costs comprise staff and non-staff costs relating to the general running of the Board, including supporting the work of the Board and its Committees. Trustees (and co-opted members) of the Board are reimbursed for travel expenses incurred whilst on official business but are not entitled to any other remuneration or allowances. In the year to 31 December 2023, 8 (2022: 8) trustees claimed a total of £4,686 (2022: £3,100). Governance costs other than external audit costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 45% to rental properties, 30% to supported housing schemes and nursing care, 10% to mortgages and 15% to shared ownership.

	2023	2022
	£'000	£'000
External audit (including VAT)	79	76
Internal audit	95	91
Board and committee meetings	17	13
Total governance costs	191	180

Total fees paid (excluding VAT) to Crowe U.K. LLP are shown below:

	2023	2022
	£'000	£'000
Audit of CEPB and its subsidiary undertakings	66	63
Total audit fees relating to current year for CEPB and its subsidiaries	66	63
Audit of Pension Schemes	104	100
Total audit fees relating to current year for Pension Schemes	104	100

Pensions department costs

Expenses are incurred by the Board for administering the pension schemes. These costs are recovered from the pension schemes by charging an administration fee to each scheme.

Investment department costs

Expenses are incurred by the Board for managing the investment portfolio of the Church of England Investment Fund for Pensions through which the pension schemes hold investments. These costs are recovered by the Board as part of the administration fee the Board charges each pension scheme.

Shared service costs

Shared services are provided by Church of England Central Services. Expenses incurred by the Board for administering the Pension Funds are either charged directly to the activity to which they relate or are allocated to the funds in proportion to staff costs, number of data processes or other relevant criteria.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2023

7. Staff numbers and costs

The Chief Executive and staff employed to work in the investment team and supported housing schemes are employed directly by the Board. The Board is joint employer, together with the other National Church Institutions (the NCIs), of most of the staff of the NCIs. In addition to staff employed directly, the work of the Board is supported by staff in shared service departments who provide finance, HR, communications, legal, IT and internal audit services. Since 1 April 2014 they have been employed by a separate NCI, Church of England Central Services (ChECS). Prior to this they had one of the three main NCIs as managing employer and their costs were shown only in the relevant NCI's financial statements.

The SORP requires that the costs of staff employed by third parties who operate on the organisation's behalf be disclosed in the financial statements. In order to comply with the spirit of the SORP, the costs of all ChECS staff are shown in aggregate in the tables below – the Board's share of which was £1,787,000 (2022: £1,820,000). The cost of staff for which the Board is the managing employer and for ChECS (in aggregate) was:

	Pensions Board own staff								ChECS			
	Housing		Pensions and Investments		Secretariat		Supported housing		Total		Shared services	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Average number employed	41	36	45	42	6	4	87	87	179	169	178	157
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	1,865	1,707	3,191	2,473	482	376	1,673	1,467	7,211	6,023	9,121	7,565
National Insurance costs	204	200	379	305	59	49	133	112	775	666	1,046	947
Pension contributions	272	260	433	321	66	52	223	186	994	819	1,263	1,542
Total cost of staff	2,341	2,167	4,003	3,099	607	477	2,029	1,765	8,980	7,508	11,430	10,054
Total chargeable to Charitable Funds	2,341	2,167	-	-	279	214	2,029	1,765	4,649	4,146		

Included in staff costs is £24,000 (2022: £nil) paid by way of redundancy costs to 2 (2022: £nil) individuals for restructuring. Restructuring costs are accounted for in full in the year in which the restructure is announced. The number of staff whose total employee benefits for the year fell in the following bands were:

	Pensions Board own staff						ChECS				
	Housing		Pensions and Investments		Secretariat		Supported housing schemes		Shared services		
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	
£60,001 to											
£70,000	1	1	3	1	1	-	1	-	15	13	
£70,001 to											
£80,000	3	3	2	2	1	1	-	-	9	6	
£80,001 to											
£90,000	1	-	2	2	-	-	-	-	8	3	
£90,001 to											
£100,000	-	1	1	2	-	-	-	-	1	2	
£100,001 to											
£110,000	-	-	2	-	1	1	-	-	4	5	
£110,001 to											
£120,000	-	-	2	1	-	-	-	-	2	1	
£120,001 to											
£130,000	-	-	1	1	-	-	-	-	-	2	
£130,001 to											
£140,000	-	-	-	-	-	-	-	-	1	-	
£140,001 to											
£150,000	-	-	-	-	-	-	-	-	1	-	
£150,001 to											
£160,000	-	-	1	-	-	1	-	-	-	-	
£160,001 to											
£170,000	-	-	-	1	1	-	-	-	-	-	
£170,001											
to £180,000	-	-	-	-	-	-	-	-	-	-	
£190,001											
to £200,000	-	-	-	1	-	-	-	-	-	-	
£200,001											
to £210,000	-	-	1	-	-	-	-	-	-	-	
£210,001											
to £220,000	-	-	-	-	-	-	-	-	-	-	
£220,001											
to £230,000	-	-	1	-	-	-	-	-	-	-	

Employee benefits include gross salaries and termination payments but do not include employer pension contributions and employer National Insurance contributions.

Most staff above were members of the Church Administrators Pension Fund. Of those directly managed by the Board, 14 (2022: 11) staff accrued benefits under a defined contributions scheme for which contributions for the year were £151,142 (2022: £128,000). The other 2 (2022: 3) staff accrued benefits under a defined benefit scheme. Of those managed by ChECS, 37 (2022:29) staff 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 members accrue benefits under a defined benefit scheme.

Of the remaining staff managed directly by the Board, 9 (2022: 6) staff accrued benefits in the Church Workers Pension Fund under a defined contribution scheme for which contributions for the year were £155,487 (2022: £107,000), and 1 staff members (2022: no staff member) accrued no benefits in any pension scheme.

7. Staff numbers and costs (continued)

The highest paid member of staff earned £226,000 (2022: £193,000). Further details of the Board's remuneration policy are included in the Management section of the Board's report, on page 33. The Board's executive leadership team comprises 10 individuals (2022: 9), 8 (2022: 7) of whom are employed directly by the Board and 2 (2022: 2) by ChECS. The aggregate remuneration for these 10 individuals, including National Insurance and pension contributions, was £1,494,000 (2022: £1,307,000).

Interest free loans are made for travel season tickets and interest free green travel loans for the purchase of bicycles and electric scooters.

8. Staff pensions

Staff employed jointly by the National Church Institutions

Pension benefits from Service up to 31 December 1999

These are met by the Church Commissioners for England, so no costs or liability are reflected by the Board.

Pension benefits from Service from 1 January 2000

Benefits for staff arising from service from 1 January 2000 are provided by the Church Administrators Pension Fund ("CAPF").

The participating employers are responsible for making contributions of £500,000 (2022: £500,000) towards the administration costs of the CAPF. The Board's share of these costs was £76,500 (2022: £70,600).

Staff who were in service as at 30 June 2006 are members of the defined benefit section of the CAPF. This is considered to be a multi-employer scheme as described in FRS 102 paragraph 28.11 and consequently is accounted for as if it were a defined contribution scheme, where employer contributions payable in the year are charged to expenditure.

The contributions to the CAPF are assessed by an independent qualified actuary using the projected unit method of valuation. A valuation of the scheme is carried out once every three years, the most recent having been carried out as at 31 December 2022. This revealed a deficit of £2.4m for the entire scheme. As agreed prior to the valuation, the employers collectively paid contributions of 27.6% of Pensionable Salaries each month and deficit payments of £2.4m until December 2023, in respect of the shortfall in the scheme. Future contributions of Pensionable Salaries from 01 January 2024 onwards has been agreed to be 16.5%.

The provision provided for the shortfall in the scheme is measured at its net present value. The table below shows the movement on the provision:

	CEPB staff	Share of ChECS staff	2023	CEPB staff	Share of ChECS staff	2022
Provision at 1 January	136	184	320	256	209	465
Contributions Paid	(123)	(36)	(159)	(107)	(22)	(129)
Interest charged on provision	-	-	-	2	-	2
Adjustment to net present value of provision	(13)	(148)	(161)	(15)	(3)	(18)
Provision at 31 December	-	-	-	136	184	320

Staff who joined after 20 June 2006 are members of the defined contributions section of the CAPF. Employer contributions payable in the year are charged to expenditure.

Staff employed directly by the Board (mainly in supported housing schemes and the investment team)

Pension benefits for staff in supported housing managerial positions are provided for by a defined benefit section of the Church Workers Pension Fund ("CWPF"). The scheme is considered to be a multi-employer scheme as described in FRS 102 paragraph 28.11 and consequently is accounted for as if it were a defined contribution scheme, where employer contributions payable in the year are charged to expenditure.

The contributions to the Fund are assessed by an independent qualified actuary using the projected unit method of valuation. The last full valuation of the Fund, as at 31 December 2019, showed there is no more deficit (2016: £29.4m). There is no deficit recovery needed from each participating employer in the scheme from 2023.

Pension benefits for other staff are provided for by a defined contribution scheme in CWPF, where employer contributions payable in the year are charged to expenditure.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2023

9. Investment assets

GROUP	At 1 January 2023	Additions	Disposals	Gains/(losses)	Cash movements	At 31 December 2023
	£'000	£'000	£'000	£'000	£'000	£'000
UK investment funds	40,782	-	-	(777)	-	40,005
Cash held by investment managers	103	-	-	-	(60)	43
Total UK investment funds	40,885	-	-	(777)	(60)	40,048
UK investment properties	794	-	-	22	-	816
Consolidated total investment assets	41,679	-	-	(755)	(60)	40,864

CHARITY	At 1 January 2023	Additions	Disposals	Gains/(losses)	Cash movements	At 31 December 2023
	£'000	£'000	£'000	£'000	£'000	£'000
UK investment funds	40,782	-	-	(777)	-	40,005
Cash held by investment managers	103	-	-	-	(60)	43
Total UK investment funds	40,885	-	-	(777)	(60)	40,048
UK investment properties	794	-	-	22	-	816
Investment in subsidiary	13	-	-	-	-	13
Charity's total investment assets	41,692	-	-	(755)	(60)	40,877

Funds were managed by Savills, Swiss Life and Brewin Dolphin. Investment funds were held as follows:

	2023	2022
	£'000	£'000
Savills	19,085	20,302
Swiss Life	7,432	7,938
Brewin Dolphin	13,531	12,645
Total	40,048	40,885

Subsidiaries

The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held to undertake property and building development at the supported housing schemes and nursing home, and CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC, a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle which in August 2015 provided £70m of funds to the Board via the issue of £100m of 3.126% Secured Bonds (including £30m in principal amount of Retained Bonds) due August 2048. In April 2018 CHARM Finance PLC provided a further £30m of funds to the Board via the issue of £50m of 3.509% Secured Bonds (including £20m in principal amount of Retained Bonds) also due in 2048. These funds are being used to secure current and future obligations for clergy housing in retirement.

The financial results of the Subsidiaries are detailed in Note 16.

Joint ventures

ChECS is a charitable joint venture between the Church 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 charity was registered with the Charity Commission on 31 December 2013 and started operating from 1 April 2014. Prior to this, the responsibility for the provision of shared services was split between the three main NCIs. The previous management arrangements continued into the new structure.

The Board's share of net assets and net income of ChECS was £nil (2022: £nil). As at 31 December 2023, £1,877,000 was owed by ChECS to the Board (2022: £472,000 owed by ChECS to the Board) representing amounts loaned to ChECS by the Board, and amounts owed to ChECS for services rendered during the year.

The Pensions Board have no associated undertakings.

UK investment properties

The valuers of the investment properties were Savills LLP.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2023

10. Tangible assets – Supported housing and IT systems

Consolidated and charity	At 1 January 2023	Additions	Disposals	Charge in year	Impairment	At 31 December 2023
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Supported Housing land and buildings</i>						
Cost	27,292	-	-	-	-	27,292
Depreciation	(6,278)	-	-	(506)	-	(6,784)
Net book value	21,014	-	-	(506)	-	20,508
<i>Fixtures and fittings</i>						
Cost	4,561	221	-	-	-	4,782
Depreciation	(3,482)	-	-	(120)	-	(3,602)
Net book value	1,079	221	-	(120)	-	1,180
<i>IT systems</i>						
Cost	2,705	49	-	-	-	2,754
Depreciation	(640)	-	-	(487)	-	(1,127)
Net book value	2,065	49	-	(487)	-	1,627
		-	-	-	-	-
Total supported housing and IT systems	24,158	270	-	(1,113)	-	23,315

IT systems represents the capitalised costs incurred in respect of the construction of the new Housing Management System and a major upgrade to the Pensions Administration System. Depreciation is now being charged for the Housing Management System and for the first completed phase of the Pension Administration system. No depreciation is charged for the second phase of Pensions Administration System whilst the assets are under construction.

11. Tangible assets – CHARM properties

The Board owns a number of different types of properties which it uses to fulfil its charitable objective: to provide retirement housing for retired clergy (CHARM).

Consolidated	Book value at 1 January 2023	Additions	Disposals	Book value at 31 December 2023	No. of properties at 1 January 2023	Additions	Disposals	No. of properties at 31 December 2023
	£'000	£'000	£'000	£'000				
Rental properties								
Funded by CC	20,781	-	(2,021)	18,760	216	-	(24)	192
Funded by PB	179,561	8,792	(2,453)	185,900	956	31	(15)	972
Rental properties total	200,342	8,792	(4,474)	204,660	1,172	31	(39)	1,164
Shared ownership properties								
Funded by CC	3,019	-	(259)	2,760	33	-	(2)	31
Funded by PB	5,505	-	(150)	5,355	58	-	(1)	57
Shared ownership properties total	8,524	-	(409)	8,115	91	-	(3)	88
Mortgaged properties								
Funded by CC	24,838	-	(1,771)	23,067	435	-	(30)	405
Funded by PB	801	-	(160)	641	12	-	(4)	8
Mortgaged properties total	25,639	-	(1,931)	23,708	447	-	(34)	413
Totals								
<i>Properties with significant restrictions (funded by Church Commissioners)</i>	48,638	-	(4,051)	44,587	684	-	(56)	628
<i>Properties without significant restrictions (funded by the Pensions Board)</i>	185,867	8,792	(2,763)	191,896	1,026	31	(20)	1,037
Total	234,505	8,792	(6,814)	236,483	1,710	31	(76)	1,665

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2023

11. Tangible assets – CHARM properties

Charity Only	Book value at 1 January 2023 £'000	Additions £'000	Disposals £'000	Book value at 31 December 2023 £'000	No. of properties at 1 January 2023	Additions	Disposals	No. of properties at 31 December 2023
Rental properties								
Funded by CC	20,781	-	(2,021)	18,760	216	-	(24)	192
Funded by PB	179,561	8,792	(2,453)	185,900	956	31	(15)	972
Rental properties total	200,342	8,792	(4,474)	204,660	1,172	31	(39)	1,164
Shared ownership properties								
Funded by CC	3,019	-	(259)	2,760	33	-	(2)	31
Funded by PB	5,505	-	(150)	5,355	58	-	(1)	57
Shared ownership properties total	8,524	-	(409)	8,115	91	-	(3)	88
Mortgaged properties								
Funded by CC	19,855	-	(1,469)	18,386	383	-	(27)	356
Funded by PB	395	-	(159)	236	8	-	(4)	4
Mortgaged properties total	20,250	-	(1,628)	18,622	391	-	(31)	360
Totals								
<i>Properties with significant restrictions (funded by Church Commissioners)</i>	43,655	-	(3,749)	39,906	632	-	(53)	579
<i>Properties without significant restrictions (funded by the Pensions Board)</i>	185,461	8,792	(2,762)	191,491	1,022	31	(20)	1,033
Total	229,116	8,792	(6,511)	231,397	1,654	31	(73)	1,612

The fixed assets shown in the Charity-only table above include only those mortgage loans made directly by the Board, for which CC-funding was received. Loans made by the Board to CEPB Mortgages Ltd, but ultimately funded by CC, are reflected in current debtors. See note 12. The related mortgages issued by CEPB Mortgages Ltd are shown in the Consolidated fixed assets table.

Financing and restriction

Historically, the Board's own properties were funded from trusts and legacies. From 1983 until July 2010 most of the rental, shared ownership and mortgaged properties purchased were financed by loans from the Church Commissioners. Under this arrangement, the legal ownership of each property lay with the Board but a significant part of the economic interest lay with the Commissioners. In the case of mortgaged and shared ownership properties, the Commissioners' economic interest was in the same proportion as the amount of financing they provided compared to the purchase price. Purchases were recognised at cost and the loan from the Commissioners recognised at an equal amount within creditors. If the property were sold, an amount equal to the proceeds (for mortgaged and shared ownership properties, in the same proportion as the financing they provided compared to the purchase price) would be repayable. This arrangement meant that the Commissioners retained a significant degree of financial control over the properties they funded, and on a property becoming vacant, determined if and when it was sold and for how much.

Since the end of the Commissioners' funding arrangement, financing for purchases of new rental or shared ownership properties has been provided through three sources. Firstly in 2010 the Board put in place a loan facility with Santander. Secondly in 2015 the Board was loaned £70,000,000 from its subsidiary CHARM Finance PLC, which raised funds through the issue of a listed bond. Thirdly in 2018 the Board was loaned £30,000,000 from its subsidiary CHARM Finance PLC, which raised funds through the issue of a second listed bond. Further details of both facilities are provided in Note 13.

Of the £70,000,000 loaned to the Board in 2015, £41,841,000 was used to purchase the economic interest in 196 properties which had originally been funded by the Commissioners. The Commissioners have retained a right to receive any profit on disposal of any of the 196 properties up to August 2025, over the agreed purchase price of that property, and in 2023 four (2022: one) properties were sold by the Board, with £334,534 (2022: £51,591) subsequently paid to the Church Commissioners (in 2023) as a result of this agreement. In the opinion of the trustees however, as the remainder of these properties have been identified for long-term use by the Charity, it is not expected that many further payments will accrue to the Church Commissioners as a result of this arrangement.

In addition to these arrangements, 48 rental properties were purchased with contributions from dioceses and others, where the contributions are repayable when the property is sold, as either a simple repayment or in the same proportion as the original contribution to the purchase price, depending on the agreement made. The Board recognises the full cost of the property and also recognises a liability for the amount contributed (see note 13).

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2023

12. Debtors

	Consolidated		Charity	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade debtors	705	478	701	478
Subsidiary undertakings & related parties	38	-	5,127	5,389
Prepayments and accrued income	2,137	1,299	999	1,150
Joint venture (ChECS)	1,969	472	1,969	472
Other debtors	85	88	137	636
Total	4,934	2,337	8,933	8,125

* Loans from the Church of England Pensions Board to CEPB Mortgages Ltd are repayable when the properties associated with them are sold. This is categorised as a current debtor for the Charity in line with FRS 102 section 4.7. See Note 13 for more details.

13. Creditors

Current liabilities:	Consolidated		Charity	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade creditors	1,626	826	1,626	824
Accruals and deferred income	4,355	3,638	3,217	3,490
Tax creditor	6	46	6	46
Other creditors	2,325	1,616	2,325	1,617
Total amounts falling due within one year:	8,312	6,126	7,174	5,977
Concessionary loans repayable on sale of fixed assets				
Loans from Church Commissioners for:				
- rental properties	18,760	20,781	18,760	20,781
- shared ownership properties	2,760	3,019	2,760	3,019
- mortgage properties	23,067	24,838	23,067	24,838
Diocesan and other creditors	665	675	665	675
Total loans repayable on sale of fixed assets	45,252	49,313	45,252	49,313
Total current liabilities	53,564	55,439	52,426	55,290

Loans from the Church Commissioners are repayable when the properties associated with them are sold. The trigger for the repayment is the sale of the property and the proceeds are passed in full to the Church Commissioners. Properties are sold when residents vacate rented properties, shared ownership properties are sold and mortgages are redeemed. These assets are classified as fixed assets and are included in note 11.

FRS 102 section 4.7 states that where the repayment of a creditor cannot unconditionally be deferred for more than a year, it must be classed as a current liability. Even though experience has shown that loans from the Church Commissioners will be repaid steadily over a timeline substantially longer than one year, they meet this definition and as a result are included within current liabilities.

The terms of these concessionary loans are: for loans granted prior until 31 March 1993 the initial interest rate was 3%, increasing in line with RPI each April; for loans granted from 1 April 1993 the initial interest rate was 4%, increasing in line with RPI each April.

The same current liability classification has been applied to the Diocesan loans to the Pensions Board.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2023

13. Creditors (continued)

	Consolidated		Charity	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Non-current liabilities:				
Bond liabilities – 2015 Bond	70,000	70,000	-	-
Bond liabilities – 2018 Bond	30,000	30,000	-	-
Bond liabilities – capitalised bond set-up costs	(604)	(631)	-	-
Intra-group liability – loan repayable to CHARM Finance PLC	-	-	100,000	100,000
Intra-group liability – capitalised bond set-up costs	-	-	(604)	(631)
Loan from Santander	26,300	27,000	26,300	27,000
Loan from Santander - capitalised set-up costs	(50)	(84)	(50)	(84)
Total	125,646	126,285	125,646	126,285

The two bonds, issued by subsidiary undertaking CHARM Finance plc, were issued to finance the growth and development of the CHARM scheme. Transaction costs of £509,000 were incurred in respect of the 2015 bond, and £306,000 in respect of the 2018 bond. At 31 December 2022, the amortised cost of the set-up fees incurred (predominantly legal and financial advice fees) for both bonds was £604,000 (2022: £631,000).

For the 2015 bond, interest due up to August 2017 was based on the initial interest rate of 3.126% adjusted for changes in CPI (subject to a 4% cap and a floor of zero). Since August 2017 the applicable interest rate has risen to 3.154%. Repayment of the bond is due in five equal instalments of £14m due in August of 2038, 2041, 2043, 2045 and 2048 respectively. The bond is secured by a fixed charge over 426 properties held by the Charity.

For the 2018 bond, interest due is based on the fixed interest rate of 3.509%. Repayment of the bond is due in three instalments on 12 November 2044, 12 November 2046 and 12 April 2048. The bond is secured by a fixed charge over 201 properties held by the Charity.

The following table details the maturity of the bond-related contractual payments as at 31 December 2023:

Period	2015 Bond		2018 Bond	
	Interest due	Capital repayment	Interest due	Capital repayment
	£'000	£'000	£'000	£'000
Due to end December 2023	870	-	140	-
Due within one year (to end December 2024)	2,542	-	1,046	-
Due between one and five years (to end December 2028)	10,200	-	4,214	-
Due after five years	37,380	70,000	18,636	30,000
Total	50,992	70,000	24,036	30,000

The intra-group liability due by the charity to CHARM Finance plc mirrors the terms of the bonds noted above.

The charity has a loan facility with Santander through Abbey National Treasury Services PLC which at December 2023 was secured by fixed charges over 244 properties (2022: 247 properties) owned by the charity, with occupied market value of £60,147,000 (2022: £62,796,000). The loan is repayable, subject to terms and conditions, at June 2025.

The cost of the Santander arrangement fee of £500,000 (1% of the loan facility) is offset against the loans and is being amortised over 15 years. At 31 December 2023, the amortised cost was £50,000 (2022: £88,000).

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2023

14. Financial Instruments

	Note	Consolidated		Charity	
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Financial assets at fair value through statement of financial activities					
Listed non-current investments	9	40,864	41,679	40,877	41,692
Total financial assets		40,864	41,679	40,877	41,692

15. Funds

Consolidated and charity	Balance at 1 January 2023	Income	Expenditure	Investment losses	Other gains	Transfers	Balance at 31 December 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	-	10,170	(10,170)	-	-	-	-
Total unrestricted funds	-	10,170	(10,170)	-	-	-	-
Restricted funds:-							
General Purposes Fund:							
- General Funds	109,305	32,817	(24,955)	(908)	-	(7,437)	108,822
- Earmarked – Property Maintenance	1,175	-	(2,912)	-	-	7,437	5,700
Clergy Retirement Housing Trust & other trusts	13,403	619	(589)	153	-	-	13,586
Total restricted funds (excl. pension reserve)	123,883	33,436	(28,456)	(755)	-	-	128,108
Pension reserve	(320)	-	159	-	161	-	-
Total funds	123,563	43,606	(38,467)	(755)	161	-	128,108

For comparative purposes, the table below shows the movement on funds for the year ending 31 December 2022:

Consolidated and charity	Balance at 1 January 2022	Income	Expenditure	Investment gains	Other gains	Transfers	Balance at 31 December 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	-	8,519	(8,519)	-	-	-	-
Total unrestricted funds	-	8,519	(8,519)	-	-	-	-
Restricted funds:-							
General Purposes Fund:							
- General Funds	114,601	21,925	(22,468)	(4,818)	-	65	109,305
- Earmarked – Property Maintenance	4,898	-	(3,658)	-	-	(65)	1,175
Clergy Retirement Housing Trust & other trusts	12,824	1,220	(341)	(300)	-	-	13,403
Total restricted funds (excl. pension reserve)	132,323	23,145	(26,467)	(5,118)	-	-	123,883
Pension reserve	(465)	-	127	-	18	-	(320)
Total funds	131,858	31,664	(34,859)	(5,118)	18	-	123,563

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2023

15. Funds (continued)

Unrestricted funds

The **unrestricted funds** represent expenditure incurred by the CEPB on salaries and working expenses subsequently recovered from the pension funds administered by the Board. The CEPB has no net assets or liabilities in its own right as a body corporate.

Restricted funds

The **General Purposes Fund ("GPF")** is the largest charitable fund administered by the Church of England Pensions Board, covering the provision, maintenance & management of homes of residence for retired clergy and church workers and their spouses/former spouses/dependants, etc.

£7.4m was transferred from the restricted general fund to the earmarked Property Maintenance fund (2022: £0.1m was transferred to the Property Maintenance fund from the general fund).

The **Clergy Retirement Housing Trust ("CRHT")** is a registered charity (Charity No. 236627-2) and is a linked charity of the Board. As a linked charity, it is accounted for as a restricted fund. The charitable object of the CRHT is to use its property as residences for those persons who are qualified for such residence by virtue of the provisions of the Clergy Pensions Measure 1961 or any succeeding legislation.

Below is a summary of the assets and liabilities of each fund as at 31 December 2023:

FUND	Fixed Assets	Current Assets	Current Liabilities	Non-Current Liabilities	SUB TOTAL	Provision for Pension Liability	NET ASSETS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	648	2,730	(3,378)	-	-	-	-
Restricted Funds:							
General Purposes Fund	288,706	1,608	(50,144)	(125,646)	114,524	-	114,524
Clergy Retirement Housing Trust & other trusts	11,308	2,318	(42)	-	13,584	-	13,584
Total	300,662	6,656	(53,564)	(125,646)	128,108	-	128,108

For comparative purposes, the table below provides a summary of the assets and liabilities of each fund as at 31 December 2022:

FUND	Fixed Assets	Current Assets	Current Liabilities	Non-Current Liabilities	SUB TOTAL	Provision for Pension Liability	NET ASSETS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	731	1,296	(2,027)	-	-	-	-
Restricted Funds:							
General Purposes Fund	288,452	1,743	(53,430)	(126,285)	110,480	(320)	110,160
Clergy Retirement Housing Trust & other trusts	11,159	2,226	18	-	13,403	-	13,403
Total	300,342	5,265	(55,439)	(126,285)	123,883	(320)	123,563

16. Subsidiary results

The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held to undertake property and building development at the supported housing schemes, and CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC (incorporated and acquired 17 July 2015), a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle which in August 2015 provided £70m of funds to the Board via the issue of £100m of 3.126% Secured Bonds (including £30m in principal amount of Retained Bonds) due August 2048. In April 2018 CHARM Finance PLC provided a further £30m of funds to the Board via the issue of £50m of 3.509% Secured Bonds (including £20m in principal amount of Retained Bonds) also due in 2048. These funds are being used to secure current and future obligations for clergy housing in retirement.

Summaries of the Board's significant subsidiaries' results are shown below:

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2023

16. *Subsidiary results (continued)*

	CEPB Mortgages		CHARM Finance PLC	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Revenue	361	341	3,605	3,533
Expenditure	(361)	(341)	(3,605)	(3,533)
Result	-	-	-	-
Total Assets	5,090	5,390	100,484	100,911
Total Liabilities	(5,089)	(5,389)	(100,471)	(100,898)
Net Assets	1	1	13	13

17. *Related Parties*

Subsidiary companies

The Board received £361,000 from CEPB Mortgages (2022: £341,000) in respect of mortgage interest received by the Company. At the balance sheet date, CEPB Mortgages owed the Board £5,089,000 (2022: £5,389,000) in respect of mortgage loans repayable.

The Board paid £3,580,254 to CHARM Finance PLC in 2023 in respect of bond interest paid by the Company (2022: £3,481,385). At the balance sheet date, the Board owed CHARM Finance PLC £99,396,000 (2022: £99,368,000) in respect of loans repayable in relation to the 2015 and 2018 bonds, and CHARM Finance PLC owed the Board £51,901 in respect of interest repayable.

Joint ventures

Church of England Central Services (ChECS) is a joint venture between the Church Commissioners, the Archbishops' Council and the Church of England Pensions Board, and therefore a related party of the Board. More information can be found in Note 9.

Pension Schemes

Details of amounts paid to the pension schemes are disclosed in note 8.

THE CHURCH OF ENGLAND PENSIONS BOARD

England & Wales - Charity number 236627

Accounts

The Church of England
Pensions Board

Annual Report

Year ended 31 December 2022

Contents

Introduction from the Chair and Chief Executive	4
Report of the trustees for the year ended 31 December 2022	5
Structure and history	5
Public Benefit	6
Objectives	6
Charitable activities of the Board	7
Housing	7
Rental Property	8
Supported Housing	8
Shared Ownership	9
Mortgage Schemes	9
Signposting to alternative housing options	10
Administration of pensions	10
Review of 2022 activities	10
Administration of Pensions	11
Customer engagement and communications	13
The Board's Approach to Ethical Investment & Stewardship	13
Financial Review	15
External financing	16
Charity Investments	16
Risk Management	17
Principal Risks	18
Going Concern	20
Approach to Taxation	20
Reserves	21
Unrestricted funds	21
Restricted funds	21
Reserves policy	21
Plans for the future	22
Structure, governance and management	23
Governance	23
Independent Auditors	24
Ethical Investment Advice	24
The Charity Code of Governance	24
Trustees	26
Attendance by Trustees at meeting of the Board and its Committee	27
Reference and administrative information	28

Management	29
Staff Remuneration and Executive Pay.....	29
Approval.....	30
Statement of Trustees' responsibilities in relation to the financial statements	31
Consolidated statement of financial activities of the Church of England Pensions Board for the year ended 31 December 2022	37
Consolidated balance sheet of the Church of England Pensions Board as at 31 December 2022	38
Charity only balance sheet of the Church of England Pensions Board as at 31 December 2022	39
Consolidated cash flow statement of the Church of England Pensions Board for the year ended 31 December 2022	40
Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2022	41

Introduction from the Chair and Chief Executive

Russia's invasion of Ukraine cast a long shadow over 2022. It has caused untold human misery in Ukraine itself. Across the world, it has created food and energy shortages, driving painful inflation and economic uncertainty. We did not hold any Russian sovereign debt in our funds due to an existing ethical exclusion and we acted promptly on the morning of the invasion to exit from the very few Russian companies in which we were invested – other funds swiftly followed our example.

Against this backdrop, we completed the statutory valuation of the clergy pension scheme. Through careful stewardship and strong investment returns in recent years, the scheme reported a funding surplus for the first time in its history. This has enabled us to reduce employer contribution rates, saving the Church around £25m a year, while maintaining member benefits in full. We have also awarded an inflation-matching discretionary increase to clergy pensions in payment from April 2023.

Our smaller pension schemes have also performed well despite poor market conditions this year. We took steps to 'lock in' the benefit of strong returns in 2021, including insuring £160m worth of benefits in the Church Workers Pension Fund (CWPF).

While headline investment returns are important, the key goal for a pension fund is to ensure that the assets are sufficient to meet the long-term pension promises (liabilities). On this key measure, our schemes have all shown improvement since their last valuations.

Within our retirement housing services, we are continuing to recover from the pandemic, with our teams working hard to support applicants whose retirement plans have been disrupted by Covid-19; some delaying retirement and others retiring early. It has been a tough year for all of us, with labour shortages and dramatic price increases hampering housing services. Still, 83 new tenancies started during the year. Our community living schemes also celebrated a year free of pandemic restrictions.

Good stewardship remains at the heart of our work. We were pleased to retain our signatory status for the Financial Reporting Council's UK Stewardship Code and continue to engage as an active owner on issues of human rights, executive pay, mining and climate change. The Transition Pathway Initiative (TPI), co-created by the Board, provides the leading investor tool for assessing companies' climate transition plans. In October, the TPI Global Climate Transition Centre was formally opened to dramatically expand the TPI's reach. In 2022, we co-chaired a similar initiative looking at corporate and sovereign bonds, and led discussions with other pension funds and the UK Government on how to support emerging economies achieve a just transition to a low carbon world.

It remains our deep privilege and joy to serve those who work or minister for the Church. We are looking forward to the year ahead and to the start of conversations with the Church about opportunities to further improve our services.

Clive Mather
Chair

John Ball
Chief Executive Officer

Report of the trustees for the year ended 31 December 2022

The trustees present their annual report and financial statements of the charity for the year ended 31 December 2022. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the Charities Act 2011, FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and “Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Finance Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)” (“the SORP”).

Structure and history

The Church of England Pensions Board (“the Board”) was established in 1926 by the Church Assembly (now the General Synod) by the Clergy Pensions Measure 1926, to serve as the pensions authority for the Church of England and to administer a comprehensive pension scheme for clergy. Prior to 1926 there was no proper pension system for clergy.

The Board was given powers in 1948 to provide housing for retired clergy and their widows and dependants, and in subsequent years also became trustee of various charitable funds and trusts to provide for the relief of poverty of retired clergy and their widows and dependants. In 1964 the Board became a registered charity. Since then, the funds and trusts have been amalgamated and now exist as a single restricted fund: the ‘General Purposes Fund’; and one linked charity for which the Board is corporate trustee: the ‘Clergy Retirement Housing Trust’.

In its current form, the Board is a body corporate, a registered charity, and is governed by the Church of England Pensions Measure 2018 – the main operative provisions of which came into force on 1 March 2019 consolidating and replacing prior legislation. The structure of the Board was amended in 2021 by the Legislative Reform (Church of England Pensions) Order 2021. During the period covered by these accounts it was the corporate Trustee of three pension schemes:

- The Church of England Funded Pensions Scheme (“CEFPS”, commonly called ‘the clergy scheme’)
- The Church Workers Pension Fund (“CWPF”)
- The Church Administrators Pension Fund (“CAPF”)

The financial statements of the three pension schemes listed above are not included in this report but are separately available.

The Board administers two other pension schemes, for which it is not a trustee: the Church of England Pensions Scheme (for clergy service prior to 1 January 1998); and the Church Commissioners Superannuation Scheme (for staff service prior to 1 January 2000). The financial affairs of these schemes can be found in the Church Commissioners’ accounts. They have no impact on the financial position of the pension schemes of which the Board is trustee.

Public Benefit

The purposes of the Board are the provision of retirement services set by the Church of England for those who have served or worked for the Church. This is carried out primarily through the provision of retirement housing and through the administration of pensions.

In accordance with the requirements of s17(5) of the Charities Act 2011, in exercising their responsibilities the Board has had regard to the Charity Commission's published advice on public benefit, especially that contained in its supplementary guidance "*The Advancement of Religion for the Public Benefit*".

Nationally, the Church, through its network of more than 12,000 parishes, 16,000 churches and 20,000 ordained and lay ministers seeks to build social capital and provide spiritual care for all those who might wish to engage with matters of faith in a Christian context. The local churches are a focus for community activity, and through resources available at their disposal, provide activities that support community development and social cohesion. These can include projects which support children, families, and the elderly.

Retired clergy and their dependants often play a role in these projects, and retired clergy provide valuable auxiliary ministry in parishes across the Church of England. Through the provision of comprehensive pension schemes, retirement accommodation and, where applicable, direct grants to supplement their income, the Board assists clergy in retirement to continue to play a full role in the community.

Objectives

The Board's charitable objectives are first, to provide the best possible support and care, within available resources, to those who have retired from stipendiary and lay ministry within the Church of England, and to their dependants, through the provision of retirement and supported housing, and through advice services, and discretionary grants for those most in need. Second, the Board's objective is to meet its responsibilities as trustee and administrator for the various pension schemes, as laid out in its governing documents (see Structure and History section).

The strategic objectives of the Board are to:

1. Manage the pension schemes efficiently and effectively
2. Offer charitable and housing services that our customers and funders value
3. Demonstrate leadership in ethical and responsible investment to achieve a sustainable return on our investment funds and help counteract climate change
4. Understand our customers to deliver excellent customer service
5. Model good governance and stewardship
6. A great place to work, where people are valued, engaged and performing well

In December 2019 the Board agreed three strategic priorities to guide its work and the implementation of its objectives. These are:

1. **Simplification**
2. **Self-sufficiency**, so that the Board can be less reliant on financial support from the wider Church in the long-term
3. Engaging in **great conversations** with those the Board serves and the companies in which it invests

These priorities together form the Board's 'Centenary Vision'.

Retirement can be a stressful life event for many people and particularly so for the Church of England clergy who have lived most of their working lives in tied accommodation and for whom retirement also entails the stress of moving to a new house. The Board aims to work with clergy to assist them in this significant life transition and encourages early conversations about retirement housing and pension provision. We aim to provide an appropriate level of service over the long term, and retirement housing which is well maintained and suits its purpose.

In 2023, the Board will continue to provide these services within the resources available. We continue to shape and refine the services that are offered to ensure that they are sustainable in the future.

The charitable activities are financed by grants, gifts, legacies, and investment income. All donations are placed in the General Purposes Fund unless otherwise specified. We are very grateful to those who have given donations and left legacies over the past year.

Charitable activities of the Board

Around one in six clergy retiring from the stipendiary ministry seek the Board's assistance with retirement accommodation, whether in the Board's properties or through advice and signposting to other providers.

Around 2,500 individuals – primarily retired clergy and their dependants – receive housing direct assistance from the Board. The majority of these customers are residents in the Board's rental and supported housing properties. The Board also operates a small shared ownership scheme and mortgage schemes, which are closed to new applicants. Although the expression is used less now, these services continue to be referred to by the acronym CHARM (Church's Housing Assistance for Retired Ministry).

Housing

The Church of England Pensions Board's retirement housing provision is designed to assist retiring clergy leaving tied accommodation and who have not been able to make their own provision for somewhere to live in retirement. The provision of housing is a discretionary facility, with the Board specifying various parameters relating to the size and type of property available. The parameters are regularly reviewed.

Information on the housing offers, eligibility and access to the various options is available on the Church of England website at www.churchofengland.org/housing.

The Board also supports retirees and their households through a Welfare Advice Service which enables us to sign-post individuals to other charities and agencies through which they can access the different types of support available to them, including helping individuals to navigate the state benefit system. The Board operates a modest discretionary grant scheme to assist those on the lowest incomes.

Rental Property

The rental option is the Board's core service, with 1,172 properties let across England and Wales as at the end of 2022. Customers can choose from a portfolio of available properties across the country up to five years before they intend to retire and "reserve" it for their retirement.

The Board ensures that all properties are in a good state of repair. It uses stock condition surveys to plan and carry out maintenance.

Tenants who moved into their properties after 1 April 2015 pay a "target rent" based on a social housing model; tenants who already lived in a property prior to this date pay a rent which was based on their (joint) income, which is being slowly transitioned to a target rent.

The CHARM scheme is subsidised by the wider Church of England through Vote 5 of the Archbishops' Council's budget. The total grant for 2022 was £5.6m (2021: £5.4m). This support enables the Board to continue to offer target rents at a lower level than market rents. The Trustees are grateful for the financial support from the wider Church towards this work.

Supported Housing

For more than 70 years, the Board has operated supported housing schemes for those retired clergy and their dependants who wish to live as independently as possible in a community of Christians. Some retired clergy, or their surviving spouses or civil partners, no longer feel comfortable living by themselves or find it increasingly difficult to maintain and manage a home of their own. Equally, some wish to continue living within a community where the liturgical and spiritual life of the Church of England is central and practical support is available to enrich older living.

The Board's seven supported housing communities provide residents with a self-contained flat and include dining facilities, meeting spaces, libraries, a chapel and communal grounds. The Board charges for the accommodation using a rent and service charge system and operate a subsidy system to assist those of its residents who are unable to pay for those support charges which are not eligible for state assistance.

The total cost of running the supported housing operation including central overheads and costs in relation to former nursing care services, is largely met by the income the Board receives through rent and service charges. The shortfall is met from grants, voluntary donations and investment income received by the General Purposes Fund. In 2022 legacies

and miscellaneous donations amounted to £0.8m (2021: £0.7m).¹

Following consultation with residents and stakeholders, in 2022 the Board commenced a pilot to permit a small number of retired ministers from partner denominations to apply for the Board's Supported Housing schemes. This move is in keeping with the Church of England's ecumenical partnerships and is designed to assist in managing voids in Supported Housing for the good of the schemes and their residents.

Shared Ownership

The Shared Ownership option assists 91 households. Properties are bought in partnership with the customer who contributes a minimum of 25% of the property cost. The Board's maximum contribution is £150,000. Additional shares of the property can be bought by the customer who can buy outright ownership if they wish.

Customers pay a rent, based on the Board's capital share of the property, and a service charge which reflects the cost of maintaining and insuring the property. The rent is increased in line with the weighted increase in the full Church and State pension for a married couple.

Interest in the Shared Ownership product has declined in recent years, in part due to the wider availability of comparable or better products in the market. The Board conducted a review of the scheme in the autumn of 2022 and agreed to suspend accepting any further applications for Shared Ownership while it explores whether signposting to other providers will comfortably meet the needs of the small numbers who enquire about shared ownership.

Mortgage Schemes

The mortgage schemes are closed to new applicants.

A fixed-interest mortgage option was in operation until 31 December 1982. Mortgagors had the option to pay interest on the amount loaned during the life of the loan and then on redemption repay the nominal amount of the loan or pay one-half of the interest due during the life of the loan and on redemption repay the nominal amount of the loan together with the unpaid interest. Four loans were outstanding at the end of the year, two of which the mortgagor is paying the full interest amount on the mortgage advanced, and two of which the mortgagor is paying one-half of the interest due.

A value-linked mortgage option closed on 31 March 2008. Mortgagors pay an interest-only element on the advanced sum, with the rate of interest being subject to an annual uplift in line with increases in Church and State pensions. When the property is sold or the mortgage redeemed, the sale proceeds are divided between the mortgagor and the Board in the same proportions as when the loan was advanced. At the end of the year mortgage loans were outstanding on 447 properties (391 from the Charity and 56 from the subsidiary company CEPB Mortgages Ltd) (2021: 485 properties (428 from the Charity and 57 from the subsidiary company CEPB Mortgages Ltd)).

¹ See note 4 for further details of the shortfall between charitable income from rent and service charges, and charitable expenditure incurred.

Signposting to alternative housing options

The Board supports existing residents (and, increasingly, newly retiring clergy) in exploring alternative housing options with other providers. Such other providers include Christian charities who offer care or community living and housing associations. In some cases the Board supports residents and their families in seeking a next phase of retirement living in a care home or extra care facility.

Administration of pensions

During the period covered by this report, the Church of England Pensions Board was the trustee of three pension funds – the Church of England Funded Pension Scheme, the Church Workers Pension Fund, and the Church Administrators Pension Fund.

The administration of pensions for the clergy is one of the charitable objects of the Board; this is carried out at no cost to the charitable funds since the administration costs are charged to the relevant pension fund.

In total, the pensions for more than 42,000 people, across about 700 employers are administered by the Board. Separate reports and accounts are issued for each of the pension schemes.

Review of 2022 activities

Housing

The pandemic was disruptive for so many aspects of our lives, with a continuing impact on the property market and retirement planning. Some clergy delayed retirement to see their parishes through the pandemic; for others, it has led to earlier retirements than they originally planned. On top of pre-existing demographic trends, this is leading to unprecedented demand for help with retirement housing.

By the end of 2022, 83 retirees had moved into Church retirement properties (equivalent to one household every four days), with around 150 applications received for future support. We are grateful for the continued support of Church colleagues, as we work to support applicants in finding the right option for their retirement in a challenging climate, including a slowing property market. At the end of the year the Board held 1,172 rental properties (2021: 1,177) following 20 purchases in the year and 25 sales. Of these properties, 956 (2021: 946) are financed by the Pensions Board and 216 (2021: 231) are financed with the Church Commissioners.

In the context of increasing costs of living, our specialist advice services (open to all our customers) continue to be well-used. In 2022, we supported more than 240 households through our Welfare Advice and Housing Support services, offering support not only with applications for state benefits, but also signposting to, and making connections with, other charities to offer specialist advice and support.

With the lifting of all pandemic restrictions, our retirement living communities have been able to return to life largely as normal, which has meant a year full of garden parties, special

events and visits. We are also piloting accepting applications from ecumenical colleagues at two of our schemes, helping towards scheme costs. At the end of the year there were 245 people resident in community living (2021: 254).

Elsewhere this year, work on our property safety programme continued, with the completion of electrical safety tests across almost all our rental properties. We restructured how we deliver major works to our occupied properties. The Housing Management System introduced in September 2021 was intensively used and further developed through the year. This system provides a joined up view of the customer and obviates reliance on spreadsheets and paper files.

Towards the end of the year we commenced a review of how the service should develop in response to changing demand patterns and the changing economic environment. Discussions with the Archbishops' Council resulted in the award of an additional grant in the sum of £9m to assist the Board in continuing to provide housing services in the wake of the changed economic realities, while working towards potential new models.

In line with the General Synod environment motion in February 2020, the Board continued to explore the technologies, costs and practical steps to achieve climate transition in its housing portfolio, building on the feasibility study completed in 2021. This information contributed to an allocation of funding by the Church Commissioners and Archbishops' Council of £190m over 9 years to support the Church in transition to net zero. It is planned that a portion of that funding will be available to the Board and other providers of operational housing.

Administration of Pensions

Our year started with the completion of a 'buy-in' for the Defined Benefit Scheme section of the CWPF. A buy-in is an insurance policy that delivers a guaranteed income stream to exactly match the pensions that need to be paid out to retired members. After carefully reviewing all our options, the Board placed a £160m buy-in policy with Aviva. In undertaking the buy-in the Board moved quickly to lock in some of the benefits of investment market gains in 2021. This proved to be a timely move, given the deterioration in markets that followed for much of 2022. As well as securing member benefits, the buy-in reduces the risk for employers of a deficit emerging in the scheme in future. This scheme is looking to be in surplus as it approaches its statutory valuation, as a result of which, the Board was able to suspend deficit recovery contributions for employers estimated to be in surplus from 1 January 2023. This step will save employers around £0.8m collectively in 2023.

In 2022, we undertook the statutory valuation of our largest scheme, the Church of England Funded Pensions Scheme. Early results were sufficiently encouraging that we were able to make an interim reduction in employer contributions from April 2022. Indeed, the valuation went on to show the scheme to be fully funded for the first time in its history – with a recorded surplus of £560m at the valuation date (31 December 2021). This is good news for members and participating bodies alike, signalling the end of deficit recovery payments and lower contribution rates for participating bodies over the next three years, worth £25m per annum to the Church economy.

Work continued last year to roll out PensionsOnline, our secure portal that offers members access to their pensions records as and when they need it. We first launched the site in

2021, and have progressively offered access to more and more members. By the end of 2022, 15,000 members had registered, and the system had been used more than 6,000 times by members to update address, banking, and other personal details instantly with us, saving time and paper. Meanwhile we continued to develop an equivalent online system for employers to reduce the work involved in collecting member contributions, and this is on schedule to roll out in 2023.

Like many of our members, we have been concerned about the rising cost of living during 2022. In addition to the advice and guidance services we offer, we have looked carefully at the increases in pensions due in 2023. Each scheme operates to different rules and the funding levels are different between the schemes. However, we were pleased to be able to override the caps on pension increases for various categories of pensioner to enable higher increases. This included an inflation-matching increase in the CEFPS.

Offering excellent customer service is one of our core objectives. This year, our pensions team has been phenomenally busy, handling over 1,200 customer calls each month on average (up from just under 700 per month in 2021). Customer satisfaction scores averaged over 8 out of 10 for the third year in a row (with a score of 8.3).

We are continuing to invest in improving the services we provide. In 2022, we were pleased to start a new partnership with Ecclesiastical Financial Advisory Services, offering members access to discounted independent financial advice on pensions, housing and other personal finance matters. Meanwhile, we have continued to work with colleagues right across the Church to support planning well for retirement.

The total assets of the defined benefit pension schemes for which the Board is Trustee returned -13.2% over 2022 (2021: 13%). For the ten years to the end of 2022, annualised returns are 7.6%. However, despite the negative investment return in 2022, the funding position across all schemes improved due to a reduction in the estimated value of liabilities, for example as a result of higher expected yields following reductions in asset prices.

The results of the schemes are not reflected in those of the Board and may be found in the separate annual report and accounts produced for each scheme. The table below provides summary information for the net assets of each scheme as at 31 December 2022.

	Church of England Funded Pension Scheme £m	Church Workers Pension Fund £m	Church Administrators Pension Fund £m	Total £m
Total net assets available for benefits	2,424	599	138	3,161

The table below provides summary information for the most recent concluded actuarial valuation of each pension scheme at the date indicated. The CWPF and CAPF valuations will be concluded in 2023.

	Church of England Funded Pension Scheme £m	Church Workers Pension Fund £m	Church Administrators Pension Fund £m
<i>Date of Valuation</i>	31 Dec 2021	31 Dec 2019	31 Dec 2019
Total Technical Provisions	(2,160)	(611)	(151)
Total net assets available for benefits	2,720	601	142
Total pension scheme surplus (deficit) deficit	560	(10)	(9)

In line with its agreed long-term asset allocation, the Board continued its programme of diversifying the assets and sources of return for the pension schemes during the year, particularly through commitments to private market and alternative investments. This additional diversification partly mitigated the volatility in equity and gilt markets throughout the year. The Board is a long-term investor well able to ride out market volatility. Our long-term plan envisages both restructuring and reducing public equity investments as a share of the total, with further investments in private markets and other assets. We can do this because, overall, our schemes are continuing to grow and are some years from maturity. This will further diversify our growth portfolio and directly supports our ethical investment agenda, by allowing us to invest in areas such as renewable energy, energy efficiency, environmental wellbeing, and technology.

Customer engagement and communications

During 2022 the Board hosted its first member online webinar in which the Trustees and Executive summarised activities in 2021, took questions, and hosted a series of breakout sessions on topics of interest to members. This was a success and will be repeated in 2023. In addition, a further webinar was offered on Responsible Investment themes.

The Board also established a Resident Panel in 2022. The Panel met four times and is drawn from volunteers from among our residents. The Panel has been helpful in explaining the Board's services, exploring and soliciting feedback on ideas, and hearing resident feedback on different aspects of our services.

Following the interruption of the pandemic, the Board's staff resumed the practice of attending pre-retirement seminars in various dioceses, and worked with a number of Theological Colleges to provide information pre-ordination. The Board is also piloting engagement with clergy mid-ministry to help members plan well for the future.

The Board's Approach to Ethical Investment & Stewardship

The Board is a leading voice in ethical and responsible investment. It is globally recognised and respected for its work. The Board actively engages with companies in which its funds are invested and is committed to stewarding its funds in a way that reflects the Church's

teaching and values. The Board is the only pension provider offering schemes that fully comply with the Church of England's ethical investment policies. We work with other investors to drive change on the issues that matter most to our members and the world they will retire into.

As a long-term investor, we have to consider systemic risks. Climate change is the prime example, with extreme weather events and rising temperatures already having a noticeable impact on economies and communities around the world.

We continue to chair the Transition Pathway Initiative, the leading investor tool for assessing the robustness of a company's climate transition plans. In 2022, we celebrated the opening of the new TPI Global Climate Transition Centre at the London School of Economics, which will significantly increase the TPI's research capacity. The TPI is also being extended to cover Government bonds through the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) Project – a new initiative we are leading with the BT Pension Fund.

Systemic risks cannot be tackled by any single investor acting alone; partnership working is essential and is built into our strategy. In 2022, we started work with 11 other UK pension funds (with a combined 18m members, and £400bn of assets under management), on a set of principles for how investors can support a just climate transition for emerging economies.

We continue to work with the other National Investing Bodies of the Church to set targets for radical change within the oil and gas sector, in line with our commitments to Synod. At the end of 2022 fossil fuels represented less than 0.2% of our investments, but that small holding gives us a position and voice to advocate for industrywide reform. We look forward to reporting back to General Synod in 2023 on the progress of our climate engagement within the sector. Increasingly, we are switching our engagement focus from companies that supply oil and gas, to those that drive demand, such as the automotive sector. Working with Swedish and Danish Public Pension funds, we started legal proceedings in October against Volkswagen to demand transparency around its corporate climate lobbying initiatives.

Our engagement with the mining sector is another example of how we are tackling systemic issues and risks head on. The tragedy at Brazil's Brumadinho dam in 2019 led to us issuing a call for investor action on dam safety. Since then, the work has broadened to cover sector-wide reform on a number of fronts. For instance, the transition to a net zero global economy requires low-carbon solutions (e.g. electric car batteries) that are mineral intensive. The demand has to be met responsibly, in a sector faced with issues around impacts on biodiversity, respect for indigenous rights and fair labour practices. In March, we convened an investor roundtable to discuss a bold reform agenda for the sector by 2030. We look forward to sharing more on this in early 2023.

We are an active asset owner, using our voice to change company practice for the better, both in terms of improving company performance and managing the impact on society. Last year, we voted in 98% of shareholder ballots in the companies in which we invest, voting in total at more than 1,500 shareholder meetings. While slightly less than the 2021 total, due to a reduction in our equity holdings, we voted on more than 20,000 separate resolutions, voting against management recommendations 17.04% of the time where these did not align with our values. In 2022, we took steps to more visibly highlight issues around executive pay, convening a summit of investors, regulators and FTSE 100 remuneration committee

chairs to consider how shareholder concerns around excessive pay can be addressed ahead of votes in 2023.

In 2022 the Board's status as a signatory to the UK Stewardship Code was reconfirmed by the Financial Reporting Council. In 2023 we will be formally submitting our first Task Force on Climate Related Financial Disclosures (TCFD) report, and in preparation for this in 2022 we conducted climate scenario analysis on the pension funds across assets, liabilities and covenant.

Financial Review

The Board's overall result for 2022 was a net reduction in funds of £8.3m (2021: increase of £4.0m). Net expenditure before gains on investments was £3.2m (2021: net expenditure of £1.2m).

Total income for 2022 was £31.7m (2021: £29.1m), with income from charitable activities being £22.1m (2021: 20.4m), which includes income from rents and service charges for CHARM properties and the supported housing schemes along with interest received in relation to mortgage properties, which together amount to £13.6m (2021: £13.6m). The remaining income from charitable activities of £8.5m (2021: £6.8m) relates to the recovery of administrative costs in respect of the pension schemes administered by the Board.

In addition to the income received through provision of its services, the Board relies upon voluntary income sources to sustain its charitable activities. Income from grants, donations and legacies was £6.4m (2021: £6.1m). This includes support from the wider Church of England, through Vote 5 of the Archbishops' Council's budget, under which a grant of £5.6m (2021: £5.4m) was made towards the provision of retirement housing. Total income from donations and legacies in 2022 was £0.8m (2021: £0.7m) for which the Board is extremely grateful.

The Board also received investment income of £1.6m (2021: £1.7m), and profit from the sale of CHARM properties of £1.5m (10 rental and 7 shared ownership) (2021: £0.8m, 9 rental and 4 shared ownership). The Board continues to develop the portfolio through sale of unsuitable properties as they become vacant, using the proceeds of sale, along with external borrowing, to fund the purchase of new properties.

Total expenditure for 2022 totalled £34.9m (2021: £30.2m), with expenditure on charitable activities totalling £34.8m (2021: £30.2m). The largest component of expenditure was on rental properties of £16.3m (2021: £14.1m), with the year on year increase reflecting the post pandemic context and a return to more 'typical' levels of property improvement works and maintenance than was permitting during Covid restrictions, along with inflationary pressures on key expenditure items and increased cost of borrowing. Expenditure on supported housing was £6.2m (2021: £5.5m).

Charitable expenditure also includes the cost of administering the pension schemes which was £8.5m (2021: £6.8m) – this is a figure which varies year to year in large part due to the level of work on statutory valuations within the year.

Net losses of £5.1m on investment funds (2021: gains of £5.2m), explained further below,

contributed to an overall decrease in total funds of £8.3m to £123.6m (2021: £131.9m).

The value of fixed assets reduced in the year to £300.3m (2021: £306.0m). The overall value of the CHARM portfolio increased by £0.3m to £234.5m, reflecting acquisitions and disposals in the year, whilst the value of CEPB funded properties increased to £185.9m (2021: £182.0m).

The Board's pension deficit liability in relation to its participation in the CAPF scheme was £0.3m at the end of 2022 (2021: £0.5m).

External financing

The Board has supported the long-term financing of the CHARM scheme through the issue of two listed bonds, as well as making use of a Revolving Credit Facility.

During 2015 the Board issued a £100m Bond, of which £70m was drawn down immediately. This gave the Board access to long-term finance to purchase additional retirement properties, to secure the future of clergy housing in retirement. The Board used part of the proceeds to acquire the further economic interest in 196 CHARM rental properties which had been financed by the Church Commissioners and had previously been subject to significant restrictions. The remaining proceeds were used to repay other existing, shorter-term, borrowings.

In 2018, the Board issued a £50m fixed rate bond in April 2018, of which £30m was drawn down immediately and was predominantly used to repay existing borrowings. This reflects the continuation of the Board's long-term financing strategy.

In 2019, the Board agreed a variation to its £50m Revolving Credit Facility, extending this arrangement to 2025.

Charity Investments

The charity holds investments of £41.7m (2021: £46.9m), which generated income of £1.6m in the year (2021: £1.7m).

During 2022 the majority of investments were held with Brewin Dolphin, the Charities Property Fund (CPF, managed by Savills) and the Property Income Trust for Charities (PITCH, managed by Mayfair Capital). The CPF and PITCH funds invest wholly in UK property, principally industrial, office and retail property. They are structured as charity common investment funds, which allow investing charities to benefit from their statutory exemption from stamp duty on UK investments. The charity also holds £0.8m (2021: £0.7m) in investment properties, covering a portfolio of 6 (2021: 6) properties.

The amounts invested at the end of 2022 by the Board across the three funds are shown in the table below, along with the return generated by each investment for the Board over the year. At times, the Board's returns may differ from the funds' own returns, because of investment or disinvestment during the year, which will affect its returns.

The Board monitored its charitable investments carefully during 2022 in the light of the pandemic and will continue to review the charity investment strategy in 2023.

	Value at end 2022 £m	Allocation %	2022 Return for the Board %
Brewin Dolphin	12.6	30	-10.5
Investment Properties	0.8	2	1.5
Savills Charities Property Fund	20.3	49	-4.2
Mayfair Capital Property Income Trust for Charities	8.0	19	-13.1
Total	41.7	100	-7.9

The charity also holds £0.8m (2021: £0.8m) in short-term cash deposits with the CBF Deposit Fund (CBDFD, managed by CCLA Management Ltd.)

Further information about the two charity property funds in which the Board is invested is provided below.

	Fund returns net of fees			Yield	Net fund size
	2022	2020-2022	2018-2022	End 2022	End 2022
	%	% pa	% pa	%	£m
Savills Charities Property Fund	-4.2	3.7	4.0	4.3	1,200
Mayfair Capital Property Income Trust for Charities	-13.1	1.7	3.2	5.3	672

Risk Management

The Church of England Pensions Board's risk management process supports management by facilitating the identification and assessment of significant risks to the achievement of objectives. There is a clearly defined Risk Management Policy which outlines the roles and responsibilities of Trustees, management, and staff.

The Trustee Board reviews the strategic risk register and risk management arrangements at least annually. The Board is supported by the Audit and Risk Committee, which regularly review the risk registers and the adequacy of arrangements in place to manage the risks.

The Board has considered its appetite for different types of risk and seeks assurance that additional actions are planned where residual risk is assessed to exceed the stated appetite. The Board recognises that fulfilment of certain Pension Trustee and charitable duties requires a measure of risk taking, for example to deliver investment returns for members, and seeks to ensure that such activities are undertaken within an appropriate control environment. The Board further recognises that risks rarely materialise in isolation and is alert to the potential for multiple risks to materialise at the same time, and that horizon-scanning – however good – will never be perfect. It considers that the best mitigation is to have in place strong governance, a high quality executive management team and a culture in which risk is regularly discussed in an open and forward-looking way, supported by independent input and assurance activity.

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

Principal Risks

The principal risks, which Trustees consider most significant, are shown in the following table together with a summary (not exhaustive) of key management actions.

Risk	Key Management Actions include
Significant exogenous socio-economic issues have a major impact on pension deficits or covenants on external financing. (Examples might include inflation, falling house prices, a major change to mortality.)	<ul style="list-style-type: none"> • Regular monitoring and reporting of the external environment plus scenario analysis. • A diversified investment portfolio. • Funding and derisking strategies appropriate to each pension scheme supported by annual actuarial reviews and covenant monitoring • Engagement with scheme funders / employers • Debt covenant monitoring arrangements • Customer engagement
Failure to meet customer needs and expectations in the context of the expected significant increase in retirements	<ul style="list-style-type: none"> • Encouraging early customer engagement • Scenario modelling and demand surveys • Discussing forecasts and funding implications with the wider Church
Failure to comply with Landlord regulatory responsibilities resulting in injury or death to individuals	<ul style="list-style-type: none"> • Landlord responsibilities identified • Specific arrangements in place for Supported Housing, including third-party support • Compliance actions for CHARM properties delivered by a range of third-party providers, managed and monitored by in-house Compliance Manager using the new QL housing management system • Specific COVID-19 management arrangements. • Improved compliance monitoring resulting from the implementation of the Housing Management System
Covenant(s) materially weakened by a significant event within the church leading to financial strain	<ul style="list-style-type: none"> • Covenant monitoring and integrated risk management and liaison with employers • Close liaison with Archbishops' Council on wider church financial issues • Horizon scanning and ad-hoc simulation or scenario planning

Risk	Key Management Actions include
Legal or regulatory change resulting in a pension scheme or housing operations becoming unviable, unacceptable to employers, or unaffordable.	<ul style="list-style-type: none"> • Horizon scanning • Engagement with regulatory bodies, policy makers and industry associations • Responsible investment programme • Governance reforms implemented
Failure to understand and respond to the paradigm shifts caused by climate change	<ul style="list-style-type: none"> • Climate change integrated into investment decision making, with independent climate scenario analysis completed in 2022. • Property purchases consider climate and flood risk • CofE Net Zero programme
Failure to manage change well	<ul style="list-style-type: none"> • Attention to good planning and good communication. • Consultative approaches including the new resident panel
A significant IT Security breach leads to a prolonged period of service disruption or reputational damage.	<ul style="list-style-type: none"> • Cyber resilience and Technology strategy, including Cyber Essentials Plus certification. • Dedicated IT Security programme • IT Security Awareness Training
Failure to deliver strategic objectives in the event of a major business continuity event	<ul style="list-style-type: none"> • Regular review and testing of business continuity plans across NCIs • Defined Health and Safety procedures
Inability to attract/recruit and/or retain high quality staff with the requisite skills.	<ul style="list-style-type: none"> • Continued focus on trustee diversity • Attention to total reward and remuneration arrangements • Internal communication and action planning following staff surveys including work on mental health, supporting hybrid working, and belonging and inclusion

Although in 2022, the worst of the severity of the global pandemic had reduced, the Board continued to pay close attention to the on-going consequences of the pandemic both in terms of direct effects (such as infection control) and wider impacts (such as the implications for the covenants supporting pension schemes, for example as a result of declining Church income). The Board continues to liaise with other NCIs and other Church bodies on these matters.

Going Concern

The Board meets the cost of property purchases, fit outs and other working capital requirements through its external borrowing, comprising a bank facility and two listed bond issues. The Board prepares annual budgets and regular re-forecasts, along with a three-year financial plan to ensure that it can meet its spending commitments as they fall due, and fulfil the terms and conditions associated with external borrowing. In addition, the Board has also prepared a long-term business plan to consider financial viability over a longer period than that for which formal budgets and forecasts are prepared.

The Board has considered the key risks and uncertainties which impact upon immediate liquidity and longer-term solvency. These include the level of anticipated demand for its services, the resilience of voluntary income streams and changes in economic conditions. It has modelled the impact of changes in these factors over time and has considered whether it has adequate reserves and appropriate contingency plans to deal with a range of potential adverse scenarios.

The Board has considered the legacy of the COVID-19 pandemic on its operations, including the impact of delayed activity on its future obligations and commitments. These include but are not limited to rescheduling of property works that were not appropriate to undertake during the height of the pandemic and the wider consequences on pension scheme covenants.

In 2022 the economic environment changed with increasing interest rates and higher levels of inflation. The Board considered the implications carefully in the context of its financial covenants and the steps it could or may need to take. These issues were discussed with the Archbishops' Council, which resulted in additional funds being made available to the Board in 2023 to support meeting elevated demand for retirement housing.

Having due regard to the above, the trustees have reasonable expectation that the Board has adequate resources to meet its spending commitments as they fall due, including the servicing and repayment of debt and compliance with loan covenants for the foreseeable future. Accordingly, the going concern basis of accounting in preparing the annual report and accounts continues to be adopted.

Approach to Taxation

In conducting its tax affairs, the Board will:

- ensure that it conducts them not only in accordance with the letter but also the spirit of the law;
- not behave in a manner that could be considered aggressive or abusive;
- endeavour to obtain all reliefs available to it as a charity;
- ensure that all tax filings are compliant with the law and that tax payments are made in a timely manner;
- engage in dialogue with His Majesty's Revenue & Customs ("HMRC") on a regular basis to ensure that any matters where the tax treatment is uncertain or difficult are raised and discussed at an early opportunity;

- maintain suitable processes and controls to ensure that the risk of non-compliance with filing and disclosure requirements is minimised; and
- ensure appropriate compliance with any non-UK tax regimes in relation to filing and payment obligations by paying the right amount of tax in the right place at the right time and disclosing all relevant facts and circumstances to the tax authorities and claiming reliefs and incentives where available.

Reserves

Unrestricted funds

The unrestricted funds represent expenditure incurred by the Board on salaries and working expenses subsequently recovered from the pension funds administered by the Board. The Board has no net assets in its own right as a body corporate and, consequently, no unrestricted reserves are retained.

Restricted funds

Restricted income funds are to be spent or applied within a reasonable period from their receipt to further one or more, but not all of the charity's charitable purposes.

The largest restricted fund administered by the Board is the **General Purposes Fund** ("GPF") at £110.2m (2021: £119.5m), which exists to provide for the relief of poverty among, and housing for retired clergy and church workers and their spouses/former spouses/dependants etc. This fund is considered to be restricted since the provisions for use of its resources are narrower than the statutory objects of the Board, which include the administration of pensions.

Within the GPF, the Board has earmarked funds of £1.2m (2021: £4.9m) for the provision of future property maintenance costs. The designation of this fund merely expresses the current intentions of the Trustees and has no legal effect. Legally, the funds are available for spending on any of the objects of the GPF.

The **Clergy Retirement Housing Trust** ("CRHT") is a registered charity and is a linked charity of the Board (Charity No. 236627-2). The CRHT may use its property as residences for qualified persons under the provisions of the Clergy Pensions Measure 1961 or any succeeding legislation. As a linked charity, it is accounted for as a separate restricted fund, which together with some smaller trusts is valued at £13.4m (2021: £12.8m).

Reserves policy

Reserves are held to ensure that the Board can continue to deliver services to its beneficiaries and to meet its obligations and covenants in respect of debt financing in the event of a sustained reduction in voluntary income or other adverse scenario. The Board considers annually the level of reserves that should be maintained and takes account of the requirements of the Charities SORP and the guidance issued by the Charity Commission (Charities and reserves CC19).

Whilst it is unusual for a charity to hold reserves entirely within restricted funds, in practice

the breadth of the restriction placed on the General Purposes Fund means that the trustees have a reasonable expectation that they could meet all necessary charitable expenditure of the Board from this fund, excluding the administration of pensions, the cost of which is fully recoverable from the Schemes.

For the purposes of defining an appropriate reserves policy, the Board therefore considers 'free reserves' to be the net assets of the General Purposes Fund after excluding:

- the value of programme related assets net of secured borrowings, i.e. CHARM properties (most of which are debt financed);
- other fixed assets held for charitable purposes, which cannot be quickly realised;
- the amount earmarked for property maintenance;
- and after making provision for the pension liability.

The Board holds free reserves in the region of £35m - £40m, allowing it to generate annual investment income of around £1.5m whilst taking an investment approach which aims to preserve capital value. This level of reserve also gives considerable cover in the case of a one-off significant financial stress event.

The Trustees have again considered the reserves policy as we emerge from the COVID-19 pandemic and the impact on the Board's activities as well as the wider economy, and believe it continues to be appropriate. Therefore, no changes have been made.

Plans for the future

The Pensions Board has been providing retirement services to the Church of England for 97 years. These services have changed markedly over the years and will continue to develop as customer and stakeholder needs evolve. The Board will continue to regularly review these services using the information obtained from an understanding of its customer and stakeholder needs and expectations, to improve delivery, whilst demonstrating value for money to those who provide the Board with the resources to operate. It will also continue to provide a working environment which motivates and develops its people to give of their best and take pride in working for the Church of England Pensions Board.

Our core work will continue to be serving a growing population of 42,000 pension scheme members and beneficiaries and 2,700 housing residents, plus working with partner employers and responsible bodies across the Church of England. This includes managing health and safety, regulatory compliance and performance monitoring.

The strategic priorities adopted by the Board in December 2019 continue to guide our strategic agenda. These priorities – simplification, engaging in great conversations, and seeking to become more self-sufficient over the long term – resonate strongly with the emerging vision for the Church of England and are manifest in various parts of our plan.

On top of our core service delivery, specific activities in our Delivery Plan for 2023 include the following:

1. Conduct the triennial valuations of the CWPF and CAPF working well with employers.
2. Continuing the roll out and functionality development of PensionsOnline, including an

employer hub to allow an easier interface for employers and working towards the Pension Dashboard requirements.

3. Developing and expanding the signposting and guidance provided to those exploring retirement housing options so that they have information about a wider range of potential solutions alongside direct housing in the Board's properties.
4. Continue to develop and realise the benefits from the Board's investment in a housing management system.
5. Complete the first formal report under the Taskforce for Climate-Related Financial Disclosures (TCFD).
6. Set out a '2030' investor agenda for the mining sector, working with other funds and companies.
7. Together with the other National Investing Bodies, report back on the commitments made to General Synod in July 2018 at the conclusion of the five year responsible investment programme on climate change.
8. Improvements to key customer service processes and feedback mechanisms such as the resident forum.
9. Pan-NCI belonging and inclusion programme including diversity and inclusion training, mentoring and professional development opportunities.
10. Follow up on the reflections and recommendations from the externally facilitated Board Effectiveness review.

Structure, governance and management

Governance

Members of the Board represent a balance of skills and expertise and are drawn from a wide range of constituencies.

From 1 July 2021, the provisions of the Legislative Reform Order came into effect. This reduced the size of the Board from 20 members to 12. The Chair is an appointment of the Archbishops with the approval of Synod. There are four member nominated trustees, two drawn from the clergy schemes and one each from the CWPF and CAPF. One member is elected by the CAPF and/or CWPF employers and one appointed by the Archbishops following consultation with the Commissioners and dioceses, as a proxy for the clergy 'employers'. The remaining members are formally appointees of the Archbishops for their skills and expertise following an open process and appropriate consultations.

The Board decides on the frequency of its meetings, which is typically five a year. For Board meetings a quorum is present when four people are in attendance, including at least one persons elected by the members of the pension schemes administered by the Board.

New trustees receive an induction into the work and practices of the organisation. All have access to an online database which includes outlines of their responsibilities, copies of the Rules and other documentation for each pension scheme, policies relating to the provision and operation of retirement housing assistance, and a library of past Board and committee papers.

Members of the Board have completed either fully or partially the Pensions Regulator’s Trustee Toolkit, or an equivalent qualification, and regular training sessions are provided at Board meetings on a range of subject areas. In 2022 trustee training topics included risk appetite, an update on trustee responsibilities, particularly in light of the Pensions Act 2021, the future shape of pension schemes, the path to net zero in its investments, and the Board’s responsibilities and duties in relation to safeguarding.

The Board has committees to oversee the following areas: Audit and Risk, Housing, Investment, and Pensions. The Board has delegated authority to make decisions concerning these areas within its terms of reference and to make recommendations to the full Pension Board on other matters.

The Board has also delegated some of the day-to-day management and operation of the schemes’ affairs to professional organisations as set out on page 27.

In 2022, a year on from the Legislative Reform Order, the Board undertook an externally facilitated Board Effectiveness Review. The external reviewer interviewed trustees and the executive, observed a Board and a Committee meeting, and reviewed documentation. The report was considered at the Board’s December meeting. This was a thoroughly positive report, identifying numerous examples of best practice. It also presented some recommendations for consideration, and these will be taken forward in 2023.

Independent Auditors

During the year, there have not been any non-audit services performed by the external auditors Crowe U.K. LLP.

Ethical Investment Advice

The Board manages the Secretariat to the Ethical Investment Advisory Group (“EIAG”) on behalf of the Church of England’s national investing bodies – the Church Commissioners, the Church of England Pensions Board and the CBF Church of England funds managed by CCLA Investment Management Ltd. The work of the EIAG informs the Board’s investment activities and policies.

The Charity Code of Governance

The Church of England Pensions Board takes its governance responsibilities seriously and, as a large charity, aims to have a governance framework that is fit for purpose, compliant and efficient. In 2017 the new Charity Code of Governance was launched, with a recommendation that charities review their level of application and to explain any aspects of the code they were not applying. In our review, we carried out a detailed examination of each element of the code:

- Organisational purpose
- Leadership
- Integrity
- Decision making, risk and control

- Board effectiveness
- Equality, diversity and inclusion
- Openness and accountability

Our review found we apply the code with a few exceptions, mainly arising from the Governing documentation, which as a statutory corporation, is itself primary legislation. The main area where we differed from the recommendations related to the limitation of trustee terms. On 1 July 2021, the Legislative Reform Order came into effect. This reduced trustees' terms from six years to five and provides that no trustee may serve more than ten years. This differs slightly from the recommendation in the Code of nine years because of the overriding need to provide a measure of continuity through triennial pension scheme valuation cycles.

The externally facilitated Board Effectiveness Review in 2022 validated the Board's self-assessment against the Charity Governance Code.

In recent years, the Board has also enhanced its compliance with the Code. These have included extending the gathering of feedback from customers, consideration of extending the aspects of diversity we monitor, and through a thorough review of our charitable services.

Trustee Diversity

The Board monitors its diversity profile annually and considers what action, where necessary, should be taken to address imbalances. As at 31 December 2022 -

- 42% of trustees identified as women
- 67% of trustees identified as being members of the Church of England

The figures for ethnicity, disability and LGBT+ have not been set out as they are small in the context of a small board, and their disclosure may identify individual trustees.

The average age of the trustees fell in the bracket 55-64 years old.

Trustees

The Board has members elected and appointed by various means, which are described below. It delegates some of its business and decision making to sub-committees.

Board members (1 January 2022 to 13 July 2023)

Appointed with the approval of the General Synod, by the Archbishops of Canterbury and York Clive Mather (Chair)	
Appointed by the Archbishops of Canterbury and York Roger Boulton FIA Canon Emma Osborne Ian Wilson	Appointed by the Archbishops of Canterbury and York after consultation with the Chairs of the Church of England Appointments Committee and the General Synod's House of Laity Tony King
Appointed by the Archbishops of Canterbury and York after consultation with the Chair of the Church of England Appointments Committee and the Prolocutors of the Convocations of Canterbury and York The Revd Caroline Titley	Appointed by the Archbishops of Canterbury and York after consultation with the Church Commissioners and the representatives of the dioceses Nikesh Patel
Elected by the members of the Church Workers Pensions Fund Michaela Southworth	Elected by the members of the Church Administrators Pensions Fund Maggie Rodger
Elected by the members of the clergy pension schemes The Revd Hugh Lee The Revd Canon Eleanor Robertshaw	Elected by the Employers in the Church Workers Pensions Fund and the Church Administrators Pensions Fund Richard Hubbard

Committee Members (1 January 2022 – 13 July 2023)

Audit and Risk Committee Maggie Rodger (Chair) Tony King Ian Wilson Helen Ashley Taylor* Canon Susan Pope* Caron Bradshaw OBE*	Pensions Committee Richard Hubbard (Chair) The Revd Hugh Lee Maggie Rodger Michaela Southworth Ian Wilson
---	---

Housing Committee	Investment Committee
The Revd Caroline Titley (Chair) Tony King The Revd Canon Eleanor Robertshaw Jonathan Gregory* Tom Paul* Lawrence Santcross* The Rt Revd Alan Wilson*	Matthew Beesley* (to June 2022) Roger Boulton (Chair) Hannah Gore-Randall* (from March 2023) Canon Emma Osborne Nikesh Patel Jonathan Rodgers* (to May 2023) Chris Rule* (from March 2023) Padmesh Shukla* (from March 2023)

*Indicates members of committee who kindly give of their time and experience to the committee but are not trustees of the Pensions Board.

Attendance by Trustees at meeting of the Board and its Committee

The table below sets out the attendance of trustees at meetings of the Board and its Committee during 2022. Where a member served for part of the year, the number of meetings that they could have attended is shown in brackets.

Trustee	Board (7)	Audit and Risk (4)	Housing (3)	Investment (5)	Pensions (4)
Clive Mather	7		2	5	4
Roger Boulton	7			5	
Richard Hubbard	6				4
Tony King	7	4	2		
The Revd Hugh Lee	5				3
Canon Emma Osborne	6			5	
Nikesh Patel	3			5	
The Revd Canon Eleanor Robertshaw	7		2		
Maggie Rodger	6	4			4
Michaela Southworth	4				4
The Revd Caroline Titley	7		3		
Ian Wilson	5	1			4

Reference and administrative information

Charity Number	236627
Principal office	Church House 29 Great Smith Street London SW1P 3PS
Chief Executive	John Ball MA(Oxon), MSc
Actuary	Aaron Punwani, Lane Clark and Peacock LLP
Independent Auditor	Crowe UK LLP
Bankers	Lloyds Bank
Corporate financial advisor	Traderisks Ltd (part of the Gresham House Group)
Investment Advisers	Mercer Ltd
Charity Investment Managers	Brewin Dolphin Savills Investment Management Ltd Mayfair Capital Investment Management Ltd CCLA Investment Management Ltd

Enquiries

Enquiries should be addressed to

Post Church of England Pensions Board, PO Box 2026, Pershore, WR10 9BW
Email cepbfeedback@churchofengland.org
Phone 020 7898 1890

Management

The day-to-day management of the Board's activities is delegated to the Executive Team, which is led by the Chief Executive.

Staff Remuneration and Executive Pay

Other than staff employed to work in the supported housing schemes, all staff in the Pensions Board, and those working for Church of England Central Services who provide support functions to the Board, are covered by a unified pay policy that operates across all the National Church Institutions. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value which is based on a comprehensive job evaluation scheme, with staff being placed in one of eight 'bands'. For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market related salaries and is subject to annual review. The NCIs use a range of appropriate external data tools and internal dedicated resource to advise on market rates.

Staff pay is reviewed annually and any increases as a result of the annual pay negotiations are awarded with effect from 1 January each year.

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

The annual salary for the highest paid member of staff was £193,000 (2021: £175,000), 11.5 (2021: 14.4) times the salary earned by the lowest paid member of staff and 5.1 (2021: 5.7) times the median salary.

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

Staff employed by the Board directly, mainly in the supported housing schemes and the Board's investment team, are eligible to join the Church Workers Pension Fund.

In common with the other National Church Institutions, the Pensions Board continues to be accredited with the Living Wage Foundation.

Approval

The Trustees Report was approved by the Trustees on 13 July 2023 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Clive Mather', with a horizontal line underneath.

Clive Mather
Chair

Statement of Trustees' responsibilities in relation to the financial statements

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the Church of England Pensions Board

Opinion

We have audited the financial statements of The Church of England Pensions Board (the "Parent Charity") and its subsidiaries (the "Group") for the year ended 31 December 2022, which comprise:

- the consolidated Statement of Financial Activities for the year ended 31 December 2022;
- the consolidated and Parent Charity only Balance Sheets at 31 December 2022;
- the consolidated Cash Flow Statement for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Charity's affairs as at 31 December 2022 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- the Parent Charity financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the Charities Act 2011.

Basis for opinion

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

Conclusions relating to going concern

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. Our evaluation of the Trustees' assessment of the entity's ability to continue to adopt the going concern basis of accounting included reviewing the detailed paper prepared by management setting out their assessment of the Board's ability to continue as a going concern. The assessment covers the period to 31 December 2024.

We have discussed this with the Board's management in order to fully understand their assessment including the underlying assumptions applied.

In addition to this we have:

- reviewed the period used by Trustees to assess the ability of the Group to continue as a going concern;

- examined budgets and forecasts prepared by management covering the period of the going concern assessment including the impact of Covid-19;
- reviewed the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year; and
- Reviewed any other information or documentation which the Trustees have used in their going concern assessment.

We have no further observations arising from that evaluation.

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 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 Trustees with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £3m, based on 1% of the Group's total assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Our performance materiality was set at 70% of the financial statement's materiality, amounting to £2.1m.

Where considered appropriate, performance materiality may be reduced to a lower level, such as for related party transactions.

We agreed with the Audit and Risk Committee to report to it all identified errors in excess of £150k. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the trustees made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and component level to respond to the risks, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the group and charity financial statements. Our tests included, but were not limited to, the review of financial statement disclosures, enquiries of management and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the

further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the trustees that represented a risk of material misstatement due to fraud.

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 which 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
<i>Going concern</i>	Our observations on going concern are included in the “Conclusions related to going concern” section of this report.
<i>Fixed asset impairment assessment</i> The Group holds significant levels of property assets with a total of £234.2m held at 31 December 2022. These properties are classed as programme related investments since they generate income in furtherance of the Group’s charitable objectives. As such, these properties are not revalued and are rather held at cost with an annual review for potential impairment. Each year-end, management perform a full impairment review which considers whether any properties within the portfolio should be impaired. This review utilises a range of valuation sources and applies a significant element of management judgment.	We reviewed management’s overall impairment assessment and performed our own audit work on the process, agreeing items to supporting evidence where possible including verification of the house price indices used within the impairment model to third party documentation. In addition to this, for a sample of individual properties we compared the property’s carrying value to the sale value of any similar properties in the same area. Following this work, we have determined that it is appropriate that no impairment charge is recognised in relation to the Board’s properties held at 31 December 2022.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

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

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

We have nothing to report in this regard.

Trustees' Report

Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Trustees' Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

Matters on which we are required to report by exception

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

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept by the parent charity; or
- the 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 the trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 29, 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 group's and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that

an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

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

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

Other matters which we are required to address

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

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. 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 the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP

Statutory Auditor

London

Date: 24th July 2023

Consolidated statement of financial activities of the Church of England Pensions Board for the year ended 31 December 2022

	Note	2022			2021		
		Unrestricted funds	Restricted funds	Total	Unrestricted funds	Restricted funds	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Income from:							
Grants, donations and legacies	2	-	6,396	6,396	-	6,130	6,130
Investment income	3	-	1,609	1,609	-	1,656	1,656
Charitable activities	4	8,519	13,618	22,137	6,832	13,604	20,436
Other income: gain on sale of fixed assets		-	1,522	1,522	-	844	844
Total income		8,519	23,145	31,664	6,832	22,234	29,066
Expenditure on:							
Charitable activities	4	(8,519)	(26,259)	(34,778)	(6,832)	(23,344)	(30,176)
Raising funds	5	-	(81)	(81)	-	(68)	(68)
Total expenditure		(8,519)	(26,340)	(34,859)	(6,832)	(23,412)	(30,244)
Total income less expenditure before gain on investments		-	(3,195)	(3,195)	-	(1,178)	(1,178)
Net (loss) / gain on investments	9	-	(5,118)	(5,118)	-	5,176	5,176
Net (expenditure) / income		-	(8,313)	(8,313)	-	3,998	3,998
Other recognised gains and (losses)							
Other gain : adjustment to pension provision	8	-	18	18	-	26	26
Total other gains		-	18	18	-	26	26
Net movement in funds		-	(8,295)	(8,295)	-	4,024	4,024
RECONCILIATION OF FUNDS							
Total funds brought forward at 1 January		-	131,858	131,858	-	127,834	127,834
Net movement in funds in year		-	(8,295)	(8,295)	-	4,024	4,024
Total funds carried forward at 31 December	15	-	123,563	123,563	-	131,858	131,858

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

The notes on pages 41 to 58 form part of these financial statements.

Note – all figures within the consolidated statement of financial activities are the same as for the charity-only statement of financial activities.

Consolidated balance sheet of the Church of England Pensions Board as at 31 December 2022

	Note	2022			2021		
		Consolidated			Consolidated		
		£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total	£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total
FIXED ASSETS							
Investment assets	9	-	41,679	41,679	-	46,858	46,858
Tangible assets - supported housing and IT	10	-	24,158	24,158	-	24,997	24,997
Tangible assets - CHARM	11	48,638	185,867	234,505	52,151	182,025	234,176
Total fixed assets		48,638	251,704	300,342	52,151	253,880	306,031
CURRENT ASSETS							
Debtors	12	-	2,337	2,337	-	1,399	1,399
Short term deposits		-	838	838	-	828	828
Cash at bank and in hand		-	2,090	2,090	-	3,546	3,546
Total current assets		-	5,265	5,265	-	5,773	5,773
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	13	-	(6,126)	(6,126)	-	(5,907)	(5,907)
Loans repayable on sale of fixed assets	13	(48,638)	(675)	(49,313)	(52,151)	(700)	(52,851)
Total current liabilities		(48,638)	(6,801)	(55,439)	(52,151)	(6,607)	(58,758)
Net current (liabilities)/assets		(48,638)	(1,536)	(50,174)	(52,151)	(834)	(52,985)
Total assets less current liabilities		-	250,168	250,168	-	253,046	253,046
NON-CURRENT LIABILITIES							
Net assets excluding pension provision	13	-	(126,285)	(126,285)	-	(120,723)	(120,723)
Pension deficit provision	8	-	(320)	(320)	-	(465)	(465)
NET ASSETS		-	123,563	123,563	-	131,858	131,858
FUNDS OF THE CHARITY							
Total unrestricted funds	15	-	-	-	-	-	-
Restricted funds (excl. pension reserve)	15	-	123,883	123,883	-	132,323	132,323
Pension reserve	15	-	(320)	(320)	-	(465)	(465)
Total restricted funds	15	-	123,563	123,563	-	131,858	131,858
TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER		-	123,563	123,563	-	131,858	131,858

*Funded by the Church Commissioners

**Funded by the Church of England Pensions Board

(See Note [11](#) for more details)

The notes on pages 41 to 58 form part of these financial statements.

These financial statements were approved by the trustees on 13th July 2023 and signed on their behalf by:



Clive Mather
Chair

Charity only balance sheet of the Church of England Pensions Board as at 31 December 2022

	Note	2022			2021		
		£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total	£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total
FIXED ASSETS							
Investment assets	9	-	41,692	41,692	-	46,871	46,871
Tangible assets - supported housing and IT	10	-	24,158	24,158	-	24,997	24,997
Tangible assets - CHARM	11	43,655	185,461	229,116	47,112	181,620	228,732
Total fixed assets		43,655	251,311	294,966	47,112	253,488	300,600
CURRENT ASSETS							
Debtors	12	4,983	3,142	8,125	5,039	1,792	6,831
Short term deposits		-	838	838	-	828	828
Cash at bank and in hand		-	1,529	1,529	-	3,533	3,533
Total current assets		4,983	5,509	10,492	5,039	6,153	11,192
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	13	-	(5,977)	(5,977)	-	(5,895)	(5,895)
Loans repayable on sale of fixed assets	13	(48,638)	(675)	(49,313)	(52,151)	(700)	(52,851)
Total current liabilities		(48,638)	(6,652)	(55,290)	(52,151)	(6,595)	(58,746)
Net current (liabilities)/assets		(43,655)	(1,143)	(44,798)	(47,112)	(442)	(47,554)
Total assets less current liabilities		-	250,168	250,168	-	253,046	253,046
NON-CURRENT LIABILITIES							
Net assets excluding pension provision	13	-	(126,285)	(126,285)	-	(120,723)	(120,723)
Net assets excluding pension provision		-	123,883	123,883	-	132,323	132,323
Pension deficit provision	8	-	(320)	(320)	-	(465)	(465)
NET ASSETS		-	123,563	123,563	-	131,858	131,858
FUNDS OF THE CHARITY							
Total unrestricted funds	15	-	-	-	-	-	-
Restricted funds (excl. pension reserve)	15	-	123,883	123,883	-	132,323	132,323
Pension reserve	15	-	(320)	(320)	-	(465)	(465)
Total restricted funds	15	-	123,563	123,563	-	131,858	131,858
TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER		-	123,563	123,563	-	131,858	131,858

*Funded by the Church Commissioners

**Funded by the Church of England Pensions Board

The notes on pages 41 to 58 form part of these financial statements.

Consolidated cash flow statement of the Church of England Pensions Board for the year ended 31 December 2022

		2022	2021
	Note	£'000	£'000
Cash flow from operating activities:			
Net movement in funds (as per the statement of financial activities)		(8,295)	4,024
Adjustments for:			
Depreciation and impairment – supported housing and IT systems	10	1,108	774
Amortisation – Santander arrangement fee	13	33	33
Amortisation – CHARM Finance PLC bond set-up costs	13	29	29
Losses / (gains) on investments	9	5,118	(5,176)
Investment – arrangement fees	9	61	58
Dividends, interest and rents from investments	3	(1,597)	(1,656)
Gains on disposal of tangible assets – CHARM		(1,522)	(844)
Movement in pension liability	8	(145)	(159)
Movement in debtors	12	(938)	416
Movement in creditors: amounts due within less than one year	13	221	(478)
Net cash (used in) / generated by operating activities		(5,927)	(2,979)
Cash flow from investing activities:			
Cash flows from investing activities:			
Dividends, interest and rents from investments	3	1,597	1,656
Proceeds from the sale of tangible assets – CHARM properties	11	6,878	7,569
Purchase of tangible assets – CHARM properties	11	(5,686)	(5,423)
Purchase of tangible assets – supported housing and IT systems	10	(269)	(1,193)
Net cash generated from / (used in) investing activities		2,520	2,609
Cash flows from financing activities:			
Repayment of loans from Church Commissioners	13	(3,513)	(4,315)
Repayment of dioceses' share of rental properties	13	(25)	(59)
Additional funding from Santander	13	5,500	3,500
Net cash generated by / (used in) financing activities		1,962	(874)
Change in cash and cash equivalents in the year		(1,445)	(1,244)
Cash and cash equivalents at the beginning of the year		4,374	5,618
Cash and cash equivalents at the end of the year		2,929	4,374
Cash and cash equivalents and net debt comprise the following balances:			
	At 1 January	Cash Flows	At 31 December
	£'000	£'000	£'000
Cash at bank and in hand	3,546	(1,455)	2,091
Short term deposits	828	10	838
Total cash and cash equivalents	4,374	(1,445)	2,929
Bond financing	(100,000)	-	(100,000)
Loan from Santander	(21,500)	(5,500)	(27,000)
Total net debt	(117,126)	(6,945)	(124,071)

The notes on pages 41 to 58 form part of these financial statements.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2022

1. Accounting policies

a) Legal status

The Church of England Pensions Board ("the Board") is a body corporate established in 1926 but now governed by the Church of England Pensions Measure 2018. It is a registered charity in England and Wales (Charity No. 236627) and is regulated by the Charity Commission.

The Charity's address is: 29 Great Smith Street, London, SW1P 3PS.

b) Basis of preparation

The consolidated and charity-only financial statements have 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 financial statements 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 financial statements have been prepared to give a true and fair view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a true and fair view. This departure has involved following Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

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

The financial statements have been prepared on the historical cost basis (except for the revaluation of investments and where cost is deemed to be the revaluation amount at date of transition) and on the accruals basis.

The financial statements contain the financial information for the Church of England Pensions Board which is structured as follows:

- Unrestricted Funds - representing expenditure incurred by the Board on salaries and working expenses subsequently recovered in full from the pension funds administered by the Board.
- Restricted Funds - these funds have narrower purposes than that of the Board.

A summary of the accounting policies, which have been applied consistently across the Group, is set out below.

c) Basis of consolidation

The consolidated statement of financial activities ("SOFA") and the balance sheet include the financial information of the Board and its subsidiary undertakings (CEPB Developments Ltd, CEPB Mortgages and CHARM Finance plc). The subsidiaries have been consolidated on a line by line basis. Intra-group balances and transactions are eliminated on consolidation.

The Board has chosen not to present its non-consolidated statement of financial activities separately as the numbers are the same as for the consolidated equivalent. The Board has also taken advantage of the exemption conferred by FRS 102 Section 1 not to prepare a charity-only cash flow statement.

The Board, together with the Archbishops' Council and the Church Commissioners are equal partners in Church of England Central Services (ChECS), a joint venture. This jointly controlled entity is included in the Board's consolidated financial statements using the equity method. The Board's share of profits or losses from ChECS is included in the SOFA and its share of net assets is included in the balance sheet.

d) Going concern

The Board meets the cost of property purchases, fit-outs and other working capital requirements through its external borrowing, comprising a bank facility and two listed bond issues. The Board prepares annual budgets and regular re-forecasts, along with a three-year financial plan in order to ensure that it can meet its spending commitments as they fall due, and fulfil the terms and conditions associated with external borrowing. In addition, the Board has also prepared a long-term business plan to consider financial viability over a longer period than that for which formal budgets and forecasts are prepared.

The Board has considered the key risks and uncertainties which impact upon immediate liquidity and longer term solvency. These include the level of anticipated demand for its services, the resilience of voluntary income streams and changes in economic conditions. It has modelled the impact of changes in these factors over time, and has considered whether it has adequate reserves and appropriate contingency plans to deal with a range of potential adverse scenarios.

The Board has considered the continuing impact of the COVID-19 pandemic on its operations, particularly with reference to the contingency plans it has put in place to respond to the emergency and the impact of delayed activity (including property acquisition and non-essential maintenance) on its future obligations and commitments.

Having due regard to the above, the trustees have reasonable expectation that the Board has adequate resources to meet its spending commitments as they fall due, including the servicing and repayment of debt and compliance with loan covenants for the foreseeable future. Accordingly, the going concern basis of accounting in preparing the annual report and accounts continues to be adopted.

e) Income

All income is recognised once the Board has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

i) Grants, donations and legacies

Donations are accounted for when received. Grants are recognised when the Board is entitled to receive them and revenue recognition criteria of entitlement, probability and measurement have been met. Gift Aid receivable is included in income when there is a valid declaration from the donor.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2022

1. Accounting policies (continued)

Pecuniary legacies are recognised as receivable once probate has been granted and notification has been received. Residuary legacies are recognised as receivable once probate has been granted, where sufficient information has been received and are recognised on an estimated basis as follows: cash elements are recognised at monetary value, with property and other assets, including investments, valued at probate or net realisable value. Values are reviewed and, if material, adjusted up to the point of financial statement approval.

In the case of donated properties, these are valued at market value and recognised within Donations.

ii) Investment income

Income from investments is recognised on an accruals basis.

iii) Income from charitable activities

Income from charitable activities represents rent from rental properties, rent and service charge from shared ownership properties, income from mortgaged properties and fees and service charges from supported housing schemes, which are all recognised on the accruals basis.

iv) Other income

Other income is recognised when the Board is entitled to receive it and revenue recognition criteria of entitlement, probability and measurement have been met.

f) Expenditure

All expenditure is accounted for on the accruals basis. Expenditure and liabilities are recognised when a legal or constructive obligation exists as outlined in Section 7 of FRS 102. The SOFA has been presented on an activity basis. Costs have been distinguished between charitable activities and those incurred to raise funds.

i) Charitable activities

Direct costs and grants are allocated directly to activities. Grants payable are recognised when the grant is formally approved by the Board and has been communicated to the recipient.

ii) Support costs

Costs include shared service costs (finance, IT, HR, legal, internal audit), department running costs and governance costs. They are allocated across the charitable activities and raising funds as detailed in notes 4 and 5. Governance costs relate to the general running of the Board, which include costs associated with the strategic, as opposed to day-to-day, management of the Board's activities, and compliance with constitutional and statutory requirements.

g) Pensions

Staff pensions are described in note 8. Defined benefit schemes are considered to be multi-employer schemes as described in FRS 102 paragraph 28.11 and consequently are accounted for as if they were defined contribution schemes, where employer contributions payable in the year are charged to expenditure.

Where schemes have deficit recovery contribution plans in place, FRS 102 paragraph 28.11A requires the present value of these agreed payments to be recognised as a liability. Amounts paid during the year are charged against this liability.

h) Fixed assets

Rental properties, shared ownership properties, mortgaged properties and supported housing properties generate income from the furtherance of the charity's objects. As such, they are not considered to be investment properties but are classed as programme related investments, which under the SORP, do not need to be revalued.

Where fixed assets were purchased with significant restrictions as a result of agreements with the funder such that the Board has a right of use of the asset for the lifetime of a beneficiary of the charity but the risks and rewards relating to capital value accrue entirely to the lender, these assets are shown in a separate category. Proceeds on eventual sale of these properties are not accounted for by the Board as they are received as agent for the lender and are used to settle the corresponding liability.

i) Rental properties

Properties are held at original cost or for properties received as gifts, the notional cost equivalent to the market value. Funding arrangements are explained in note 11.

Costs relating to the repair and maintenance of properties are charged to the SOFA in the year incurred.

No depreciation is charged on long leasehold or freehold properties due to the long life and the high residual value of properties which would result in immaterial depreciation for each asset and in aggregate.

An impairment review is carried out annually and where materially different from historic cost, the properties are carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

ii) Shared ownership properties

These properties are purchased by the Board and the resident buys a 90-year lease for a share in the property (at least 25%) and pays a rent and a service charge on the proportion of the property that they do not own. Residents can purchase further shares in their property if their financial circumstances change, and the equity interests are adjusted accordingly.

The Board holds each property at its equity percentage of the original cost, subject to an impairment review. An impairment review is carried out annually and where materially different from historic cost, the Board's proportion of each property is carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2022

1. Accounting policies (continued)

No depreciation is charged on leasehold or freehold shared ownership properties due to the long life and the high residual value of properties which would result in immaterial depreciation for each asset and in aggregate.

iii) Mortgaged properties

Mortgaged properties were purchased by the Board under a scheme that closed to new business in 2008. These mortgages operate as value linked loans, where the Board's equity interest in a property is the amount loaned to the resident (up to 95% of the property value) and the resident's equity interest is the amount funded directly by the resident. If a resident pays off part of their loan, the equity interests are adjusted accordingly.

On the sale of a property, the Board and the resident receive proceeds in the same proportion as their equity interests.

The Board's interest is therefore classified as a tangible fixed asset and not as a financial instrument, as the rights attaching are more closely linked to the ownership of a share of a property. The Board accounts for each property at its equity percentage of original cost, subject to an impairment review. An impairment review is carried out annually and where materially different from historic cost, the Board's proportion of each property is carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

iv) Supported housing schemes and nursing home

The properties and their associated land are held at deemed cost. Freehold land is not depreciated. The buildings are depreciated.

Fixtures, fittings, plant and equipment are held at original cost to the Board less depreciation.

Depreciation is charged on the following basis:

Tangible asset	Basis	Rate
Freehold buildings	Straight line	2.5% per annum
Fixtures, fittings, plant and equipment	Straight line	5-50 years following the NHF guidelines for all assets acquired after 2017

v) Investment properties

Investment properties are held at fair value. Valuations are carried out every year in accordance with the Appraisals & Valuation Manual issued by the Royal Institute of Chartered Surveyors. No depreciation is charged.

vi) IT systems

IT systems are held at original cost to the Board less depreciation charged on a straight-line basis over 5 years. Systems are capitalised while under construction until implementation and at that stage depreciation commences.

vii) Gains (or losses) from sale of fixed assets

Gains (or losses) resulting from the sale of fixed assets are recognised in income (or expenditure). Gains or losses resulting from the sale and revaluation of investment assets are recognised in the SOFA in a separate section before net income/expenditure.

i) Loans

The Board applies the measurements provisions of FRS 102 paragraphs PBE34.90-92 to all its concessionary loans. Loans from the Church Commissioners are measured at the amount received from the Commissioners. See notes 11 and 13 for more information.

The loan from Santander is a basic financial instrument and measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. Arrangement fees are deducted from the transaction price and are amortised over 15 years (July 2010 to July 2025).

The loan from CHARM Finance PLC to the Charity is a basic financial instrument and is measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. Arrangement fees are deducted from the transaction price and are amortised over the length of the facility.

The Bond liabilities relate to the corporate bonds issued by CHARM Finance PLC, and are basic financial instruments measured initially at the proceeds of issue less transaction costs directly attributable to the issue of the Bonds. After initial recognition the liabilities are measured at amortised cost using the effective interest method with transaction costs being amortised over the length of the facility.

j) Financial instruments

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

Basic financial instruments

Listed and unlisted investments are initially measured at fair value. Such assets are subsequently held at fair value at each balance sheet date. The changes in fair value are recognised in the SOFA. The fair value of listed investments is determined using bid price in accordance with the practice of the appropriate stock exchange. Unlisted investments are valued by reference to latest dealing prices, valuations from reliable sources or net asset values.

k) Subsidiary undertakings

Investment in the Board's subsidiary companies are held at cost less accumulated impairment losses.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2022

1. Accounting policies (continued)

l) Taxation

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

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

m) Related parties

The Church of England comprises a large number of legally independent bodies in its parishes, cathedrals and dioceses as well as at national level. These bodies are not related to the Board as defined in the Charities SORP or chapter 33 of FRS 102: Related parties disclosures. 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 Church of England Pensions Board is related to ChECS, as it is a partner in this joint venture. Details are given in Note 17.

n) Funds

In line with the SORP, the Board segregates its funds between those that are restricted and those that are unrestricted.

Unrestricted funds are funds received by the Board that are available for use at the discretion of the Board in pursuing the general charitable objectives of the charity.

Restricted funds are funds received by the Board for particular purposes and are to be used in accordance with those purposes. An analysis of restricted funds is provided in note 15.

o) Significant judgements and estimates

The Board's key judgements, which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:

- Carrying value of investment properties and tangible assets – judgements in respect of appropriate valuation methods used for the assets of the Charity. Further details are disclosed in notes 9 to 11.

The Board's key estimates, which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:

- Residuary legacies - estimation required for residuary legacies receivable once probate has been granted.
- Pension deficit provision - estimations surrounding the methodology used in the calculation of the Charity's defined benefit pension deficit provision. Further details are disclosed in note 8.
- Support costs – estimation surrounding the methodology used in the apportionment of support costs between the restricted and unrestricted funds.

2. Income from grants, donations and legacies

		<u>2022</u>	<u>2021</u>
	Note	£'000	£'000
Grants from:			
The Archbishops' Council	4	5,567	5,431
Other grants		28	34
Total grants		5,595	5,465
Donations		62	68
Legacies		739	597
Total income from grants, donations and legacies		6,396	6,130

The Archbishops' Council makes grants from money provided by the dioceses under the General Synod Vote 5, towards the costs of the CHARM scheme. All income from grants, donations and legacies was attributable to restricted funds.

3. Investment income

	<u>2022</u>	<u>2021</u>
	£'000	£'000
Dividends	1,597	1,645
Rental income from investment properties	11	11
Interest on cash	1	-
Total income from investments	1,609	1,656

All income from investments of £1,609,000 (2021: £1,656,000) was attributable to restricted funds.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2022

4. Charitable activities

	Rental proper ties	Shared owners hip	Mortgage properties	Supported housing	Other charitable activities	Total restricted funds	Unrestricted Pension Schemes	2022 Total	2021 Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities:									
Rent received	7,289	518	-	1,444	-	9,251	-	9,251	9,073
Service charge received	-	95	-	2,314	-	2,409	-	2,409	2,445
Income from mortgage properties	-	-	1,958	-	-	1,958	-	1,958	2,086
Support costs recharge	-	-	-	-	-	-	8,519	8,519	6,832
Total income from charitable activities	7,289	613	1,958	3,758	-	13,618	8,519	22,137	20,436
Expenditure on charitable activities:									
Financing costs (interest and commitment fee)	5,892	439	1,913	-	-	8,244	-	8,244	8,035
Grant making	-	-	-	-	92	92	-	92	107
Property costs (repairs, insurance and other costs)	8,428	25	116	35	-	8,604	-	8,604	6,811
Support costs	6	2,002	667	445	1,335	4,449	8,519	12,968	10,893
Amortisation of arrangement fees	62	-	-	-	-	62	-	62	62
Service charge costs	-	63	-	2,743	-	2,806	-	2,806	2,433
Nursing care costs (former residents)	-	-	-	130	-	130	-	130	209
Supported Housing and other direct costs	-	-	-	893	-	893	-	893	986
Depreciation and impairment charges	10	-	-	1,108	-	1,108	-	1,108	774
Total expenditure on charitable activities	16,384	1,194	2,474	6,244	92	26,388	8,519	34,907	30,310
Unwinding of pension deficit on charitable activities	(58)	(19)	(13)	(39)	-	(129)	-	(129)	(134)
Total expenditure including pension deficit movement in year	16,326	1,175	2,461	6,205	92	26,259	8,519	34,778	30,176

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2022

4. Charitable activities (continued)

For comparative purposes, details of 2021 charitable income and expenditure are set out below:

	Rental properties	Shared ownership	Mortgage properties	Supported housing	Other charitable activities	Total restricted funds	Unrestricted funds Pension Schemes	2021 Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities:								
Rent received	7,141	541	-	1,391	-	9,073	-	9,073
Service charge received	-	103	-	2,342	-	2,445	-	2,445
Income from mortgage properties	-	-	2,086	-	-	2,086	-	2,086
Support costs recharge	-	-	-	-	-	-	6,832	6,832
Total income from charitable activities	7,141	644	2,086	3,733	-	13,604	6,832	20,436
Expenditure on charitable activities:								
Financing costs (interest and commitment fee)	5,600	429	2,006	-	-	8,035	-	8,035
Grant making	-	-	-	-	107	107	-	107
Property costs (repairs, insurance and other costs)	6,633	17	161	-	-	6,811	-	6,811
Support costs 6	1,828	609	406	1,218	-	4,061	6,832	10,893
Amortisation of arrangement fees	62	-	-	-	-	62	-	62
Service charge costs	-	55	-	2,378	-	2,433	-	2,433
Nursing care costs	-	-	-	209	-	209	-	209
Supported Housing and other direct costs	-	-	-	986	-	986	-	986
Depreciation and impairment charges 10	-	-	-	774	-	774	-	774
Total expenditure on charitable activities	14,123	1,110	2,573	5,565	107	23,478	6,832	30,310
Unwinding of pension deficit on charitable activities	(61)	(20)	(13)	(40)	-	(134)	-	(134)
Total expenditure including pension deficit movement in year	14,062	1,090	2,560	5,525	107	23,344	6,832	30,176

The deficit on charitable activities is funded through a combination of specific and general voluntary income, investment income, and realised gains on disposal of investments and property. In the year ended 31 December 2022 grants of £5,567,000 were received from the Archbishops' Council towards the CHARM scheme (2021: £5,431,000). In addition, the Board's broader charitable activities were funded through voluntary income of £828,000 (2021: £699,000), Investment income of £1,609,000 (2021: £1,656,000) and gains on disposal of property of £1,522,000 (2021: £844,000).

Income & Expenditure from charitable activities:

Rental Properties

The Archbishops' Council, from money provided by the dioceses under the General Synod Vote 5, makes grants towards the costs of the CHARM scheme, being the excess of direct expenditure and interest payable over maintenance contributions receivable from residents.

Rent from tenancies starting after 1 April 2015 are target rents based on the value of the property and are subsidised so that they are more affordable than market rents. Rent from tenancies before this are based on the occupant's ability to pay. Residents pay for moving costs, furnishings and white goods, contents insurance and on-going utility and council tax costs. The Board pays for repairs and on-going maintenance of the properties.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2022

4. Charitable activities (continued)

There are a small number of properties that are let on the open market at market rents during short periods when a property is not occupied by residents eligible for the CHARM scheme. At 31 December 2022 there were 15 (2021: 19) such tenancies.

All tenancies fall into the definition of operating leases as set out in FRS 102 section 20 and clarified in the Housing SORP 2014 paragraph 10.3 (which though the Board does not apply, it does look to this guidance for clarification where the Charities SORP and FRS 102 are silent on particular issues). All tenancies are cancellable, either on death or notice of the resident and are not assignable.

Shared Ownership

Residents pay rent based on the Board's share of the ownership of the property and the cost of buildings insurance.

For some properties bought before 1 April 2014, residents also pay a service charge towards the repairs and maintenance of properties. For properties bought after 1 April 2014, or where residents have opted, the responsibility for repairs and maintenance lies with the resident.

Mortgage Properties

The mortgage scheme offered value linked loans to retired clergy and closed to new business in 2008. Mortgagees pay an interest-only amount on the capital advanced.

A small number of loans pre-dating the 1983 CHARM mortgage scheme remain, where a fixed amount of interest is paid based on the capital advanced. At 31 December 2022, the number of such loans in place was 3 (2021: 3).

Supported Housing

Some residents in the schemes receive subsidies from the Board's charitable funds. The cost of running the schemes is not met fully by rent and service charge fees. The nursing home closed in March 2017 however the Board continues to subsidise the nursing care of former residents of the nursing home. The operating deficit is met from the Board's charitable funds.

Other charitable activities

Grants are payable to augment the income of those retired clergy and clergy widow(er)s whose income falls below a certain standard, which is reviewed annually.

5. Raising funds

	2022	2021
	£'000	£'000
Investment management costs (direct costs)	81	68
Total cost of raising funds	81	68

6. Support costs

Support costs include department running costs and governance costs, plus charges for using shared services operated by ChECS. They are included in charitable expenditure (note 4) and are apportioned to the various charitable activities to which they relate.

	Restricted funds				Total	Unrestricted funds	Total
	Rental properties	Shared ownership	Mortgage properties	Supported housing		Pension schemes	2022
	£'000	£'000	£'000	£'000		£'000	£'000
Housing department	1,209	403	268	807	2,687	-	2,687
Executive and Secretariat	121	40	27	80	268	437	705
Governance costs	53	18	12	35	118	49	167
Pensions department	-	-	-	-	-	4,087	4,087
Investments department	-	-	-	-	-	2,319	2,319
Shared services	619	206	138	413	1,376	1,627	3,003
Total support costs	2,002	667	445	1,335	4,449	8,519	12,968

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2022

6. Support costs (continued)

For comparative purposes, details of 2021 support costs are set out below:

	Restricted funds				Total	Unrestricted funds	Total
	Rental properties	Shared ownership	Mortgage properties	Supported housing		Pension schemes	2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing department	1,073	358	239	716	2,386	-	2,386
Executive and Secretariat	127	42	28	84	281	313	594
Governance costs	51	17	11	33	112	172	284
Pensions department	-	-	-	-	-	2,982	2,982
Investments department	-	-	-	-	-	1,939	1,939
Shared services	577	192	128	385	1,282	1,426	2,708
Total support costs	1,828	609	406	1,218	4,061	6,832	10,893

Housing department costs

These costs are allocated on a 'per head' basis: costs of housing staff are allocated 45% to rental properties, 30% to supported housing schemes, 10% to mortgages and 15% to shared ownership.

Executive and Secretariat and shared service costs

Centrally incurred management and shared service costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 45% to rental properties, 30% to supported housing schemes, 10% to mortgages and 15% to shared ownership.

Governance costs

Governance costs comprise staff and non-staff costs relating to the general running of the Board, including supporting the work of the Board and its Committees. Trustees (and co-opted members) of the Board are reimbursed for travel expenses incurred whilst on official business but are not entitled to any other remuneration or allowances. In the year to 31 December 2022, 8 (2021: 11) trustees claimed a total of £3,100 (2021: £953). Governance costs other than external audit costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 45% to rental properties, 30% to supported housing schemes and nursing care, 10% to mortgages and 15% to shared ownership.

	2022	2021
	£'000	£'000
External audit (including VAT)	76	70
Internal audit	91	41
Board and committee meetings	13	1
Total governance costs	180	112

Total fees paid (excluding VAT) to Crowe U.K. LLP are shown below:

	2022	2021
	£'000	£'000
Audit of CEPB and its subsidiary undertakings	63	58
Total audit fees relating to current year for CEPB and its subsidiaries	63	58
Audit of Pension Schemes	100	104
Total audit fees relating to current year for Pension Schemes	100	104

Pensions department costs

Expenses are incurred by the Board for administering the pension schemes. These costs are recovered from the pension schemes by charging an administration fee to each scheme.

Investment department costs

Expenses are incurred by the Board for managing the investment portfolio of the Church of England Investment Fund for Pensions through which the pension schemes hold investments. These costs are recovered by the Board as part of the administration fee the Board charges each pension scheme.

Shared service costs

Shared services are provided by Church of England Central Services. Expenses incurred by the Board for administering the Pension Funds are either charged directly to the activity to which they relate or are allocated to the funds in proportion to staff costs, number of data processes or other relevant criteria.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2022

7. Staff numbers and costs

The Chief Executive and staff employed to work in the investment team and supported housing schemes are employed directly by the Board. The Board is joint employer, together with the other National Church Institutions (the NCIs), of most of the staff of the NCIs. In addition to staff employed directly, the work of the Board is supported by staff in shared service departments who provide finance, HR, communications, legal, IT and internal audit services. Since 1 April 2014 they have been employed by a separate NCI, Church of England Central Services (ChECS). Prior to this they had one of the three main NCIs as managing employer and their costs were shown only in the relevant NCI's financial statements.

The SORP requires that the costs of staff employed by third parties who operate on the organisation's behalf be disclosed in the financial statements. In order to comply with the spirit of the SORP, the costs of all ChECS staff are shown in aggregate in the tables below – the Board's share of which was £1,820,000 (2021: £1,644,000). The cost of staff for which the Board is the managing employer and for ChECS (in aggregate) was:

	Pensions Board own staff										ChECS	
	Housing		Pensions and Investments		Secretariat		Supported housing		Total		Shared services	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Average number employed	36	37	42	45	4	4	87	90	179	176	157	177
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	1,707	1,521	2,473	2,234	376	341	1,467	1,326	6,023	5,422	7,565	8,504
National Insurance costs	200	166	305	258	49	42	112	95	666	561	947	949
Pension contributions	260	233	321	302	52	53	186	181	819	769	1,542	1,853
Total cost of staff	2,167	1,920	3,099	2,794	477	436	1,765	1,602	7,508	6,752	10,054	11,306
Total chargeable to Charitable Funds	2,167	1,920	-	-	214	206	1,765	1,602	4,301	3,728		

Included in staff costs is £nil (2021: £nil) paid by way of redundancy costs to nil (2021: nil) individuals for restructuring. Restructuring costs are accounted for in full in the year in which the restructure is announced. The number of staff whose total employee benefits for the year fell in the following bands were:

	Pensions Board own staff								ChECS	
	Housing		Pensions and Investments		Secretariat		Supported housing schemes		Shared services	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
£60,001 to £70,000	1	2	1	4	-	1	-	-	13	17
£70,001 to £80,000	3	1	2	2	1	-	-	-	6	4
£80,001 to £90,000	-	1	2	1	-	1	-	-	3	3
£90,001 to 100,000	1	-	2	2	-	-	-	-	2	2
£100,001 to 110,000	-	-	-	-	1	-	-	-	5	7
£110,001 to 120,000	-	-	1	1	-	-	-	-	1	-
£120,001 to £130,000	-	-	1	-	-	-	-	-	2	1
£130,001 to £140,000	-	-	-	-	-	-	-	-	-	1
£140,001 to £150,000	-	-	-	-	-	1	-	-	-	-
£150,001 to £160,000	-	-	-	1	1	-	-	-	-	-
£160,001 to £170,000	-	-	1	-	-	-	-	-	-	-
£170,001 to £180,000	-	-	-	1	-	-	-	-	-	-
£190,001 to £200,000	-	-	1	-	-	-	-	-	-	-

Employee benefits include gross salaries and termination payments but do not include employer pension contributions and employer National Insurance contributions.

Most staff above were members of the Church Administrators Pension Fund. Of those directly managed by the Board, 11 (2021: 13) staff accrued benefits under a defined contributions scheme for which contributions for the year were £128,000 (2021: £127,000). The other 3 (2021: 3) staff accrued benefits under a defined benefit scheme. Of those managed by ChECS, 29 (2021:30) staff accrue benefits under a defined contribution scheme for which contributions for the year were £328,000 (2021: £330,000). The remaining 3 (2021:5) staff members accrue benefits under a defined benefit scheme.

Of the remaining staff managed directly by the Board, 6 (2021: 2) staff accrued benefits in the Church Workers Pension Fund under a defined contribution scheme for which contributions for the year were £107,000 (2021: £42,000), and no staff members (2021: 1 staff member) accrued no benefits in any pension scheme.

7. Staff numbers and costs (continued)

The highest paid member of staff earned £193,000 (2021: £175,000). Further details of the Board's remuneration policy are included in the Management section of the Board's report, on page 31. The Board's executive leadership team comprises 9 individuals (2021: 10), 7 (2021: 7) of whom are employed directly by the Board and 2 (2021: 2) by ChECS. The aggregate remuneration for these 9 individuals, including National Insurance and pension contributions, was £1,307,000 (2021: £1,395,000).

Interest free loans are made for travel season tickets and interest free green travel loans for the purchase of bicycles and electric scooters.

8. Staff pensions

Staff employed jointly by the National Church Institutions

Pension benefits from Service up to 31 December 1999

These are met by the Church Commissioners for England, so no costs or liability are reflected by the Board.

Pension benefits from Service from 1 January 2000

Benefits for staff arising from service from 1 January 2000 are provided by the Church Administrators Pension Fund ("CAPF").

The participating employers are responsible for making contributions of £500,000 (2021: £500,000) towards the administration costs of the CAPF. The Board's share of these costs was £70,600 (2021: £64,400).

Staff who were in service as at 30 June 2006 are members of the defined benefit section of the CAPF. This is considered to be a multi-employer scheme as described in FRS 102 paragraph 28.11 and consequently is accounted for as if it were a defined contribution scheme, where employer contributions payable in the year are charged to expenditure.

The contributions to the CAPF are assessed by an independent qualified actuary using the projected unit method of valuation. A valuation of the scheme is carried out once every three years, the most recent having been carried out as at 31 December 2019. This revealed a deficit of £9.1m. Deficit contributions of £2,400,000 per annum from January 2022 are payable until 31 December 2023. At 31 December 2021, payments were made under the previous Schedule of Contributions, where the deficit recovery contributions of £2,667,723 per annum from 1 January 2018 were subject to an annual increase on 1 January each year of 3.3% per annum.

The Board's share of this agreed deficit recovery plan is provided for. The provision is measured at its net present value. The table below shows the movement on the provision:

	CEPB staff	Share of ChECS staff	2022	CEPB staff	Share of ChECS staff	2021
Provision at 1 January	256	209	465	379	245	624
Contributions Paid	(107)	(22)	(129)	(104)	(30)	(134)
Interest charged on provision	2	-	2	1	-	1
Adjustment to net present value of provision	(15)	(3)	(18)	(20)	(6)	(26)
Provision at 31 December	136	184	320	256	209	465

Staff who joined after 20 June 2006 are members of the defined contributions section of the CAPF. Employer contributions payable in the year are charged to expenditure.

Staff employed directly by the Board (mainly in supported housing schemes and the investment team)

Pension benefits for staff in supported housing managerial positions are provided for by a defined benefit section of the Church Workers Pension Fund ("CWPF"). The scheme is considered to be a multi-employer scheme as described in FRS 102 paragraph 28.11 and consequently is accounted for as if it were a defined contribution scheme, where employer contributions payable in the year are charged to expenditure.

The contributions to the Fund are assessed by an independent qualified actuary using the projected unit method of valuation. The last full valuation of the Fund, as at 31 December 2019, showed there is no more deficit (2016: £29.4m). There is no deficit recovery needed from each participating employer in the scheme from 2022.

Pension benefits for other staff are provided for by a defined contribution scheme in CWPF, where employer contributions payable in the year are charged to expenditure.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2022

9. Investment assets

GROUP	At 1 January 2022	Additions	Disposals	Gains/(losses)	Cash movements	At 31 December 2022
	£'000	£'000	£'000	£'000	£'000	£'000
UK investment funds	45,956	-	-	(5,174)	-	40,782
Cash held by investment managers	164	-	-	-	(61)	103
Total UK investment funds	46,120	-	-	(5,174)	(61)	40,885
UK investment properties	738	-	-	56	-	794
Consolidated total investment assets	46,858	-	-	(5,118)	(61)	41,679

CHARITY	At 1 January 2022	Additions	Disposals	Gains/(losses)	Cash movements	At 31 December 2022
	£'000	£'000	£'000	£'000	£'000	£'000
UK investment funds	45,956	-	-	(5,174)	-	40,782
Cash held by investment managers	164	-	-	-	(61)	103
Total UK investment funds	46,120	-	-	(5,174)	(61)	40,885
UK investment properties	738	-	-	56	-	794
Investment in subsidiary	13	-	-	-	-	13
Charity's total investment assets	46,871	-	-	(5,118)	(61)	41,692

Funds were managed by Savills, Mayfair and Brewin Dolphin. Investment funds were held as follows:

	2022	2021
	£'000	£'000
Savills	20,302	22,032
Mayfair	7,938	9,551
Brewin Dolphin	12,645	14,537
Total	40,885	46,120

Subsidiaries

The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held to undertake property and building development at the supported housing schemes and nursing home, and CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC, a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle which in August 2015 provided £70m of funds to the Board via the issue of £100m of 3.126% Secured Bonds (including £30m in principal amount of Retained Bonds) due August 2048. In April 2018 CHARM Finance PLC provided a further £30m of funds to the Board via the issue of £50m of 3.509% Secured Bonds (including £20m in principal amount of Retained Bonds) also due in 2048. These funds are being used to secure current and future obligations for clergy housing in retirement.

The financial results of the Subsidiaries are detailed in Note 16.

Joint ventures

ChECS is a charitable joint venture between the Church 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 charity was registered with the Charity Commission on 31 December 2013 and started operating from 1 April 2014. Prior to this, the responsibility for the provision of shared services was split between the three main NCl. The previous management arrangements continued into the new structure.

The Board's share of net assets and net income of ChECS was £nil (2021: £nil). As at 31 December 2022, £472,000 was owed by ChECS to the Board (2021: £357,000 owed by ChECS to the Board) representing amounts loaned to ChECS by the Board, and amounts owed to ChECS for services rendered during the year.

The Pensions Board have no associated undertakings.

UK investment properties

The valuers of the investment properties were Savills LLP.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2022

10. Tangible assets – Supported housing and IT systems

Consolidated and charity	At 1 January 2022	Additions	Disposals	Charge in year	Impairment	At 31 December 2022
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Supported Housing land and buildings</i>						
Cost	27,292	-	-	-	-	27,292
Depreciation	(5,772)	-	-	(506)	-	(6,278)
Net book value	21,520	-	-	(506)	-	21,014
<i>Fixtures and fittings</i>						
Cost	4,480	81	-	-	-	4,561
Depreciation	(3,366)	-	-	(116)	-	(3,482)
Net book value	1,114	81	-	(116)	-	1,079
<i>IT systems</i>						
Cost	2,517	188	-	-	-	2,705
Depreciation	(154)	-	-	(486)	-	(640)
Net book value	2,363	188	-	(486)	-	2,065
		-	-	-	-	-
Total supported housing and IT systems	24,997	269	-	(1,108)	-	24,158

IT systems represents the capitalised costs incurred in respect of the construction of the new Housing Management System and a major upgrade to the Pensions Administration System. Depreciation is now being charged for the Housing Management System and for the first completed phase of the Pension Administration system. No depreciation is charged for the second phase of Pensions Administration System whilst the assets are under construction.

11. Tangible assets – CHARM properties

The Board owns a number of different types of properties which it uses to fulfil its charitable objective: to provide retirement housing for retired clergy (CHARM).

Consolidated	Book value at 1 January 2022	Additions	Disposals	Book value at 31 December 2022	No. of properties at 1 January 2022	Additions	Disposals	No. of properties at 31 December 2022
	£'000	£'000	£'000	£'000				
Rental properties								
Funded by CC	22,096	-	(1,315)	20,781	231	-	(15)	216
Funded by PB	175,239	5,655	(1,333)	179,561	946	20	(10)	956
Rental properties total	197,335	5,655	(2,648)	200,342	1,177	20	(25)	1,172
Shared ownership properties								
Funded by CC	3,354	-	(335)	3,019	35	-	(2)	33
Funded by PB	5,953	31	(479)	5,505	64	1	(7)	58
Shared ownership properties total	9,307	31	(814)	8,524	99	1	(9)	91
Mortgaged properties								
Funded by CC	26,701	-	(1,863)	24,838	471	-	(36)	435
Funded by PB	833	-	(32)	801	14	-	(2)	12
Mortgaged properties total	27,534	-	(1,895)	25,639	485	-	(38)	447
Totals								
<i>Properties with significant restrictions (funded by Church Commissioners)</i>	52,151	-	(3,513)	48,638	737	-	(53)	684
<i>Properties without significant restrictions (funded by the Pensions Board)</i>	182,025	5,686	(1,844)	185,867	1,024	21	(19)	1,026
Total	234,176	5,686	(5,357)	234,505	1,761	21	(72)	1,710

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2022

11. Tangible assets – CHARM properties

Charity Only	Book value at 1 January 2022 £'000	Additions £'000	Disposals £'000	Book value at 31 December 2022 £'000	No. of properties at 1 January 2022	Additions	Disposals	No. of properties at 31 December 2022
Rental properties								
Funded by CC	22,096	-	(1,315)	20,781	231	-	(15)	216
Funded by PB	175,239	5,655	(1,333)	179,561	946	20	(10)	956
Rental properties total	197,335	5,655	(2,648)	200,342	1,177	20	(25)	1,172
Shared ownership properties								
Funded by CC	3,354	-	(335)	3,019	35	-	(2)	33
Funded by PB	5,953	31	(479)	5,505	64	1	(7)	58
Shared ownership properties total	9,307	31	(814)	8,524	99	1	(9)	91
Mortgaged properties								
Funded by CC	21,662	-	(1,807)	19,855	418	-	(35)	383
Funded by PB	428	-	(33)	395	10	-	(2)	8
Mortgaged properties total	22,090	-	(1,840)	20,250	428	-	(37)	391
Totals								
<i>Properties with significant restrictions (funded by Church Commissioners)</i>	47,112	-	(3,457)	43,655	684	-	(52)	632
<i>Properties without significant restrictions (funded by the Pensions Board)</i>	181,620	5,686	(1,845)	185,461	1,020	21	(19)	1,022
Total	228,732	5,686	(5,302)	229,116	1,704	21	(71)	1,654

The fixed assets shown in the Charity-only table above include only those mortgage loans made directly by the Board, for which CC-funding was received. Loans made by the Board to CEPB Mortgages Ltd, but ultimately funded by CC, are reflected in current debtors. See note 12. The related mortgages issued by CEPB Mortgages Ltd are shown in the Consolidated fixed assets table.

Financing and restriction

Historically, the Board's own properties were funded from trusts and legacies. From 1983 until July 2010 most of the rental, shared ownership and mortgaged properties purchased were financed by loans from the Church Commissioners. Under this arrangement, the legal ownership of each property lay with the Board but a significant part of the economic interest lay with the Commissioners. In the case of mortgaged and shared ownership properties, the Commissioners' economic interest was in the same proportion as the amount of financing they provided compared to the purchase price. Purchases were recognised at cost and the loan from the Commissioners recognised at an equal amount within creditors. If the property were sold, an amount equal to the proceeds (for mortgaged and shared ownership properties, in the same proportion as the financing they provided compared to the purchase price) would be repayable. This arrangement meant that the Commissioners retained a significant degree of financial control over the properties they funded, and on a property becoming vacant, determined if and when it was sold and for how much.

Since the end of the Commissioners' funding arrangement, financing for purchases of new rental or shared ownership properties has been provided through three sources. Firstly in 2010 the Board put in place a loan facility with Santander. Secondly in 2015 the Board was loaned £70,000,000 from its subsidiary CHARM Finance PLC, which raised funds through the issue of a listed bond. Thirdly in 2018 the Board was loaned £30,000,000 from its subsidiary CHARM Finance PLC, which raised funds through the issue of a second listed bond. Further details of both facilities are provided in Note 13.

Of the £70,000,000 loaned to the Board in 2015, £41,841,000 was used to purchase the economic interest in 196 properties which had originally been funded by the Commissioners. The Commissioners have retained a right to receive any profit on disposal of any of the 196 properties up to August 2025, over the agreed purchase price of that property, and in 2022 one (2021: one) properties were sold by the Board, with £51,591 (2021: £39,369) subsequently paid to the Church Commissioners (in 2023) as a result of this agreement. In the opinion of the trustees however, as the remainder of these properties have been identified for long-term use by the Charity, it is not expected that many further payments will accrue to the Church Commissioners as a result of this arrangement.

In addition to these arrangements, 48 rental properties were purchased with contributions from dioceses and others, where the contributions are repayable when the property is sold, as either a simple repayment or in the same proportion as the original contribution to the purchase price, depending on the agreement made. The Board recognises the full cost of the property and also recognises a liability for the amount contributed (see note 13).

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2022

12. Debtors

	Consolidated		Charity	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Trade debtors	478	215	478	215
Subsidiary undertakings	-	-	5,389 *	5,444
Prepayments and accrued income	1,299	770	1,150	758
Joint venture (ChECS)	472	384	472	384
Other debtors	88	30	636	30
Total	2,337	1,399	8,125	6,831

* Loans from the Church of England Pensions Board to CEPB Mortgages Ltd are repayable when the properties associated with them are sold. This is categorised as a current debtor for the Charity in line with FRS 102 section 4.7. See Note 13 for more details.

13. Creditors

Current liabilities:	Consolidated		Charity	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade creditors	826	981	824	981
Accruals and deferred income	3,638	3,337	3,490	3,325
Tax creditor	46	22	46	22
Other creditors	1,616	1,567	1,617	1,567
Total amounts falling due within one year:	6,126	5,907	5,977	5,895
Concessionary loans repayable on sale of fixed assets				
Loans from Church Commissioners for:				
- rental properties	20,781	22,096	20,781	22,096
- shared ownership properties	3,019	3,354	3,019	3,354
- mortgage properties	24,838	26,701	24,838	26,701
Diocesan and other creditors	675	700	675	700
Total loans repayable on sale of fixed assets	49,313	52,851	49,313	52,851
Total current liabilities	55,439	58,758	55,290	58,746

Loans from the Church Commissioners are repayable when the properties associated with them are sold. The trigger for the repayment is the sale of the property and the proceeds are passed in full to the Church Commissioners. Properties are sold when residents vacate rented properties, shared ownership properties are sold and mortgages are redeemed. These assets are classified as fixed assets and are included in note 11.

FRS 102 section 4.7 states that where the repayment of a creditor cannot unconditionally be deferred for more than a year, it must be classed as a current liability. Even though experience has shown that loans from the Church Commissioners will be repaid steadily over a timeline substantially longer than one year, they meet this definition and as a result are included within current liabilities.

The terms of these concessionary loans are: for loans granted prior until 31 March 1993 the initial interest rate was 3%, increasing in line with RPI each April; for loans granted from 1 April 1993 the initial interest rate was 4%, increasing in line with RPI each April.

The same current liability classification has been applied to the Diocesan loans to the Pensions Board.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2022

13. Creditors (continued)

	Consolidated		Charity	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Non-current liabilities:				
Bond liabilities – 2015 Bond	70,000	70,000	-	-
Bond liabilities – 2018 Bond	30,000	30,000	-	-
Bond liabilities – capitalised bond set-up costs	(631)	(660)	-	-
Intra-group liability – loan repayable to CHARM Finance PLC	-	-	100,000	100,000
Intra-group liability – capitalised bond set-up costs	-	-	(631)	(660)
Loan from Santander	27,000	21,500	27,000	21,500
Loan from Santander - capitalised set-up costs	(84)	(117)	(84)	(117)
Total	126,285	120,723	126,285	120,723

The two bonds, issued by subsidiary undertaking CHARM Finance plc, were issued to finance the growth and development of the CHARM scheme. Transaction costs of £509,000 were incurred in respect of the 2015 bond, and £306,000 in respect of the 2018 bond. At 31 December 2022, the amortised cost of the set-up fees incurred (predominantly legal and financial advice fees) for both bonds was £631,000 (2021: £660,000).

For the 2015 bond, interest due up to August 2017 was based on the initial interest rate of 3.126% adjusted for changes in CPI (subject to a 4% cap and a floor of zero). Since August 2017 the applicable interest rate has risen to 3.154%. Repayment of the bond is due in five equal instalments of £14m due in August of 2038, 2041, 2043, 2045 and 2048 respectively. The bond is secured by a fixed charge over 426 properties held by the Charity.

For the 2018 bond, interest due is based on the fixed interest rate of 3.509%. Repayment of the bond is due in three instalments on 12 November 2044, 12 November 2046 and 12 April 2048. The bond is secured by a fixed charge over 201 properties held by the Charity.

The following table details the maturity of the bond-related contractual payments as at 31 December 2022:

Period	2015 Bond		2018 Bond	
	Interest due	Capital repayment	Interest due	Capital repayment
	£'000	£'000	£'000	£'000
Due to end December 2022	857	-	140	-
Due within one year (to end December 2023)	1,921	-	1,053	-
Due between one and five years (to end December 2027)	9,654	-	4,073	-
Due after five years	39,108	70,000	19,823	30,000
Total	51,540	70,000	25,089	30,000

The intra-group liability due by the charity to CHARM Finance plc mirrors the terms of the bonds noted above.

The charity has a loan facility with Santander through Abbey National Treasury Services PLC which at December 2022 was secured by fixed charges over 247 properties (2021: 252 properties) owned by the charity, with occupied market value of £62,796,000 (2021: £62,177,000). The loan is repayable, subject to terms and conditions, at June 2025.

The cost of the Santander arrangement fee of £500,000 (1% of the loan facility) is offset against the loans and is being amortised over 15 years. At 31 December 2022, the amortised cost was £88,000 (2021: £117,000).

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2022

14. Financial Instruments

	Note	Consolidated		Charity	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Financial assets at fair value through statement of financial activities					
Listed non-current investments	9	41,679	46,858	41,692	46,871
Total financial assets		41,679	46,858	41,692	46,871

15. Funds

Consolidated and charity	Balance at 1 January 2022	Income	Expenditure	Investment losses	Other gains	Transfers	Balance at 31 December 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	-	8,519	(8,519)	-	-	-	-
Total unrestricted funds	-	8,519	(8,519)	-	-	-	-
Restricted funds:-							
General Purposes Fund:							
- General Funds	114,601	21,925	(22,468)	(4,818)	-	65	109,305
- Earmarked – Property Maintenance	4,898	-	(3,658)	-	-	(65)	1,175
Clergy Retirement Housing Trust & other trusts	12,824	1,220	(341)	(300)	-	-	13,403
Total restricted funds (excl. pension reserve)	132,323	23,145	(26,467)	(5,118)	-	-	123,883
Pension reserve	(465)	-	127	-	18	-	(320)
Total funds	131,858	31,664	(34,859)	(5,118)	18	-	123,563

For comparative purposes, the table below shows the movement on funds for the year ending 31 December 2021:

Consolidated and charity	Balance at 1 January 2021	Income	Expenditure	Investment gains	Other gains	Transfers	Balance at 31 December 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	-	6,832	(6,832)	-	-	-	-
Total unrestricted funds	-	6,832	(6,832)	-	-	-	-
Restricted funds:-							
General Purposes Fund:							
- General Funds	109,489	21,637	(19,711)	4,886	-	(1,700)	114,601
- Earmarked – Property Maintenance	6,567	-	(3,369)	-	-	1,700	4,898
Clergy Retirement Housing Trust & other trusts	12,402	597	(465)	290	-	-	12,824
Total restricted funds (excl. pension reserve)	128,458	22,234	(23,545)	5,176	-	-	132,323
Pension reserve	(624)	-	133	-	26	-	(465)
Total funds	127,834	29,066	(30,244)	5,176	26	-	131,858

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2022

15. Funds (continued)

Unrestricted funds

The **unrestricted funds** represent expenditure incurred by the CEPB on salaries and working expenses subsequently recovered from the pension funds administered by the Board. The CEPB has no net assets or liabilities in its own right as a body corporate.

Restricted funds

The **General Purposes Fund ("GPF")** is the largest charitable fund administered by the Church of England Pensions Board, covering the provision, maintenance & management of homes of residence for retired clergy and church workers and their spouses/former spouses/dependants, etc.

£0.1m was transferred from the restricted general fund to the earmarked Property Maintenance fund (2021: £1.7m was transferred to the Property Maintenance fund from the general fund).

The **Clergy Retirement Housing Trust ("CRHT")** is a registered charity (Charity No. 236627-2) and is a linked charity of the Board. As a linked charity, it is accounted for as a restricted fund. The charitable object of the CRHT is to use its property as residences for those persons who are qualified for such residence by virtue of the provisions of the Clergy Pensions Measure 1961 or any succeeding legislation.

Below is a summary of the assets and liabilities of each fund as at 31 December 2022:

FUND	Fixed Assets	Current Assets	Current Liabilities	Non-Current Liabilities	SUB TOTAL	Provision for Pension Liability	NET ASSETS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	731	1,296	(2,027)	-	-	-	-
Restricted Funds:							
General Purposes Fund	288,452	1,743	(53,430)	(126,285)	110,480	(320)	110,160
Clergy Retirement Housing Trust & other trusts	11,159	2,226	18	-	13,403	-	13,403
Total	300,342	5,265	(55,439)	(126,285)	123,883	(320)	123,563

For comparative purposes, the table below provides a summary of the assets and liabilities of each fund as at 31 December 2021:

FUND	Fixed Assets	Current Assets	Current Liabilities	Non-Current Liabilities	SUB TOTAL	Provision for Pension Liability	NET ASSETS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	673	953	(1,626)	-	-	-	-
Restricted Funds:							
General Purposes Fund	294,463	2,838	(57,079)	(120,723)	119,499	(465)	119,034
Clergy Retirement Housing Trust & other trusts	10,895	1,982	(53)	-	12,824	-	12,824
Total	306,031	5,773	(58,758)	(120,723)	132,323	(465)	131,858

16. Subsidiary results

The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held to undertake property and building development at the supported housing schemes, and CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC (incorporated and acquired 17 July 2015), a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle which in August 2015 provided £70m of funds to the Board via the issue of £100m of 3.126% Secured Bonds (including £30m in principal amount of Retained Bonds) due August 2048. In April 2018 CHARM Finance PLC provided a further £30m of funds to the Board via the issue of £50m of 3.509% Secured Bonds (including £20m in principal amount of Retained Bonds) also due in 2048. These funds are being used to secure current and future obligations for clergy housing in retirement.

Summaries of the Board's significant subsidiaries' results are shown below:

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2022

16. *Subsidiary results (continued)*

	CEPB Mortgages		CHARM Finance PLC	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Revenue	341	338	3,417	3,442
Expenditure	(341)	(338)	(3,417)	(3,442)
Result	-	-	-	-
Total Assets	5,390	5,445	100,911	100,285
Total Liabilities	(5,389)	(5,444)	(100,898)	(100,272)
Net Assets	1	1	13	13

17. *Related Parties*

Subsidiary companies

The Board received £341,000 from CEPB Mortgages (2021: £338,000) in respect of mortgage interest received by the Company. At the balance sheet date, CEPB Mortgages owed the Board £5,389,000 (2021: £5,444,000) in respect of mortgage loans repayable.

The Board paid £3,481,385 to CHARM Finance PLC in 2022 in respect of bond interest paid by the Company (2021: £3,437,555). At the balance sheet date, the Board owed CHARM Finance PLC £99,368,000 (2021: £99,340,000) in respect of loans repayable in relation to the 2015 and 2018 bonds, and CHARM Finance PLC owed the Board £548,601 in respect of interest repayable.

Joint ventures

Church of England Central Services (ChECS) is a joint venture between the Church Commissioners, the Archbishops' Council and the Church of England Pensions Board, and therefore a related party of the Board. More information can be found in Note 9.

Pension Schemes

Details of amounts paid to the pension schemes are disclosed in note 8.

THE CHURCH OF ENGLAND PENSIONS BOARD

England & Wales - Charity number 236627

Accounts

The Church of England
Pensions Board

Annual Report

Year ended 31 December 2021

Contents

Introduction from the Chair and Chief Executive	3
Report of the trustees for the year ended 31 December 2021	4
Structure and history	4
Public Benefit	5
Objectives	5
Charitable activities of the Board	6
CHARM (Church's Housing Assistance for Retired Ministry)	6
Supported Housing	8
Administration of pensions	8
Review of 2021 activities	9
The Board's Approach to Ethical Investment & Stewardship	11
Financial Review	13
External financing	14
Charity Investments	14
Risk Management	15
Going Concern	18
Approach to Taxation	18
Reserves	19
Reserves policy	19
Plans for the future	20
Structure, governance and management	21
Governance	21
Independent Auditors	22
Ethical Investment Advice	22
The Charity Code of Governance	22
Trustees	23
Attendance by Trustees at meeting of the Board and its Committee	25
Reference and administrative information	26
Management	27
Approval	28
Statement of Trustees' responsibilities in relation to the financial statements	29
Consolidated statement of financial activities of the Church of England Pensions Board for the year ended 31 December 2021	35
Consolidated balance sheet as at 31 December 2021	36
Charity only balance sheet as at 31 December 2021	37
Notes to the financial statements for the year ended 31 December 2021	39

Introduction from the Chair and Chief Executive

In 2021 we all learned what it means to live with an ongoing pandemic. The UK's vaccination programme has been remarkable in its speed, allowing the resumption of very welcome contact with family and friends. However, the pandemic has created continuing challenges, not least market volatility, but also changes to retirement patterns, and to the practicalities of how our teams work together. The Board has responded to all these challenges while continuing to develop the services we provide to the Church and our strategic agenda.

In July, a major milestone was achieved with the completion of legislative changes to simplify the Board's governance arrangements in line with best practice. Following elections, the new Board of Trustees took office from 1 July. It is smaller, nimbler, and more diverse than before with a good mix of experienced and new trustees.

We have seen another year of strong investment returns (over 18% on growth assets and 13% overall including liability matching assets), with our balanced portfolio taking advantage of market opportunities. Ethical and responsible investment is at the very heart of our investment approach, as detailed in our first Stewardship report, published in March. We were delighted to be among just 23 asset owners to be accepted by the Financial Reporting Council as a signatory of the new UK Stewardship Code.

As a result of our investment returns and the faithful contributions by the 700 or so church organisations we serve, all our pension schemes are in good shape for the long term. In 2022 we will work through the statutory valuation of the Church of England Funded Pension Scheme (which covers clergy pensions) with the expectation that this will report the scheme fully funded for the first time since its inception. This is reassuring for all our clergy members and an important step in the context of the economic outlook and also financial pressures affecting the wider Church family.

The pandemic has accelerated the pace of digital transformation across our society, and we are part of that trend. This year, we launched an online pensions portal which is being progressively delivered to members; we strongly encourage everyone to use it. We have also successfully implemented a new IT system within our housing operations, designed to improve customer service by providing a holistic view of all information on a given property.

For housing operations this has been a challenging year, starting as it did with a lockdown that limited house moves and our ability to deliver major property works. As the year went on, we were also hit by the effects of global supply issues. Nonetheless, 82 households moved into new retirement accommodation in the year – a significant increase on 2020.

It is our deep privilege and joy to serve those who work and minister for the Church of England. Looking ahead we are continuing to press forward with our strategic priorities, supporting the vision for a simpler, bolder, humbler Church.

Clive Mather
Chair

John Ball
Chief Executive Officer

Report of the trustees for the year ended 31 December 2021

The trustees present their annual report and financial statements of the charity for the year ended 31 December 2021. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the Charities Act 2011, FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and “Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Finance Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)” (“the SORP”).

Structure and history

The Church of England Pensions Board (“the Board”) was established in 1926 by the Church Assembly (now the General Synod) by the Clergy Pensions Measure 1926, to serve as the pensions authority for the Church of England and to administer a comprehensive pension scheme for clergy. Prior to 1926 there was no proper pension system for clergy.

The Board was given powers in 1948 to provide housing for retired clergy and their widows and dependants, and in subsequent years also became trustee of various charitable funds and trusts to provide for the relief of poverty of retired clergy and their widows and dependants. In 1964 the Board became a registered charity. Since then, the funds and trusts have been amalgamated and now exist as a single restricted fund: the ‘General Purposes Fund’; and one linked charity for which the Board is corporate trustee: the ‘Clergy Retirement Housing Trust’.

In its current form, the Board is a body corporate, a registered charity, and is governed by the Church of England Pensions Measure 2018 – the main operative provisions of which came into force on 1 March 2019. Prior to the 2018 Measure, the Board was governed by the Clergy Pensions Measure 1961 (as amended from time to time). The structure of the Board was amended in 2021 by the Legislative Reform (Church of England Pensions) Order 2021. During the period covered by these accounts it was the corporate trustee of three pension schemes:

- The Church of England Funded Pensions Scheme (“CEFPS”, commonly called ‘the clergy scheme’).
- The Church Workers Pension Fund (“CWPF”).
- The Church Administrators Pension Fund (“CAPF”).

The financial statements of the three pension schemes listed above are not included in this report but are separately available.

The Board administers two other pension schemes, for which it is not a trustee: the Church of England Pensions Scheme (for clergy service prior to 1 January 1998); and the Church Commissioners Superannuation Scheme (for staff service prior to 1 January 2000). The financial affairs of these schemes can be found in the Church Commissioners’ accounts. They have no impact on the financial position of the pension schemes of which the Board is trustee.

Public Benefit

The purposes of the Board are the provision of retirement services set by the Church of England for those who have served or worked for the Church. This is carried out primarily through the provision of retirement housing and through the administration of pensions.

In accordance with the requirements of s17(5) of the Charities Act 2011, in exercising their responsibilities the Board has had regard to the Charity Commission's published advice on public benefit, especially that contained in its supplementary guidance "*The Advancement of Religion for the Public Benefit*".

Nationally, the Church, through its network of more than 12,000 parishes, 16,000 churches and 20,000 ordained and lay ministers seeks to build social capital and provide spiritual care for all those who might wish to engage with matters of faith in a Christian context. The local churches are a focus for community activity, and through resources available at their disposal, provide activities that support community development and social cohesion. These can include projects which support children, families, and the elderly.

Retired clergy and their dependants often play a role in these projects. Through the provision of comprehensive pension schemes, retirement accommodation and, where applicable, direct grants to supplement their income, the Board assists clergy in retirement to continue to play a full role in the community.

Objectives

The Board's charitable objectives are first, to provide the best possible support and care, within available resources, to those who have retired from stipendiary and lay ministry within the Church of England, and to their dependants, through the provision of retirement and supported housing, and through advice services, and discretionary grants for those most in need. Second, the Board's objective is to meet its responsibilities as administrator for the various pension schemes, as laid out in its governing documents (see Structure and History section).

The strategic objectives of the Board are:

1. Effective and efficient delivery of our pension schemes
2. Quality homes and charitable services that our customers and funders value
3. Demonstrate leadership in ethical and responsible investment
4. Understand what matters most to our customers
5. Model good governance and stewardship
6. Value our people for who they are and what they do

In December 2019 the Board agreed three strategic priorities to guide its work and the implementation of its objectives. These are:

- 1. Simplification**
- 2. Self-sufficiency**, so that the Board can be less reliant on financial support from the wider Church in the long-term

3. Engaging in **great conversations** with those the Board serves and the companies in which it invests

These priorities together form the Board's 'Centenary Vision'.

Around one in six clergy retiring from the stipendiary ministry seek the Board's assistance with retirement accommodation. Retirement can be a stressful life event for many people and particularly so for the Church of England clergy who have lived most of their working lives in tied accommodation and for whom retirement also entails the stress of moving to a new house. The Board aims to work with clergy to assist them in this significant life transition and encourages early conversations about retirement housing and pension provision. We aim to provide an appropriate level of service over the long term, and retirement housing which is well maintained and suits its purpose.

In 2022, the Board will continue to provide these services within the resources available. We continue to shape and refine the services that are offered to ensure that they are sustainable in the future.

The charitable activities are financed by grants, gifts, legacies, and investment income. All donations are placed in the General Purposes Fund unless otherwise specified. We are very grateful to those who have given donations and left legacies over the past year.

Charitable activities of the Board

Around 2,700 individuals – primarily retired clergy and their dependants – receive housing assistance through CHARM rental, supported housing, shared ownership and the (closed) mortgage schemes.

CHARM (Church's Housing Assistance for Retired Ministry)

The CHARM scheme is the main housing provision made by the Church of England Pensions Board. It is designed to assist retiring clergy leaving tied accommodation and who have not been able to make their own provision for somewhere to live in retirement.

The provision of housing through CHARM is a discretionary facility with the Board specifying various parameters relating to the size and type of property available. The parameters are regularly reviewed.

Information on the CHARM scheme, eligibility and access to the various options is available on the Church of England websites at www.churchofengland.org/housing.

The Board also supports retirees and their households through a Welfare Advice Service which enables us to sign-post individuals to other charities and agencies through which they can access the different types of support available to them, including helping individuals to navigate the state benefit system.

Rental Property

The rental option is the Board's core service, with around 1,200 properties let across England and Wales. Customers can choose from a portfolio of available properties across the country up to five years before they intend to retire and "reserve" it for their retirement.

The Board ensures that all properties are in a good state of repair. It uses stock condition surveys to plan and carry out maintenance.

Tenants who moved into their properties after 1 April 2015 pay a "target rent" based on a social housing model; tenants who already lived in a property prior to this date pay a rent which was based on their (joint) income, which is being slowly transitioned to a target rent.

The CHARM scheme is subsidised by the wider Church of England through Vote 5 of the Archbishops' Council's budget. The total grant for 2021 was £5.4m (2020: £5.3m). This support enables the Board to continue to offer target rents at a lower level than market rents. The Trustees are grateful for the financial support from the wider Church towards this work.

Shared Ownership

The Shared Ownership option assists 99 households. Properties are bought in partnership with the customer who contributes a minimum of 25% of the property cost. The Board's maximum contribution is £150,000. Additional shares of the property can be bought by the customer who can buy outright ownership if they wish.

Customers pay a rent, based on the Board's capital share of the property, and a service charge which reflects the cost of maintaining and insuring the property. The rent is increased in line with the weighted increase in the full Church and State pension for a married couple.

Mortgage Schemes

The mortgage schemes are closed to new applicants.

A fixed-interest mortgage option was in operation until 31 December 1982. Mortgagors had the option to pay interest on the amount loaned during the life of the loan and then on redemption repay the nominal amount of the loan or pay one-half of the interest due during the life of the loan and on redemption repay the nominal amount of the loan together with the unpaid interest. Four loans were outstanding at the end of the year, two of which the mortgagor is paying the full interest amount on the mortgage advanced, and two of which the mortgagor is paying one-half of the interest due.

A value-linked mortgage option closed on 31 March 2008. Mortgagors pay an interest-only element on the advanced sum, with the rate of interest being subject to an annual uplift in line with increases in Church and State pensions. When the property is sold or the mortgage redeemed, the sale proceeds are divided between the mortgagor and the Board in the same proportions as when the loan was advanced. At the end of the year mortgage loans were outstanding on 485 properties (428 from the Charity and 57 from the subsidiary

company CEPB Mortgages Ltd) (2020: 537 properties (478 from the Charity and 59 from the subsidiary company CEPB Mortgages Ltd)).

Supported Housing

For more than 70 years, the Board has operated supported housing schemes for those retired clergy and their dependants who wish to live as independently as possible in a community of Christians. Some retired clergy, or their surviving spouses or civil partners, no longer feel comfortable living by themselves or find it increasingly difficult to maintain and manage a home of their own. Equally, some wish to continue living within a community where the liturgical and spiritual life of the Church of England is central and practical support is available to enrich older living.

The Board's seven supported housing communities provide residents with a self-contained flat and include dining facilities, meeting spaces, libraries, a chapel and communal grounds. The Board charges for the accommodation using a rent and service charge system and operate a subsidy system to assist those of its residents who are unable to pay for those support charges which are not eligible for state assistance.

The total cost of running the supported housing operation including central overheads and costs in relation to former nursing care services, is largely met by the income the Board receives through rent and service charges. The shortfall is met from grants, voluntary donations and investment income received by the General Purposes Fund. In 2021 this amounted to £1.1m (2020: £1.4m).¹

Administration of pensions

During the period covered by this report, the Church of England Pensions Board was the trustee of three pension funds – the Church of England Funded Pension Scheme, the Church Workers Pension Fund, and the Church Administrators Pension Fund.

The administration of pensions for the clergy is one of the charitable objects of the Board; this is carried out at no cost to the charitable funds since the administration costs are charged to the relevant pension fund.

In total, the pensions for more than 41,000 people, across about 700 employers are administered by the Board. Separate reports and accounts are issued for each of the pension schemes.

¹ See note 4 for further details of the shortfall between charitable income from rent and service charges, and charitable expenditure incurred.

Review of 2021 activities

Pandemic Response

In 2021, our focus has been to support our customers through the pandemic, and adapt our services to keep customers, partners, and our team safe. With the onset of the pandemic in March 2020, we deployed tried and tested business continuity plans to move our office-based staff to home-working using secure systems. This was strengthened through additional IT kit enabling the pensions and housing helplines to maintain a good level of service to our members and participating employers.

Throughout this period, the Board has followed the advice from and been in contact with the relevant regulatory bodies for its activities. It has also been supported by its professional advisers.

While some of our plans had to be changed, the Board continued to deliver most of its core services and make progress on its development plans, including all the matters identified as future plans in the 2020 Annual Report.

CHARM

The Board continues to be able to assist around 2,700 retired clergy and their dependants through the CHARM scheme (including the historic mortgage arrangements).

The Board's strategy for the main rental scheme is to build up a portfolio of suitable properties which can be held for the long term and will be suitable for re-letting when they become vacant. This requires a transition away from historic Church Commissioner funded properties, which are sold as they fall vacant. In line with this strategy, the Board purchased 19 new rental properties during the year (2020: 17 new rental properties) and was also able to re-let several existing (Pension Board funded) properties to meet demand. Given wider economic uncertainty and practical constraints on the property market, the Board continued to seek to minimise purchases, and instead worked closely with those approaching retirement to match them to available properties where possible. This approach was so successful that it will be adopted on an on-going basis. Specific properties continued to be acquired where needed – particularly in response to ill-health retirements – and surplus properties were marketed for sale. Overall, there was a net decrease in the size of the rental portfolio from 1,187 at the end of 2020 to 1,176 at the end of 2021. The proportion funded by the Pensions Board increased to 80% (2020: 79%).

In addition to rental properties, the Board continued to assist customers through the shared ownership scheme. However, there were no new shared ownership properties purchased in 2021 (2020: 1 purchase).

The Board continued to provide supported housing through its seven supported living schemes, housing 254 residents in 2021 (2020: 297). Following a necessary hiatus at the start of the year, we were pleased that viewings and moves were able to recommence with the adoption of appropriate safety procedures.

We have continued to provide support to our customers through our Welfare Advice

service. In 2021 we supported almost 350 customers (2020: 260) in accessing local authority support and benefits to which they are entitled, as well as in signposting individuals to other charities as needed.

The pandemic has not prevented the continued development and improvement of our services. Our new housing management system went live in 2021, which will reduce paperwork, improve data quality, and free up our team to spend more time with customers.

In line with the General Synod environment motion in February 2020, the Board commissioned an assessment of the technologies, costs and practical steps to achieve climate transition in its housing portfolio. The results of this work will feed into the development of the asset management strategy.

Administration of Pensions

Early in 2021 the Board completed the triennial valuations of the CWPF and CAPF, both based on valuation date of 31 December 2019. The Board carefully considered The Pensions Regulator's guidance on valuations during the pandemic as part of the valuation work. Both valuations benefited from engagement before and during the valuation process with employers, leading to the agreement of long-term funding and derisking journey plans for both schemes.

Towards the end of the year, the Board evaluated the opportunity to secure a 'buy in' of defined benefit pensioner liabilities in the CWPF. This was concluded in early 2022, with £160m buy in completed with Aviva.

We also commenced preparation for the next valuation of the CEFPS, which has a valuation date of 31 December 2021. At the end of the year, there were good indications that the valuation would confirm a funding surplus on a technical provisions basis. This would be the first time that a surplus has been recorded since the commencement of the scheme in 1998.

We continued the implementation of an upgrade to the Board's pension administration system. The Board first implemented its pensions administration software 15 years ago. The system has provided considerable resilience through the pandemic, with staff able to maintain service levels whilst working remotely from the office. The system improvements we are now implementing will further enhance the service, including through:

- online access for members,
- web access and electronic interfaces for employers, and
- greater automation of our 'back of house' processes.

In June, the first phase went live with the launch of the PensionsOnline secure portal for members. Members are being progressively invited to register for PensionsOnline, and by the end of the year, the invitation had been extended to most clergy pensioners. So far the take up has been impressive.

The total assets of the defined benefit pension schemes for which the Board is Trustee returned 13% over 2021 (2020: 9.4%). For the ten years to the end of 2021, annualised returns are 10.4%.

The results of the schemes are not reflected in those of the Board and may be found in the separate annual report and accounts produced for each scheme. The table below provides summary information for the net assets of each scheme as at 31 December 2021.

	Church of England Funded Pension Scheme £m	Church Workers Pension Fund £m	Church Administrators Pension Fund £m	Total £m
Total net assets available for benefits	2,756	717	203	3,677

The table below provides summary information for the most recent concluded actuarial valuation of each pension scheme at the date indicated. The CEFPS figures have not yet been adjusted for the 2021 valuation which is in progress at the date of signing this report.

	Church of England Funded Pension Scheme £m	Church Workers Pension Fund £m	Church Administrators Pension Fund £m
<i>Date of Valuation</i>	<i>31 Dec 2018</i>	<i>31 Dec 2019</i>	<i>31 Dec 2019</i>
Total Technical Provisions	(1,868)	(611)	(151)
Total net assets available for benefits	1,818	601	142
Total pension scheme deficit	(50)	(10)	(9)

In line with its agreed long-term asset allocation, the Board continued its programme of diversifying the assets and sources of return for the pension schemes during the year, particularly through commitments to private market and alternative investments. This additional diversification partly mitigated the volatility in equity and gilt markets throughout the year. The Board is a long-term investor well able to ride out market volatility. Our long-term plan envisages both restructuring and reducing public equity investments as a share of the total, with further investments in private markets and other assets. We can do this because, overall, our schemes are continuing to grow and are some years from maturity. This will further diversify our growth portfolio and directly supports our ethical investment agenda, by allowing us to invest in areas such as renewable energy, energy efficiency, environmental wellbeing, and technology.

The Board's Approach to Ethical Investment & Stewardship

The Board is a leading voice in ethical and responsible investment. It is globally recognised and respected for its work. The Board actively engages with companies in which it is invested and is committed to managing its funds in a way that reflects the Church's teaching and values. The Board is the only pension provider offering schemes that fully comply with the Church of England's ethical investment policies.

We are in the midst of a climate emergency. Climate change is already having a profound effect on the world around us. Investors have a significant part to play in building a more sustainable, low-carbon future. The climate transition is therefore at the heart of our investment approach, both as a risk and an opportunity that we must address on behalf of our members through engagement with our managers and with companies.

We continue to chair and lead the Transition Pathway Initiative (TPI) which has grown to be supported by 125 funds with over \$40tn in assets under management (AUM). TPI provides investors with a robust tool to assess companies' preparedness for the transition to a low-carbon economy, including those in which we are invested. 2021 marked a 'coming of age' for TPI, with the launch of the Global Climate Transition Centre, which will significantly scale the depth and breadth of TPI's coverage to 10,000 companies. The Board is one of the founder members of a new company, TPI Ltd, which will hold the TPI Brand and oversee development of TPI and the Centre, working in partnership with the London School of Economics and other partners.

A hallmark of our ethical investment approach is how we work in partnership with other pension funds and investors globally to collectively drive action. On the climate transition, we, as part of the Institutional Investors Group on Climate Change (IIGCC), led a European-wide initiative with leading investors and major oil and gas companies to agree a demanding net zero standard for the sector. This industry standard will be pivotal to enabling investors to track the success of oil and gas companies' transition plans. Importantly, it recognised that an oil and gas company can have a legitimate strategy to stop exploring for oil and gas, to wind down its assets and to return funds to shareholders. The standard is already being piloted by major industry players, including BP, Eni, Repsol, Shell and Total, and we expect it to become a global benchmark.

On behalf of the Climate Action 100+ global engagement initiative (supported by funds with more than \$60tn AUM) we continue to lead climate engagement with Shell. In June, Shell announced the acceleration of its plans to net zero; however, we are continuing to lead the calls for further action and commitments, or we will disinvest our shareholding in line with our commitment to General Synod.

The Board has continued to lead the Church's engagement on mining and extractives, in direct response to the tragic loss of 270 lives in the Brumadinho tailings disaster in 2019. Across 2021, we worked with the United Nations on the set-up of the independent Global Tailings Management Institute, which will be tasked with monitoring the implementation of the Global Industry Standard on Tailings Management.

Following the destruction by Rio Tinto of the 46,000-year-old heritage site in Juukan Gorge, we have worked closely with Australian investors to develop a clear response to the issue of indigenous rights. Last year, 67 institutional investors, led by the Australian Council of Institutional Investors and the Pensions Board, wrote to the 78 largest companies in the mining sector, seeking disclosures as to how they manage engagement with indigenous communities. This will be an important pillar of our 2030 Investor Agenda for the mining sector, which will be developed over 2022.

We are guided in our engagement activities by advice from the Church's Ethical Investment Advisory Group (EIAG). Based on their guidance, we operate exclusions on certain kinds of investments such as tobacco, gambling, and high-rate lending, or support a mixture of ethical

exclusions alongside engagement to change company behaviour. In 2022, we expect the publication of the EIAG's advice on 'big tech', which will help inform our approach to engagement across this important sector.

In our policies and engagement with companies, we coordinate closely with the other National Investing Bodies: the Church Commissioners for England and CBF Church of England Funds. For instance, we supported a collaborative engagement letter on deforestation (a big focus area for the Commissioners) in advance of COP26. The letter was eventually supported by 33 institutions with \$8.7tn AUM. This was one of the issues that saw significant progress at COP, where 110 world leaders committed to end and reverse deforestation by 2030.

Financial Review

The Board's overall result for 2021 was a net increase in funds of £4.0m (2020: decrease of £1.1m). Net expenditure before gains on investments was £1.2m (2020: net expenditure of £0.6m).

Total income for 2021 was £29.1m (2020: £29.1m), with income from charitable activities being £20.4m (2020: £21.0m), which includes income from rents and service charges for CHARM properties and the supported housing schemes along with interest received in relation to mortgage properties, which together amount to £13.6m (2020: £13.7m). The remaining income from charitable activities of £6.8m (2020: £7.4m) relates to the recovery of administrative costs in respect of the pension schemes administered by the Board.

In addition to the income received through provision of its services, the Board relies upon voluntary income sources to sustain its charitable activities. Income from grants, donations and legacies was £6.1m (2020: £6.2m). This includes support from the wider Church of England, through Vote 5 of the Archbishops' Council's budget, under which a grant of £5.4m (2020: £5.3m) was made towards the provision of retirement housing. Total income from donations and legacies in 2021 was £0.7m (2020: £0.9m) for which the Board is extremely grateful.

The Board also received investment income of £1.7m (2020: £1.4m), and profit from the sale of CHARM properties of £0.8m (9 rental and 4 shared ownership) (2020: £0.5m, 7 rental and 1 shared ownership). The Board continues to develop the portfolio through sale of unsuitable properties as they become vacant, using the proceeds of sale, along with external borrowing, to fund the purchase of new properties; however, the Board carefully managed both sales and purchases in the year given the impact of Covid on the Housing market, customer decisions and choices in the context of the pandemic and wider uncertainty.

Total expenditure for 2021 totalled £30.2m (2020: £29.7m), with expenditure on charitable activities totalling £30.2m (2020: £29.7m). The largest component of expenditure was on rental properties of £14.1m (2020: £13.5m). Expenditure on supported housing was £5.5m (2020: £4.9m). Expenditure was monitored carefully in the wake of the pandemic, with certain expenditures such as property improvement works running at lower levels than a typical year through choice (to mitigate other unplanned costs) or necessity (Covid restrictions).

Charitable expenditure also includes the cost of administering the pension schemes which was £6.8m (2020: £7.4m) – this is a figure which varies year to year in large part due to the level of work on statutory valuations within the year.

Net gains of £5.2m on investment funds (2020: losses of £0.5m), explained further below, contributed to an overall increase in total funds of £4.0m to £131.9m (2020: £127.8 m).

The value of fixed assets increased in the year to £306.0m (2020: £301.8m). The overall value of the CHARM portfolio decreased by £1.3m, reflecting acquisitions and disposals in the year, whilst the value of CEPB funded properties increased to £182.0m (2020: £179.0m).

The Board's pension deficit liability in relation to its participation in the CAPF scheme was £0.5m at the end of 2021 (2020: £0.6m).

External financing

The Board has supported the long-term financing of the CHARM scheme through the issue of two listed bonds, as well as making use of a Revolving Credit Facility.

During 2015 the Board issued a £100m Bond, of which £70m was drawn down immediately. This gave the Board access to long-term finance to purchase additional retirement properties, to secure the future of clergy housing in retirement. The Board used part of the proceeds to acquire the further economic interest in 196 CHARM rental properties which had been financed by the Church Commissioners and had previously been subject to significant restrictions. The remaining proceeds were used to repay other existing, shorter-term, borrowings.

In 2018, the Board issued a £50m fixed rate bond in April 2018, of which £30m was drawn down immediately and was predominantly used to repay existing borrowings. This reflects the continuation of the Board's long-term financing strategy.

In 2019, the Board agreed a variation to its £50m Revolving Credit Facility, extending this arrangement to 2025.

Charity Investments

The charity holds investments of £46.9m (2020: £41.7m), which generated income of £1.7m in the year (2020: £1.4m).

During 2021 the majority of investments were held with Brewin Dolphin, the Charities Property Fund (CPF, managed by Savills) and the Property Income Trust for Charities (PITCH, managed by Mayfair Capital). The CPF and PITCH funds invest wholly in UK property, principally industrial, office and retail property. They are structured as charity common investment funds, which allow investing charities to benefit from their statutory exemption from stamp duty on UK investments. The charity also holds £0.7m (2020: £0.7m) in investment properties, covering a portfolio of 3 (2020: 6) properties.

The amounts invested at the end of 2021 by the Board across the three funds are shown in

the table below, along with the return generated by each investment for the Board over the year. At times, the Board's returns may differ from the funds' own returns, because of investment or disinvestment during the year, which will affect its returns.

The Board monitored its charitable investments carefully during 2021 in the light of the pandemic and will continue to review the charity investment strategy in 2022.

	Value at end 2021 £m	Allocation %	2021 Return for the Board %
Brewin Dolphin	15.5	31	20.7
Investment Properties	0.7	1	n/a
Savills Charities Property Fund	23.9	48	14.90
Mayfair Capital Property Income Trust for Charities	10.0	20	21.4
Total	50.10	100	17.7

The charity also holds £0.8m (2020: £1.4m) in short-term cash deposits with the CBF Deposit Fund (CBDFD, managed by CCLA Management Ltd.)

Further information about the two charity property funds in which the Board is invested is provided below.

	Fund returns net of fees			Yield	Net fund size
	2021	2019- 2021	2017- 2021	End 2021	End 2021
	%	% pa	% pa	%	£m
Savills Charities Property Fund	14.9	5.9	7.0	4.0	1,277
Mayfair Capital Property Income Trust for Charities	22.9	7.4	8.5	4.1	671

Risk Management

The Church of England Pensions Board's risk management process supports management by facilitating the identification and assessment of significant risks to the achievement of objectives. There is a clearly defined Risk Management Policy which outlines the roles and responsibilities of Trustees, management, and staff.

The Trustee Board reviews the strategic risk register and risk management arrangements at least annually. The Board is supported by the Audit and Risk Committee, which regularly review the risk registers and the adequacy of arrangements in place to manage the risks. The Board has considered its appetite for different types of risk and seeks assurance that additional actions are planned where residual risk is assessed to exceed the stated appetite. The Board recognises that fulfilment of certain Pension Trustee and charitable duties requires a measure of risk taking, for example to deliver investment returns for members, and seeks to ensure that such activities are undertaken within an appropriate control environment.

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

Principal Risks

The principal risks, which Trustees consider most significant are –

Risk	Key Management Actions
Significant wider socio-economic issues resulting from events (inc. COVID-19), have a major impact on pension deficits or covenants on external financing.	<ul style="list-style-type: none"> • Regular monitoring and reporting of the external environment and scenario analysis. • Diversification of the investment portfolio. • Adoption of Asset Led Funding methodology for the CEFPS. • Engagement with scheme funders / employers. • Employer covenant monitoring arrangements. • Debt covenant monitoring arrangements. • Customer engagement. • Annual actuarial review. • Exploring further de-risking mechanisms for CWPF
Failure to meet customer needs and expectations in the context of the expected significant increase in retirements	<ul style="list-style-type: none"> • Encouraging early customer engagement. • Scenario modelling and demand surveys.
Failure to comply with Landlord regulatory responsibilities resulting in injury or death to individuals	<ul style="list-style-type: none"> • Landlord responsibilities identified. • Specific arrangements in place for Supported Housing, including third-party support. • Compliance actions for CHARM properties delivered by a range of third-party providers, managed and monitored by in-house Compliance Manager. • Specific COVID-19 management arrangements. • Improved compliance monitoring resulting from the implementation of the Housing Management System

Risk	Key Management Actions
Covenant(s) materially weakened by a significant event within the church leading to financial strain	<ul style="list-style-type: none"> • Covenant monitoring and integrated risk management. • Close liaison with Archbishops' Council on wider church financial issues, particularly during the pandemic. • Horizon scanning and ad-hoc simulation or scenario planning. • Close liaison with employers.
Legal or regulatory change resulting in a pension scheme or housing operations becoming unviable, unacceptable to employers, or unaffordable.	<ul style="list-style-type: none"> • Horizon scanning. • Engagement with regulatory bodies and policy makers. • Responsible investment programme. • Governance reforms implemented
Failure to understand and respond to the paradigm shifts caused by climate change	<ul style="list-style-type: none"> • Climate change integrated into investment decision making. Independent climate scenario analysis completed in 2020. • Property purchases consider climate and flood risk
A significant IT Security breach leads to a prolonged period of service disruption or reputational damage.	<ul style="list-style-type: none"> • Cyber resilience and Technology strategy, including Cyber Essentials Plus certification. • Dedicated IT Security Manager • IT Security Awareness Training
Failure to deliver strategic objectives in the event of a major business continuity event	<ul style="list-style-type: none"> • Testing of business continuity plans across NCIs. • Business Continuity Gap Analysis conducted in early 2021 • Defined Health and Safety procedures
Inability to attract/recruit and/or retain high quality staff with the requisite skills.	<ul style="list-style-type: none"> • Legislative Reform with key focus of trustee diversity • Regular staff surveys completed, and action plans agreed • Staff Networks • Regular Pensions Staff Forum and NCI Staff Forums • Focus on staff wellbeing with mentoring programme and sessions to support hybrid working.

With the continuing pandemic during 2021, the Board and management paid particularly close attention to risk management and developed new mitigations appropriate to the circumstances. For example, additional procedures were introduced to manage infection risks in housing activities, and there was close liaison with other NCIs on the financial measures they were putting in place to support church bodies.

Going Concern

The Board meets the cost of property purchases, fit outs and other working capital requirements through its external borrowing, comprising a bank facility and two listed bond issues. The Board prepares annual budgets and regular re-forecasts, along with a three-year financial plan to ensure that it can meet its spending commitments as they fall due, and fulfil the terms and conditions associated with external borrowing. In addition, the Board has also prepared a long-term business plan to consider financial viability over a longer period than that for which formal budgets and forecasts are prepared.

The Board has considered the key risks and uncertainties which impact upon immediate liquidity and longer-term solvency. These include the level of anticipated demand for its services, the resilience of voluntary income streams and changes in economic conditions. It has modelled the impact of changes in these factors over time and has considered whether it has adequate reserves and appropriate contingency plans to deal with a range of potential adverse scenarios.

The Board has considered the continuing impact of the COVID-19 pandemic on its operations, including the impact of delayed activity (including property acquisition and non-essential maintenance) on its future obligations and commitments.

Having due regard to the above, the trustees have reasonable expectation that the Board has adequate resources to meet its spending commitments as they fall due, including the servicing and repayment of debt and compliance with loan covenants for the foreseeable future. Accordingly, the going concern basis of accounting in preparing the annual report and accounts continues to be adopted.

Approach to Taxation

In conducting its tax affairs, the Board will:

- ensure that it conducts them not only in accordance with the letter but also the spirit of the law;
- not behave in a manner that could be considered aggressive or abusive;
- endeavour to obtain all reliefs available to it as a charity;
- ensure that all tax filings are compliant with the law and that tax payments are made in a timely manner;
- engage in dialogue with Her Majesty's Revenue & Customs ("HMRC") on a regular basis to ensure that any matters where the tax treatment is uncertain or difficult are raised and discussed at an early opportunity;
- maintain suitable processes and controls to ensure that the risk of non-compliance with filing and disclosure requirements is minimised; and

- ensure appropriate compliance with any non-UK tax regimes in relation to filing and payment obligations by paying the right amount of tax in the right place at the right time and disclosing all relevant facts and circumstances to the tax authorities and claiming reliefs and incentives where available.

Reserves

Unrestricted funds

The unrestricted funds represent expenditure incurred by the Board on salaries and working expenses subsequently recovered from the pension funds administered by the Board. The Board has no net assets in its own right as a body corporate and, consequently, no unrestricted reserves are retained.

Restricted funds

Restricted income funds are to be spent or applied within a reasonable period from their receipt to further one or more, but not all of the charity's charitable purposes.

The largest restricted fund administered by the Board is the **General Purposes Fund** ("GPF") at £119.5m (2020: £116.1m), which exists to provide for the relief of poverty among, and housing for retired clergy and church workers and their spouses/former spouses/dependants etc. This fund is considered to be restricted since the provisions for use of its resources are narrower than the statutory objects of the Board, which include the administration of pensions.

Within the GPF, the Board has earmarked funds of £4.9m (2020: £6.6m) for the provision of future property maintenance costs. The designation of this fund merely expresses the current intentions of the Trustees and has no legal effect. Legally, the funds are available for spending on any of the objects of the GPF.

The **Clergy Retirement Housing Trust** ("CRHT") is a registered charity and is a linked charity of the Board (Charity No. 236627-2). The CRHT may use its property as residences for qualified persons under the provisions of the Clergy Pensions Measure 1961 or any succeeding legislation. As a linked charity, it is accounted for as a separate restricted fund, which together with some smaller trusts is valued at £12.8m (2020: £12.0m).

Reserves policy

Reserves are held to ensure that the Board can continue to deliver services to its beneficiaries and to meet its obligations and covenants in respect of debt financing in the event of a sustained reduction in voluntary income or other adverse scenario. The Board considers annually the level of reserves that should be maintained and takes account of the requirements of the Charities SORP and the guidance issued by the Charity Commission (Charities and reserves CC19).

Whilst it is unusual for a charity to hold reserves entirely within restricted funds, in practice the breadth of the restriction placed on the General Purposes Fund means that the trustees have a reasonable expectation that they could meet all necessary charitable expenditure of

the Board from this fund, excluding the administration of pensions, the cost of which is fully recoverable from the Schemes.

For the purposes of defining an appropriate reserves policy, the Board therefore considers 'free reserves' to be the net assets of the General Purposes Fund after excluding:

- the value of programme related assets net of secured borrowings, i.e. CHARM properties (most of which are debt financed);
- other fixed assets held for charitable purposes, which cannot be quickly realised;
- the amount earmarked for property maintenance;
- and after making provision for the pension liability.

The Board holds free reserves in the region of £35m - £40m, allowing it to generate annual investment income in the region of £1.5m - £2m whilst taking an investment approach which aims to preserve capital value. This level of reserve also gives considerable cover in the case of a one-off significant financial stress event.

The Trustees have again considered the reserves policy as we emerge from the COVID-19 pandemic and the impact on the Board's activities as well as the wider economy, and believe it continues to be appropriate. Therefore, no changes have been made.

Plans for the future

The Pensions Board has been providing retirement services to the Church of England for 95 years. These services have changed over the years and will continue to develop to ensure that the needs of its customers are met. The Board will continue to regularly review these services using the information obtained from an understanding of its customers' needs and expectations, to improve delivery, whilst demonstrating value for money to those who provide the Board with the resources to operate. It will also continue to provide a working environment which motivates and develops its people to give of their best and take pride in working for the Church of England Pensions Board.

Our core work will continue to be serving a growing population of 41,000 pension scheme members and beneficiaries and 2,700 housing residents, plus working with partner employers and responsible bodies across the Church of England. This includes managing health and safety, regulatory compliance and performance monitoring.

In December 2019 the Board adopted three strategic priorities: simplification, engaging in great conversations, and seeking to become more self-sufficient over the long term. These priorities – which resonate strongly with the emerging vision for the Church of England – are manifest in various parts of our plan.

Specific activities in our Delivery Plan for 2022 include the following:

1. Conduct the triennial valuation of the clergy scheme (CEFPS), working well with Responsible Bodies.
2. Invite every scheme member to sign up to Pensions Online, and develop a version for employers.
3. Manage near-term economic uncertainty well, delivering continued financial security

- for members.
4. Publish a 2030 investor agenda for a reformed mining industry, a key sector for the transition to the low-carbon economy.
 5. Embed the benefits of our new Housing Management System, delivering a more consistent, informed service for our customers
 6. Purchase and refurbish properties for the increasing number of clergy retiring.
 7. Pilot new ways of gathering feedback from our customers, including a residents' panel and a Member "Open Day" style webinar.
 8. Work with partners across the Church, to help individuals plan well for the future.
 9. Continue to embed best practice in all we do. This includes new online tools, and continued focus on Trustee diversity and training.
 10. Invest in training for staff on mental health to better support our customers.
 11. Embed hybrid working while improving services.

Structure, governance and management

Governance

Members of the Board represent a balance of skills and expertise and are drawn from a wide range of constituencies.

From 1 July 2021, the provisions of the Legislative Reform Order came into effect. This reduced the size of the Board from 20 members to 12. The Chair remains an appointment of the Archbishops with the approval of Synod. There are four member nominated trustees, two drawn from the clergy schemes and one each from the CWPF and CAPF. One member is elected by the CAPF and/or CWPF employers and one appointed by the Archbishops following consultation with the Commissioners and dioceses, as a proxy for the clergy 'employers'. The remaining members are formally appointees of the Archbishops for their skills and expertise following an open process and appropriate consultations.

The Board decides on the frequency of its meetings, which is typically five a year. For Board meetings a quorum is present when four people are in attendance, including at least one persons elected by the members of the pension schemes administered by the Board.

New trustees receive an induction into the work and practices of the organisation. All have access to an online database which includes outlines of their responsibilities, copies of the Rules and other documentation for each pension scheme, policies relating to the provision and operation of retirement housing assistance, and a library of past Board and committee papers.

Members of the Board have completed either fully or partially the Pensions Regulator's Trustee Toolkit, or an equivalent qualification, and regular training sessions are provided at Board meetings on a range of subject areas. In 2021 trustee training topics included risk appetite, an update on trustee responsibilities, particularly in light of the Pensions Act 2021, the future shape of pension schemes, the path to net zero in its investments, and the Board's responsibilities and duties in relation to safeguarding.

The Board has committees to oversee the following areas: Audit and Risk, Housing, Investment, and Pensions. The Board has delegated authority to make decisions concerning

these areas within its terms of reference and to make recommendations to the full Pension Board on other matters.

The Board has also delegated some of the day-to-day management and operation of the schemes' affairs to professional organisations as set out on page 26.

Independent Auditors

During the year, there have not been any non-audit services performed by the external auditors Crowe U.K. LLP.

Ethical Investment Advice

The Board manages the Secretariat to the Ethical Investment Advisory Group ("EIAG") on behalf of the Church of England's national investing bodies – the Church Commissioners, the Church of England Pensions Board and the CBF Church of England funds managed by CCLA Investment Management Ltd. The work of the EIAG informs the Board's investment activities.

The Charity Code of Governance

The Church of England Pensions Board takes its governance responsibilities seriously and, as a large charity, aims to have a governance framework that is fit for purpose, compliant and efficient. In 2017 the new Charity Code of Governance was launched, with a recommendation that charities review their level of application and to explain any aspects of the code they were not applying. In our review, we carried out a detailed examination of each element of the code:

- Organisational purpose
- Leadership
- Integrity
- Decision making, risk and control
- Board effectiveness
- Diversity
- Openness and accountability

Our review found we apply the code with a few exceptions, mainly arising from the Governing documentation, which as a statutory corporation, is itself primary legislation. The main area where we differed from the recommendations related to the limitation of trustee terms. On 1 July 2021, the Legislative Reform Order came into effect. This reduced trustees' terms from six years to five and provides that no trustee may serve more than ten years. This differs slightly from the recommendation in the Code of nine years because of the overriding need to provide a measure of continuity through triennial pension scheme valuation cycles.

In recent years, the Board has also enhanced its compliance with the Code. These have included extending the gathering of feedback from customers, consideration of extending the aspects of diversity we monitor, and through a thorough review of our charitable services.

Trustees

The Board has members elected and appointed by various means, which are described below. It delegates some of its business and decision making to sub-committees.

Board members (1 January 2021 to 14 July 2022)

<p>Appointed with the approval of the General Synod, by the Archbishops of Canterbury and York Clive Mather (Chair)</p>	<p>Elected by the House of Clergy of the General Synod The Revd Fr Paul Benfield (to June 2021) The Revd Nigel Bourne (to June 2021) The Revd Peter Ould (to June 2021) The Ven David Stanton (to June 2021)</p>
<p>Appointed by the Archbishops of Canterbury and York Roger Boulton FIA (from July 2021) Canon Nicolette Fisher (to June 2021) Canon Emma Osborne (from July 2021) Ian Wilson (from July 2021)</p>	<p>Elected by the House of Laity of the General Synod Roger Boulton FIA (to June 2021) Canon Emma Osborne (to June 2021) Bill Seddon (to June 2021)</p>
<p>Appointed by the Archbishops of Canterbury and York after consultation with the representatives of the dioceses Nikesh Patel (to June 2021)</p>	<p>Appointed by the Archbishops of Canterbury and York after consultation with the Church Commissioners and the representatives of the dioceses Nikesh Patel (from July 2021)</p>
<p>Appointed by the Archbishops of Canterbury and York after consultation with the Chairs of the Church of England Appointments Committee and the General Synod's House of Laity Tony King The Revd Caroline Titley (to June 2021)</p>	<p>Appointed by the Archbishops of Canterbury and York after consultation with the Chair of the Church of England Appointments Committee and the Prolocutors of the Convocations of Canterbury and York The Revd Caroline Titley (from July 2021)</p>
<p>Elected by the members of the Church Workers Pensions Fund Canon Susan Pope (to June 2021) Michaela Southworth</p>	<p>Elected by the members of the Church Administrators Pensions Fund Maggie Rodger</p>
<p>Elected by the House of Bishops of the General Synod The Rt Revd Alan Wilson, Bishop of Buckingham (to June 2021)</p>	<p>Elected by the Employers in the Church Workers Pensions Fund and the Church Administrators Pensions Fund Richard Hubbard Canon Sandra Newton (to June 2021)</p>

Elected by the members of the clergy pension schemes

The Revd Hugh Lee (from July 2021)

The Revd Eleanor Robertshaw (from July 2021)

Committee Members (as at 14 July 2022)

Audit and Risk Committee Maggie Rodger (Chair) Tony King Ian Wilson Helen Ashley Taylor* Canon Susan Pope* Caron Bradshaw OBE*	Pensions Committee Richard Hubbard (Chair) The Revd Hugh Lee Maggie Rodger Michaela Southworth Ian Wilson
Housing Committee The Revd Caroline Titley (Chair) Tony King The Revd Eleanor Robertshaw Jonathan Gregory* Tom Paul* Lawrence Santcross* The Rt Revd Alan Wilson*	Investment Committee Roger Boulton (Chair) Canon Emma Osborne Nikesh Patel Matthew Beesley* Jonathan Rodgers*

*Indicates members of committee who kindly give of their time and experience to the committee but are not trustees of the Pensions Board.

Attendance by Trustees at meeting of the Board and its Committee

The table below sets out the attendance of trustees at meetings of the Board and its Committees during 2021. Where a members served for part of the year, the number of meetings that they could have attended in shown in brackets.

Trustee	Board (5)	Audit and Risk (3)	Housing (5)	Investme nt (4)	Pensions (5)
Clive Mather	5		5	4	5
The Revd Fr Paul Benfield	3(3)				2(2)
Roger Boulton	4			4	Observed 1 mtg
The Revd Nigel Bourne	3(3)				2(2)
Canon Nicolete Fisher	3(3)		1(1)		
Richard Hubbard	4				5
Tony King	5	1(1)	5		
The Revd Hugh Lee	2(2)				2(3)
Canon Sandra Newton	3(3)		1(1)		
Canon Emma Osborne	5			4	
The Revd Peter Ould	3(3)	2(2)			
Nikesh Patel	5			3	
Canon Susan Pope	3(3)	3			
The Revd Eleanor Robertshaw	2(2)		2(4)		
Maggie Rodger	5	3			5
Bill Seddon	3(3)			2(2)	
Michaela Southworth	3				5
The Ven David Stanton	0(3)*				
The Revd Caroline Titley	5		5		
The Rt Revd Alan Wilson	3		3(5)		
Ian Wilson	5	2			1(3) and in addition observed 1 mtg

*The Ven David Stanton was on sabbatical for the period to June 2021 and unable, therefore, to attend.

Reference and administrative information

Charity Number	236627
Principal office	Church House 29 Great Smith Street London SW1P 3PS
Chief Executive	John Ball MA(Oxon), MSc
Actuary	Aaron Punwani, Lane Clark and Peacock LLP
Independent Auditor	Crowe UK LLP
Bankers	Lloyds Bank
Corporate financial advisor	Traderisks Ltd (part of the Gresham House Group)
Investment Advisers	Mercer Ltd
Charity Investment Managers	Brewin Dolphin Savills Investment Management Ltd Mayfair Capital Investment Management Ltd CCLA Investment Management Ltd

Enquiries

Enquiries should be addressed to

Post Church of England Pensions Board, PO Box 2026, Pershore, WR10 9BW

Email cepbfeedback@churchofengland.org

Phone 020 7898 1890

Management

The day-to-day management of the Board's activities is delegated to the Executive Team, which is led by the Chief Executive.

Staff Remuneration and Executive Pay

Other than staff employed to work in the supported housing schemes, all staff in the Pensions Board, and those working for Church of England Central Services who provide support functions to the Board, are covered by a unified pay policy that operates across all the National Church Institutions. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value which is based on a comprehensive job evaluation scheme, with staff being placed in one of eight 'bands'. For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market related salaries and is subject to annual review. The NCIs use a range of appropriate external data tools and internal dedicated resource to advise on market rates.

Staff pay is reviewed annually and any increases as a result of the annual pay negotiations are awarded with effect from 1 January each year.

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

The annual salary for the highest paid member of staff was £175,000 (2020: £147,000), 13 (2020: 13) times the salary earned by the lowest paid member of staff and 4.7 (2020: 4) times the median salary.

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

Staff employed by the Board directly, mainly in the supported housing schemes and the Board's investment team, are eligible to join the Church Workers Pension Fund.

In common with the other National Church Institutions, the Pensions Board became an accredited with the Living Wage Foundation in October 2019. This formalised an extant commitment.

Approval

The Trustees Report was approved by the Trustees on 14 July 2022 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Clive Mather', with a horizontal line underneath.

Clive Mather
Chair

Statement of Trustees' responsibilities in relation to the financial statements

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the Church of England Pensions Board and the General Synod of the Church of England

Opinion

We have audited the financial statements of The Church of England Pensions Board (the "Parent Charity") and its subsidiaries (the "Group") for the year ended 31 December 2021, which comprise:

- the consolidated Statement of Financial Activities for the year ended 31 December 2021;
- the consolidated and Parent Charity only Balance Sheets at 31 December 2021;
- the consolidated Cash Flow Statement for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Charity's affairs as at 31 December 2021 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- the Parent Charity financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the Charities Act 2011.

Basis for opinion

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

Conclusions relating to going concern

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. Our evaluation of the Trustees' assessment of the entity's ability to continue to adopt the going concern basis of accounting included reviewing the detailed paper prepared by management setting out their assessment of the Board's ability to continue as a going concern. The assessment covers the period to 31 December 2024.

We have discussed this with the Board's management in order to fully understand their assessment including the underlying assumptions applied.

In addition to this we have:

- reviewed the period used by Trustees to assess the ability of the Group to continue as a going concern;
- examined and reviewed budgets and forecasts prepared by management covering the period of the going concern assessment and challenged the key assumptions;
- reviewed the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year; and
- Reviewed any other information or documentation which the Trustees have used in their going concern assessment to identify any indications that the forecasts provided may not be appropriate.

We have no further observations arising from that evaluation.

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 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 Trustees with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £3m, based on 1% of the Group's total assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Our performance materiality was set at 70% of the financial statement's materiality, amounting to £2.1m.

Where considered appropriate, performance materiality may be reduced to a lower level, such as for related party transactions.

We agreed with the Audit and Risk Committee to report to it all identified errors in excess of £150k. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the trustees made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and component level to respond to the risks, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the group and charity financial statements. Our tests included, but were not limited to, the review of financial statement disclosures, enquiries of management and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the trustees that represented a risk of material misstatement due to fraud.

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 which 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
<i>Going concern</i>	Our observations on going concern are included in the “Conclusions related to going concern” section of this report.
<p><i>Fixed asset impairment assessment</i></p> <p>The Group holds significant levels of property assets with a total of £234.2m held at 31 December 2021.</p> <p>These properties are classed as programme related investments since they generate income in furtherance of the Group’s charitable objectives. As such,</p>	<p>We reviewed management’s overall impairment assessment and performed our own audit work on the process, agreeing items to supporting evidence where possible including verification of the house price indices used within the impairment model to third party documentation.</p> <p>In addition to this, for a sample of individual properties we compared the property’s carrying value to the sale value of any similar properties in the same area.</p>

these properties are not revalued and are rather held at cost with an annual review for potential impairment.

Our audit work did not indicate that any impairment charge was required in relation to the Board's properties held at 31 December 2021.

Each year-end, management perform a full impairment review which considers whether any properties within the portfolio should be impaired. This review utilises a range of valuation sources and applies a significant element of management judgment.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

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

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

We have nothing to report in this regard.

Trustees' Report

Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Trustees' Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

Matters on which we are required to report by exception

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

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept by the parent charity; or
- the 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 the trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 29, 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 group's and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other matters which we are required to address

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

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. 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 the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP

Statutory Auditor

55 Ludgate Hill
London
EC4M 7JW

Date 15 July 2022

Consolidated statement of financial activities of the Church of England Pensions Board for the year ended 31 December 2021

	Note	2021			2020		
		Unrestricted funds	Restricted funds	Total	Unrestricted funds	Restricted funds	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Income from:							
Grants, donations and legacies	2	-	6,130	6,130	-	6,172	6,172
Investment income	3	-	1,656	1,656	-	1,385	1,385
Charitable activities	4	6,832	13,604	20,436	7,367	13,675	21,042
Other income: gain on sale of fixed assets		-	844	844	-	479	479
Total income		6,832	22,234	29,066	7,367	21,711	29,078
Expenditure on:							
Charitable activities	4	(6,832)	(23,344)	(30,176)	(7,367)	(22,267)	(29,634)
Raising funds	5	-	(68)	(68)	-	(49)	(49)
Total expenditure		(6,832)	(23,412)	(30,244)	(7,367)	(22,316)	(29,683)
Total income less expenditure before gain on investments		-	(1,178)	(1,178)	-	(605)	(605)
Net gain / (loss) on investments	9	-	5,176	5,176	-	(468)	(468)
Net income / (expenditure)		-	3,998	3,998	-	(1,073)	(1,073)
Other recognised gains and (losses)							
Other gain / (losses): adjustment to pension provision	8	-	26	26	-	(18)	(18)
Total other gains		-	26	26	-	(18)	(18)
Transfers between funds	15	-	-	-	-	-	-
Net movement in funds		-	4,024	4,024	-	(1,091)	(1,091)
RECONCILIATION OF FUNDS							
Total funds brought forward at 1 January		-	127,834	127,834	-	128,925	128,925
Net movement in funds in year		-	4,024	4,024	-	(1,091)	(1,091)
Total funds carried forward at 31 December	15	-	131,858	131,858	-	127,834	127,834

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

The notes on pages 34 to 51 form part of these financial statements.

Note – all figures within the consolidated statement of financial activities are the same as for the charity-only statement of financial activities.

Consolidated balance sheet of the Church of England Pensions Board as at 31 December 2021

	Note	2021			2020		
		Consolidated			Consolidated		
		£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total	£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total
FIXED ASSETS							
Investment assets	9	-	46,858	46,858	-	41,740	41,740
Tangible assets - supported housing and IT	10	-	24,997	24,997	-	24,578	24,578
Tangible assets - CHARM	11	52,151	182,025	234,176	56,466	179,012	235,478
Total fixed assets		52,151	253,880	306,031	56,466	245,330	301,796
CURRENT ASSETS							
Debtors	12	-	1,399	1,399	-	1,815	1,815
Short term deposits		-	828	828	-	1,427	1,427
Cash at bank and in hand		-	3,546	3,546	-	4,191	4,191
Total current assets		-	5,773	5,773	-	7,433	7,433
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	13	-	(5,907)	(5,907)	-	(6,385)	(6,385)
Loans repayable on sale of fixed assets	13	(52,151)	(700)	(52,851)	(56,466)	(759)	(57,225)
Total current liabilities		(52,151)	(6,607)	(58,758)	(56,466)	(7,144)	(63,610)
Net current (liabilities)/assets		(52,151)	(834)	(52,985)	(56,466)	289	(56,177)
Total assets less current liabilities		-	253,046	253,046	-	245,619	245,619
NON-CURRENT LIABILITIES							
Net assets excluding pension provision	13	-	(120,723)	(120,723)	-	(117,161)	(117,161)
Pension deficit provision	8	-	(465)	(465)	-	(624)	(624)
NET ASSETS		-	131,858	131,858	-	127,834	127,834
FUNDS OF THE CHARITY							
Total unrestricted funds	15	-	-	-	-	-	-
Restricted funds (excl. pension reserve)	15	-	132,323	132,323	-	128,458	128,458
Pension reserve	15	-	(465)	(465)	-	(624)	(624)
Total restricted funds	15	-	131,858	131,858	-	127,834	127,834
TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER		-	131,858	131,858	-	127,834	127,834


*Funded by the Church Commissioners

**Funded by the Church of England Pensions Board

(See Note [11](#) for more details)

The notes on pages 39 to 56 form part of these financial statements.

These financial statements were approved by the trustees on 14th July 2022 and signed on their behalf by:



Clive Mather
Chair

Charity only balance sheet of the Church of England Pensions Board as at 31 December 2021

	Note	2021			2020		
		£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total	£'000 Funded by CC*	£'000 Funded by CEPB**	£'000 Total
FIXED ASSETS							
Investment assets	9	-	46,871	46,871	-	41,753	41,753
Tangible assets - supported housing and IT	10	-	24,997	24,997	-	24,578	24,578
Tangible assets - CHARM	11	47,112	181,620	228,732	51,266	178,607	229,873
Total fixed assets		47,112	253,488	300,600	51,266	244,938	296,204
CURRENT ASSETS							
Debtors	12	5,039	1,792	6,831	5,200	2,222	7,422
Short term deposits		-	828	828	-	1,427	1,427
Cash at bank and in hand		-	3,533	3,533	-	4,178	4,178
Total current assets		5,039	6,153	11,192	5,200	7,827	13,027
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	13	-	(5,895)	(5,895)	-	(6,385)	(6,385)
Loans repayable on sale of fixed assets	13	(52,151)	(700)	(52,851)	(56,466)	(759)	(57,225)
Total current liabilities		(52,151)	(6,595)	(58,746)	(56,466)	(7,144)	(63,610)
Net current (liabilities)/assets		(47,112)	(442)	(47,554)	(51,266)	683	(50,583)
Total assets less current liabilities		-	253,046	253,046	-	245,621	245,621
NON-CURRENT LIABILITIES							
Net assets excluding pension provision	13	-	(120,723)	(120,723)	-	(117,161)	(117,161)
Net assets excluding pension provision		-	132,323	132,323	-	128,460	128,460
Pension deficit provision	8	-	(465)	(465)	-	(624)	(624)
NET ASSETS		-	131,858	131,858	-	127,836	127,836
FUNDS OF THE CHARITY							
Total unrestricted funds	15	-	-	-	-	-	-
Restricted funds (excl. pension reserve)	15	-	132,323	132,323	-	128,460	128,460
Pension reserve	15	-	(465)	(465)	-	(624)	(624)
Total restricted funds	15	-	131,858	131,858	-	127,836	127,836
TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER		-	131,858	131,858	-	127,836	127,836

*Funded by the Church Commissioners

**Funded by the Church of England Pensions Board

The notes on pages 39 to 56 form part of these financial statements.

Consolidated cash flow statement of the Church of England Pensions Board for the year ended 31 December 2021

		2021	2020
		£'000	£'000
Cash flow from operating activities:			
Net movement in funds (as per the statement of financial activities)	Note	4,024	(1,091)
Adjustments for:			
Depreciation and impairment – supported housing and IT systems	10	774	601
Amortisation – Santander arrangement fee	13	33	33
Amortisation – CHARM Finance PLC bond set-up costs	13	29	29
(Gains) / losses on investments	9	(5,176)	468
Investment – arrangement fees	9	58	-
Dividends, interest and rents from investments	3	(1,656)	(1,385)
Gains on disposal of tangible assets – CHARM		(844)	(479)
Movement in pension liability	8	(159)	(151)
Movement in debtors	12	416	4,921
Movement in creditors: amounts due within less than one year	13	(478)	1,033
Net cash (used in) / generated by operating activities		(2,979)	3,979
Cash flow from investing activities:			
Cash flows from investing activities:			
Dividends, interest and rents from investments	3	1,656	1,385
Proceeds from the sale of tangible assets – CHARM properties	11	7,569	4,968
Purchase of tangible assets – CHARM properties	11	(5,423)	(5,282)
Purchase of tangible assets – supported housing and IT systems	10	(1,193)	(1,126)
Proceeds from the sale of investments	9	-	275
Purchase of investments	9	-	(338)
Net cash generated from / (used in) investing activities		2,609	(118)
Cash flows from financing activities:			
Repayment of loans from Church Commissioners	13	(4,315)	(3,544)
Repayment of dioceses' share of rental properties	13	(59)	-
Additional funding from Santander	13	3,500	500
Net cash (used in) financing activities		(874)	(3,044)
Change in cash and cash equivalents in the year		(1,244)	817
Cash and cash equivalents at the beginning of the year		5,618	4,801
Cash and cash equivalents at the end of the year		4,374	5,618
Cash and cash equivalents and net debt comprise the following balances:			
	At 1 January	Cash Flows	At 31 December
	£'000	£'000	£'000
Cash at bank and in hand	4,191	(645)	3,546
Short term deposits	1,427	(599)	828
Cash held by investment manager	-	-	-
Total cash and cash equivalents	5,618	(1,244)	4,374
Bond financing	(100,000)	-	(100,000)
Loan from Santander	(18,000)	(3,500)	(21,500)
Total net debt	(112,382)	(4,744)	(117,126)

The notes on pages 39 to 56 form part of these financial statements.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2021

1. Accounting policies

a) Legal status

The Church of England Pensions Board ("the Board") is a body corporate established in 1926 but now governed by the Church of England Pensions Measure 2018. It is a registered charity in England and Wales (Charity No. 236627) and is regulated by the Charity Commission.

The Charity's address is: 29 Great Smith Street, London, SW1P 3PS.

b) Basis of preparation

The consolidated and charity-only financial statements have 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 financial statements 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 financial statements have been prepared to give a true and fair view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a true and fair view. This departure has involved following Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

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

The financial statements have been prepared on the historical cost basis (except for the revaluation of investments and where cost is deemed to be the revaluation amount at date of transition) and on the accruals basis.

The financial statements contain the financial information for the Church of England Pensions Board which is structured as follows:

- Unrestricted Funds - representing expenditure incurred by the Board on salaries and working expenses subsequently recovered in full from the pension funds administered by the Board.
- Restricted Funds - these funds have narrower purposes than that of the Board.

A summary of the accounting policies, which have been applied consistently across the Group, is set out below.

c) Basis of consolidation

The consolidated statement of financial activities ("SOFA") and the balance sheet include the financial information of the Board and its subsidiary undertakings (CEPB Developments Ltd, CEPB Mortgages and CHARM Finance plc). The subsidiaries have been consolidated on a line by line basis. Intra-group balances and transactions are eliminated on consolidation.

The Board has chosen not to present its non-consolidated statement of financial activities separately as the numbers are the same as for the consolidated equivalent. The Board has also taken advantage of the exemption conferred by FRS 102 Section 1 not to prepare a charity-only cash flow statement.

The Board, together with the Archbishops' Council and the Church Commissioners are equal partners in Church of England Central Services (ChECS), a joint venture. This jointly controlled entity is included in the Board's consolidated financial statements using the equity method. The Board's share of profits or losses from ChECS is included in the SOFA and its share of net assets is included in the balance sheet.

d) Going concern

The Board meets the cost of property purchases, fit-outs and other working capital requirements through its external borrowing, comprising a bank facility and two listed bond issues. The Board prepares annual budgets and regular re-forecasts, along with a three-year financial plan in order to ensure that it can meet its spending commitments as they fall due, and fulfil the terms and conditions associated with external borrowing. In addition, the Board has also prepared a long-term business plan to consider financial viability over a longer period than that for which formal budgets and forecasts are prepared.

The Board has considered the key risks and uncertainties which impact upon immediate liquidity and longer term solvency. These include the level of anticipated demand for its services, the resilience of voluntary income streams and changes in economic conditions. It has modelled the impact of changes in these factors over time, and has considered whether it has adequate reserves and appropriate contingency plans to deal with a range of potential adverse scenarios.

The Board has considered the continuing impact of the COVID-19 pandemic on its operations, particularly with reference to the contingency plans it has put in place to respond to the emergency and the impact of delayed activity (including property acquisition and non-essential maintenance) on its future obligations and commitments.

Having due regard to the above, the trustees have reasonable expectation that the Board has adequate resources to meet its spending commitments as they fall due, including the servicing and repayment of debt and compliance with loan covenants for the foreseeable future. Accordingly, the going concern basis of accounting in preparing the annual report and accounts continues to be adopted.

e) Income

All income is recognised once the Board has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

i) Grants, donations and legacies

Donations are accounted for when received. Grants are recognised when the Board is entitled to receive them and revenue recognition criteria of entitlement, probability and measurement have been met. Gift Aid receivable is included in income when there is a valid declaration from the donor.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2021

1. Accounting policies (continued)

Pecuniary legacies are recognised as receivable once probate has been granted and notification has been received. Residuary legacies are recognised as receivable once probate has been granted, where sufficient information has been received and are recognised on an estimated basis as follows: cash elements are recognised at monetary value, with property and other assets, including investments, valued at probate or net realisable value. Values are reviewed and, if material, adjusted up to the point of financial statement approval.

In the case of donated properties, these are valued at market value and recognised within Donations.

ii) Investment income

Income from investments is recognised on an accruals basis.

iii) Income from charitable activities

Income from charitable activities represents rent from rental properties, rent and service charge from shared ownership properties, income from mortgaged properties and fees and service charges from supported housing schemes, which are all recognised on the accruals basis.

iv) Other income

Other income is recognised when the Board is entitled to receive it and revenue recognition criteria of entitlement, probability and measurement have been met.

f) Expenditure

All expenditure is accounted for on the accruals basis. Expenditure and liabilities are recognised when a legal or constructive obligation exists as outlined in Section 7 of FRS 102. The SOFA has been presented on an activity basis. Costs have been distinguished between charitable activities and those incurred to raise funds.

i) Charitable activities

Direct costs and grants are allocated directly to activities. Grants payable are recognised when the grant is formally approved by the Board and has been communicated to the recipient.

ii) Support costs

Costs include shared service costs (finance, IT, HR, legal, internal audit), department running costs and governance costs. They are allocated across the charitable activities and raising funds as detailed in notes 4 and 5. Governance costs relate to the general running of the Board, which include costs associated with the strategic, as opposed to day-to-day, management of the Board's activities, and compliance with constitutional and statutory requirements.

g) Pensions

Staff pensions are described in note 8. Defined benefit schemes are considered to be multi-employer schemes as described in FRS 102 paragraph 28.11 and consequently are accounted for as if they were defined contribution schemes, where employer contributions payable in the year are charged to expenditure.

Where schemes have deficit recovery contribution plans in place, FRS 102 paragraph 28.11A requires the present value of these agreed payments to be recognised as a liability. Amounts paid during the year are charged against this liability.

h) Fixed assets

Rental properties, shared ownership properties, mortgaged properties and supported housing properties generate income from the furtherance of the charity's objects. As such, they are not considered to be investment properties but are classed as programme related investments, which under the SORP, do not need to be revalued.

Where fixed assets were purchased with significant restrictions as a result of agreements with the funder such that the Board has a right of use of the asset for the lifetime of a beneficiary of the charity but the risks and rewards relating to capital value accrue entirely to the lender, these assets are shown in a separate category. Proceeds on eventual sale of these properties are not accounted for by the Board as they are received as agent for the lender and are used to settle the corresponding liability.

i) Rental properties

Properties are held at original cost or for properties received as gifts, the notional cost equivalent to the market value. Funding arrangements are explained in note 11.

Costs relating to the repair and maintenance of properties are charged to the SOFA in the year incurred.

No depreciation is charged on long leasehold or freehold properties due to the long life and the high residual value of properties which would result in immaterial depreciation for each asset and in aggregate.

An impairment review is carried out annually and where materially different from historic cost, the properties are carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

ii) Shared ownership properties

These properties are purchased by the Board and the resident buys a 90-year lease for a share in the property (at least 25%) and pays a rent and a service charge on the proportion of the property that they do not own. Residents can purchase further shares in their property if their financial circumstances change, and the equity interests are adjusted accordingly.

The Board holds each property at its equity percentage of the original cost, subject to an impairment review. An impairment review is carried out annually and where materially different from historic cost, the Board's proportion of each property is carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2021

1. Accounting policies (continued)

No depreciation is charged on leasehold or freehold shared ownership properties due to the long life and the high residual value of properties which would result in immaterial depreciation for each asset and in aggregate.

iii) Mortgaged properties

Mortgaged properties were purchased by the Board under a scheme that closed to new business in 2008. These mortgages operate as value linked loans, where the Board's equity interest in a property is the amount loaned to the resident (up to 95% of the property value) and the resident's equity interest is the amount funded directly by the resident. If a resident pays off part of their loan, the equity interests are adjusted accordingly.

On the sale of a property, the Board and the resident receive proceeds in the same proportion as their equity interests.

The Board's interest is therefore classified as a tangible fixed asset and not as a financial instrument, as the rights attaching are more closely linked to the ownership of a share of a property. The Board accounts for each property at its equity percentage of original cost, subject to an impairment review. An impairment review is carried out annually and where materially different from historic cost, the Board's proportion of each property is carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

iv) Supported housing schemes and nursing home

The properties and their associated land are held at deemed cost. Freehold land is not depreciated. The buildings are depreciated.

Fixtures, fittings, plant and equipment are held at original cost to the Board less depreciation.

Depreciation is charged on the following basis:

Tangible asset	Basis	Rate
Freehold buildings	Straight line	2.5% per annum
Fixtures, fittings, plant and equipment	Straight line	5-50 years following the NHF guidelines for all assets acquired after 2017

v) Investment properties

Investment properties are held at fair value. Valuations are carried out every year in accordance with the Appraisals & Valuation Manual issued by the Royal Institute of Chartered Surveyors. No depreciation is charged.

vi) IT systems

IT systems are held at original cost to the Board less depreciation charged on a straight-line basis over 5 years. Systems are capitalised while under construction until implementation and at that stage depreciation commences.

vii) Gains (or losses) from sale of fixed assets

Gains (or losses) resulting from the sale of fixed assets are recognised in income (or expenditure). Gains or losses resulting from the sale and revaluation of investment assets are recognised in the SOFA in a separate section before net income/expenditure.

i) Loans

The Board applies the measurements provisions of FRS 102 paragraphs PBE34.90-92 to all its concessionary loans. Loans from the Church Commissioners are measured at the amount received from the Commissioners. See notes 11 and 13 for more information.

The loan from Santander is a basic financial instrument and measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. Arrangement fees are deducted from the transaction price and are amortised over 15 years (July 2010 to July 2025).

The loan from CHARM Finance PLC to the Charity is a basic financial instrument and is measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. Arrangement fees are deducted from the transaction price and are amortised over the length of the facility.

The Bond liabilities relate to the corporate bonds issued by CHARM Finance PLC, and are basic financial instruments measured initially at the proceeds of issue less transaction costs directly attributable to the issue of the Bonds. After initial recognition the liabilities are measured at amortised cost using the effective interest method with transaction costs being amortised over the length of the facility.

j) Financial instruments

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

Basic financial instruments

Listed and unlisted investments are initially measured at fair value. Such assets are subsequently held at fair value at each balance sheet date. The changes in fair value are recognised in the SOFA. The fair value of listed investments is determined using bid price in accordance with the practice of the appropriate stock exchange. Unlisted investments are valued by reference to latest dealing prices, valuations from reliable sources or net asset values.

k) Subsidiary undertakings

Investment in the Board's subsidiary companies are held at cost less accumulated impairment losses.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2021

1. Accounting policies (continued)

l) Taxation

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

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

m) Related parties

The Church of England comprises a large number of legally independent bodies in its parishes, cathedrals and dioceses as well as at national level. These bodies are not related to the Board as defined in the Charities SORP or chapter 33 of FRS 102: Related parties disclosures. 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 Church of England Pensions Board is related to ChECS, as it is a partner in this joint venture. Details are given in Note 17.

n) Funds

In line with the SORP, the Board segregates its funds between those that are restricted and those that are unrestricted.

Unrestricted funds are funds received by the Board that are available for use at the discretion of the Board in pursuing the general charitable objectives of the charity.

Restricted funds are funds received by the Board for particular purposes and are to be used in accordance with those purposes. An analysis of restricted funds is provided in note 15.

o) Significant judgements and estimates

The Board's key judgements, which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:

- Carrying value of investment properties and tangible assets – judgements in respect of appropriate valuation methods used for the assets of the Charity. Further details are disclosed in notes 9 to 11.

The Board's key estimates, which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:

- Residuary legacies - estimation required for residuary legacies receivable once probate has been granted.
- Pension deficit provision - estimations surrounding the methodology used in the calculation of the Charity's defined benefit pension deficit provision. Further details are disclosed in note 8.
- Support costs – estimation surrounding the methodology used in the apportionment of support costs between the restricted and unrestricted funds.

2. Income from grants, donations and legacies

		<u>2021</u>	<u>2020</u>
	Note	£'000	£'000
Grants from:			
The Archbishops' Council	4	5,431	5,299
Other grants		34	32
Total grants		5,465	5,331
Donations		68	56
Legacies		597	785
Total income from grants, donations and legacies		6,130	6,172

The Archbishops' Council makes grants from money provided by the dioceses under the General Synod Vote 5, towards the costs of the CHARM scheme. All income from grants, donations and legacies was attributable to restricted funds.

3. Investment income

	<u>2021</u>	<u>2020</u>
	£'000	£'000
Dividends	1,645	1,365
Rental income from investment properties	11	10
Interest on cash	-	10
Total income from investments	1,656	1,385

All income from investments of £1,656,000 (2020: £1,385,000) was attributable to restricted funds.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2021

4. Charitable activities

		Rental properties	Shared ownership	Mortgage properties	Supported housing	Other charitable activities	Total restricted funds	Unrestricted funds Pension Schemes	2021 Total	2020 Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities:										
Rent received		7,141	541	-	1,391	-	9,073	-	9,073	8,956
Service charge received		-	103	-	2,342	-	2,445	-	2,445	2,478
Income from mortgage properties		-	-	2,086	-	-	2,086	-	2,086	2,241
Support costs recharge		-	-	-	-	-	-	6,832	6,832	7,367
Total income from charitable activities		7,141	644	2,086	3,733	-	13,604	6,832	20,436	21,042
Expenditure on charitable activities:										
Financing costs (interest and commitment fee)		5,600	429	2,006	-	-	8,035	-	8,035	8,376
Grant making		-	-	-	-	107	107	-	107	101
Property costs (repairs, insurance and other costs)		6,633	17	161	-	-	6,811	-	6,811	6,167
Support costs	6	1,828	609	406	1,218	-	4,061	6,832	10,893	11,227
Amortisation of arrangement fees		62	-	-	-	-	62	-	62	62
Service charge costs		-	55	-	2,378	-	2,433	-	2,433	2,342
Nursing care costs (former residents)		-	-	-	209	-	209	-	209	172
Supported Housing and other direct costs		-	-	-	986	-	986	-	986	761
Depreciation and impairment charges	10	-	-	-	774	-	774	-	774	601
Total expenditure on charitable activities		14,123	1,110	2,573	5,565	107	23,478	6,832	30,310	29,809
Unwinding of pension deficit on charitable activities		(61)	(20)	(13)	(40)	-	(134)	-	(134)	(175)
Total expenditure including pension deficit movement in year		14,062	1,090	2,560	5,525	107	23,344	6,832	30,176	29,634

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2021

4. Charitable activities (continued)

For comparative purposes, details of 2020 charitable income and expenditure are set out below:

	Rental properties	Shared ownership	Mortgage properties	Supported housing	Other charitable activities	Total restricted funds	Unrestricted funds Pension Schemes	2020 Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities:								
Rent received	6,999	553	-	1,404	-	8,956	-	8,956
Service charge received	-	88	-	2,390	-	2,478	-	2,478
Income from mortgage properties	-	-	2,241	-	-	2,241	-	2,241
Support costs recharge	-	-	-	-	-	-	7,367	7,367
Total income from charitable activities	6,999	641	2,241	3,794	-	13,675	7,367	21,042
Expenditure on charitable activities:								
Financing costs (interest and commitment fee)	5,744	439	2,193	-	-	8,376	-	8,376
Grant making	-	-	-	-	101	101	-	101
Property costs (repairs, insurance and other costs)	6,052	11	104	-	-	6,167	-	6,167
Support costs 6	1,737	579	386	1,158	-	3,860	7,367	11,227
Amortisation of arrangement fees	62	-	-	-	-	62	-	62
Service charge costs	-	76	-	2,266	-	2,342	-	2,342
Nursing care costs	-	-	-	172	-	172	-	172
Supported Housing and other direct costs	-	-	-	761	-	761	-	761
Depreciation and impairment charges 10	-	-	-	601	-	601	-	601
Total expenditure on charitable activities	13,595	1,105	2,683	4,958	101	22,442	7,367	29,809
Unwinding of pension deficit on charitable activities	(80)	(26)	(17)	(52)	-	(175)	-	(175)
Total expenditure including pension deficit movement in year	13,515	1,079	2,666	4,906	101	22,267	7,367	29,634

The deficit on charitable activities is funded through a combination of specific and general voluntary income, investment income, and realised gains on disposal of investments and property. In the year ended 31 December 2021 grants of £5,431,000 were received from the Archbishops' Council towards the CHARM scheme (2020: £5,299,000). In addition, the Board's broader charitable activities were funded through voluntary income of £699,000 (2020: £873,000), Investment income of £1,656,000 (2020: £1,385,000) and gains on disposal of property of £844,000 (2020: £479,000).

Income & Expenditure from charitable activities:

Rental Properties

The Archbishops' Council, from money provided by the dioceses under the General Synod Vote 5, makes grants towards the costs of the CHARM scheme, being the excess of direct expenditure and interest payable over maintenance contributions receivable from residents.

Rent from tenancies starting after 1 April 2015 are target rents based on the value of the property and are subsidised so that they are more affordable than market rents. Rent from tenancies before this are based on the occupant's ability to pay. Residents pay for moving costs, furnishings and white goods, contents insurance and on-going utility and council tax costs. The Board pays for repairs and on-going maintenance of the properties.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2021

4. Charitable activities (continued)

There are a small number of properties that are let on the open market at market rents during short periods when a property is not occupied by residents eligible for the CHARM scheme. At 31 December 2021 there were 19 (2020: 19) such tenancies.

All tenancies fall into the definition of operating leases as set out in FRS 102 section 20 and clarified in the Housing SORP 2014 paragraph 10.3 (which though the Board does not apply, it does look to this guidance for clarification where the Charities SORP and FRS 102 are silent on particular issues). All tenancies are cancellable, either on death or notice of the resident and are not assignable.

Shared Ownership

Residents pay rent based on the Board's share of the ownership of the property and the cost of buildings insurance.

For some properties bought before 1 April 2014, residents also pay a service charge towards the repairs and maintenance of properties. For properties bought after 1 April 2014, or where residents have opted, the responsibility for repairs and maintenance lies with the resident.

Mortgage Properties

The mortgage scheme offered value linked loans to retired clergy and closed to new business in 2008. Mortgagees pay an interest-only amount on the capital advanced.

A small number of loans pre-dating the 1983 CHARM mortgage scheme remain, where a fixed amount of interest is paid based on the capital advanced. At 31 December 2021, the number of such loans in place was 3 (2020: 4).

Supported Housing

Some residents in the schemes receive subsidies from the Board's charitable funds. The cost of running the schemes is not met fully by rent and service charge fees. The nursing home closed in March 2017 however the Board continues to subsidise the nursing care of former residents of the nursing home. The operating deficit is met from the Board's charitable funds.

Other charitable activities

Grants are payable to augment the income of those retired clergy and clergy widow(er)s whose income falls below a certain standard, which is reviewed annually.

5. Raising funds

	2021	2020
	£'000	£'000
Investment management costs (direct costs)	67	49
Total cost of raising funds	67	49

6. Support costs

Support costs include department running costs and governance costs, plus charges for using shared services operated by ChECS. They are included in charitable expenditure (note 4) and are apportioned to the various charitable activities to which they relate.

	Restricted funds				Total	Unrestricted funds	Total	
	Rental properties	Shared ownership	Mortgage properties	Supported housing				Pension schemes
	£'000	£'000	£'000	£'000				£'000
Housing department	1,073	358	239	716	2,386	-	2,386	
Executive and Secretariat	127	42	28	84	281	313	594	
Governance costs	51	17	11	33	112	172	284	
Pensions department	-	-	-	-	-	2,982	2,982	
Investments department	-	-	-	-	-	1,939	1,939	
Shared services	577	192	128	385	1,282	1,426	2,708	
Total support costs	1,828	609	406	1,218	4,061	6,832	10,893	

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2021

6. Support costs (continued)

For comparative purposes, details of 2020 support costs are set out below:

	Restricted funds				Total	Unrestricted funds	Total
	Rental properties	Shared ownership	Mortgage properties	Supported housing		Pension schemes	2020
	£'000	£'000	£'000	£'000		£'000	£'000
Housing department	997	333	222	666	2,218	-	2,218
Executive and Secretariat	132	44	29	88	293	336	629
Governance costs	55	18	12	36	121	175	296
Pensions department	-	-	-	-	-	3,326	3,326
Investments department	-	-	-	-	-	2,121	2,121
Shared services	553	184	123	368	1,228	1,409	2,637
Total support costs	1,737	579	386	1,158	3,860	7,367	11,227

Housing department costs

These costs are allocated on a 'per head' basis: costs of housing staff are allocated 45% to rental properties, 30% to supported housing schemes, 10% to mortgages and 15% to shared ownership.

Executive and Secretariat and shared service costs

Centrally incurred management and shared service costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 45% to rental properties, 30% to supported housing schemes, 10% to mortgages and 15% to shared ownership.

Governance costs

Governance costs comprise staff and non-staff costs relating to the general running of the Board, including supporting the work of the Board and its Committees. Trustees (and co-opted members) of the Board are reimbursed for travel expenses incurred whilst on official business but are not entitled to any other remuneration or allowances. In the year to 31 December 2021, 11 (2020: 12) trustees claimed a total of £953 (2020: £3,000). Governance costs other than external audit costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 45% to rental properties, 30% to supported housing schemes and nursing care, 10% to mortgages and 15% to shared ownership.

	2021	2020
	£'000	£'000
External audit (including VAT)	70	70
Internal audit	41	50
Board and committee meetings	1	1
Total governance costs	112	121

Total fees paid (excluding VAT) to Crowe U.K. LLP are shown below:

	2021	2020
	£'000	£'000
Audit of CEPB and its subsidiary undertakings	58	58
Total audit fees relating to current year for CEPB and its subsidiaries	58	58
Audit of Pension Schemes	104	97
Total audit fees relating to current year for Pension Schemes	104	97

Pensions department costs

Expenses are incurred by the Board for administering the pension schemes. These costs are recovered from the pension schemes by charging an administration fee to each scheme.

Investment department costs

Expenses are incurred by the Board for managing the investment portfolio of the Church of England Investment Fund for Pensions through which the pension schemes hold investments. These costs are recovered by the Board as part of the administration fee the Board charges each pension scheme.

Shared service costs

Shared services are provided by Church of England Central Services. Expenses incurred by the Board for administering the Pension Funds are either charged directly to the activity to which they relate or are allocated to the funds in proportion to staff costs, number of data processes or other relevant criteria.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2021

7. Staff numbers and costs

The Chief Executive and staff employed to work in the investment team and supported housing schemes are employed directly by the Board. The Board is joint employer, together with the other National Church Institutions (the NCIs), of most of the staff of the NCIs. In addition to staff employed directly, the work of the Board is supported by staff in shared service departments who provide finance, HR, communications, legal, IT and internal audit services. Since 1 April 2014 they have been employed by a separate NCI, Church of England Central Services (ChECS). Prior to this they had one of the three main NCIs as managing employer and their costs were shown only in the relevant NCI's financial statements.

The SORP requires that the costs of staff employed by third parties who operate on the organisation's behalf be disclosed in the financial statements. In order to comply with the spirit of the SORP, the costs of all ChECS staff are shown in aggregate in the tables below – the Board's share of which was £1,690,000 (2020: £1,644,000).

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

	Pensions Board own staff								ChECS			
	Housing		Pensions and Investments		Secretariat		Supported housing		Total		Shared services	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Average number employed	37	36	45	41	4	4	90	93	176	174	177	178
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	1,521	1,390	2,234	1,997	341	352	1,326	1,389	5,422	5,128	8,504	8,189
National Insurance costs	166	151	258	228	42	44	95	97	561	520	949	911
Pension contributions	233	196	302	271	53	49	181	173	769	689	1,853	1,898
Total cost of staff	1,920	1,737	2,794	2,496	436	445	1,602	1,659	6,752	6,337	11,306	10,998
Total chargeable to Charitable Funds	1,920	1,737	-	-	206	207	1,602	1,659	3,728	3,603		

Included in staff costs is £nil (2020: £nil) paid by way of redundancy costs to nil (2020: nil) individuals for restructuring. Restructuring costs are accounted for in full in the year in which the restructure is announced.

The number of staff whose total employee benefits for the year fell in the following bands were:

	Pensions Board own staff								ChECS	
	Housing		Pensions and Investments		Secretariat		Supported housing schemes		Shared services	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
£60,001 to £70,000	2	1	4	3	1	1	-	-	17	14
£70,001 to £80,000	1	1	2	2	-	-	-	-	4	7
£80,001 to £90,000	1	1	1	1	1	1	-	-	3	2
£90,001 to 100,000	-	-	2	3	-	-	-	-	2	3
£100,001 to 110,000	-	-	-	-	-	-	-	-	7	5
£110,001 to 120,000	-	-	1	-	-	-	-	-	-	-
£120,001 to £130,000	-	-	-	1	-	-	-	-	1	1
£130,001 to £140,000	-	-	-	-	-	-	-	-	1	-
£140,001 to £150,000	-	-	-	-	1	1	-	-	-	-
£150,001 to £160,000	-	-	1	-	-	-	-	-	-	-
£170,001 to £180,000	-	-	1	-	-	-	-	-	-	-

Employee benefits include gross salaries and termination payments but do not include employer pension contributions and employer National Insurance contributions.

Most staff above were members of the Church Administrators Pension Fund. Of those directly managed by the Board, 13 (2020: 12) staff accrued benefits under a defined contributions scheme for which contributions for the year were £127,000 (2020: £125,000). The other 3 (2020: 4) staff accrued benefits under a defined benefit scheme. Of those managed by ChECS, 30 (2020:28) staff accrue benefits under a defined contribution scheme for which contributions for the year were £330,000 (2020: £295,000). The remaining 5 (2020: 4) staff members accrue benefits under a defined benefit scheme.

Of the remaining staff managed directly by the Board, 2 (2020: 2) staff accrued benefits in the Church Workers Pension Fund under a defined contribution scheme for which contributions for the year were £42,000 (2020: £23,000), and 1 (2020: nil) staff member did not accrue benefits in any pension scheme.

The highest paid member of staff earned £175,000 (2020: £147,000). Further details of the Board's remuneration policy are included in the Management section of the Board's report, on page 29. The Board's executive leadership team comprises 10 individuals (2020: 10), 7 (2020: 7) of whom are employed directly by the Board and 3 (2020: 3) by ChECS. The aggregate remuneration for these 10 individuals, including National Insurance and pension contributions, was £1,394,966 (2020: £1,179,000).

Interest free loans are made for travel season tickets and interest free green travel loans for the purchase of bicycles and electric scooters.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2021

8. Staff pensions

Staff employed jointly by the National Church Institutions

Pension benefits from Service up to 31 December 1999

These are met by the Church Commissioners for England, so no costs or liability are reflected by the Board.

Pension benefits from Service from 1 January 2000

Benefits for staff arising from service from 1 January 2000 are provided by the Church Administrators Pension Fund ("CAPF").

The participating employers are responsible for making contributions of £500,000 (2020: £390,000) towards the administration costs of the CAPF. The Board's share of these costs was £69,400 (2020: £41,000).

Staff who were in service as at 30 June 2006 are members of the defined benefit section of the CAPF. This is considered to be a multi-employer scheme as described in FRS 102 paragraph 28.11 and consequently is accounted for as if it were a defined contribution scheme, where employer contributions payable in the year are charged to expenditure.

The contributions to the CAPF are assessed by an independent qualified actuary using the projected unit method of valuation. A valuation of the scheme is carried out once every three years, the most recent having been carried out as at 31 December 2019. This revealed a deficit of £9.1m. Deficit contributions of £2,400,000 per annum from January 2021 are payable until 31 December 2023. At 31 December 2020, payments were made under the previous Schedule of Contributions, where the deficit recovery contributions of £2,667,723 per annum from 1 January 2018 were subject to an annual increase on 1 January each year of 3.3% per annum.

The Board's share of this agreed deficit recovery plan is provided for. The provision is measured at its net present value. The table below shows the movement on the provision:

	CEPB staff	Share of ChECS staff	2021	CEPB staff	Share of ChECS staff	2020
Provision at 1 January	379	245	624	477	298	775
Contributions Paid	(104)	(30)	(134)	(114)	(61)	(175)
Interest charged on provision	1	-	1	4	2	6
Adjustment to net present value of provision	(20)	(6)	(26)	12	6	18
Provision at 31 December	256	209	465	379	245	624

Staff who joined after 20 June 2006 are members of the defined contributions section of the CAPF. Employer contributions payable in the year are charged to expenditure.

Staff employed directly by the Board (mainly in supported housing schemes)

Pension benefits for staff in supported housing managerial positions are provided for by a defined benefit section of the Church Workers Pension Fund ("CWPF"). The scheme is considered to be a multi-employer scheme as described in FRS 102 paragraph 28.11 and consequently is accounted for as if it were a defined contribution scheme, where employer contributions payable in the year are charged to expenditure.

The contributions to the Fund are assessed by an independent qualified actuary using the projected unit method of valuation. The last full valuation of the Fund, as at 31 December 2019, showed there is no more deficit (2016: £29.4m). There is no deficit recovery needed from each participating employer in the scheme from 2021.

Pension benefits for other staff are provided for by a defined contribution scheme in CWPF, where employer contributions payable in the year are charged to expenditure.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2021

9. Investment assets

GROUP	At 1 January 2021	Additions	Disposals	Gains/(losses)	Cash movements	At 31 December 2021
	£'000	£'000	£'000	£'000	£'000	£'000
UK investment funds	40,780	-	-	5,176	-	45,956
Cash held by investment managers	222	-	-	-	(58)	164
Total UK investment funds	41,002	-	-	5,176	(58)	46,120
UK investment properties	738	-	-	-	-	738
Consolidated total investment assets	41,740	-	-	5,176	(58)	46,858

CHARITY	At 1 January 2021	Additions	Disposals	Gains/(losses)	Cash movements	At 31 December 2021
	£'000	£'000	£'000	£'000	£'000	£'000
UK investment funds	40,780	-	-	5,176	-	45,956
Cash held by investment managers	222	-	-	-	58	164
Total UK investment funds	41,002	-	-	5,176	(58)	46,120
UK investment properties	738	-	-	-	-	738
Investment in subsidiary	13	-	-	-	-	13
Charity's total investment assets	41,753	-	-	5,176	(58)	46,871

Funds were managed by Savills, Mayfair and Brewin Dolphin. Investment funds were held as follows:

	2021	2020
	£'000	£'000
Savills	22,032	19,997
Mayfair	9,551	8,136
Brewin Dolphin	14,537	12,869
Total	46,120	41,002

Subsidiaries

The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held to undertake property and building development at the supported housing schemes and nursing home, and CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC, a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle which in August 2015 provided £70m of funds to the Board via the issue of £100m of 3.126% Secured Bonds (including £30m in principal amount of Retained Bonds) due August 2048. In April 2018 CHARM Finance PLC provided a further £30m of funds to the Board via the issue of £50m of 3.509% Secured Bonds (including £20m in principal amount of Retained Bonds) also due in 2048. These funds are being used to secure current and future obligations for clergy housing in retirement.

The financial results of the Subsidiaries are detailed in Note 16.

Joint ventures

ChECS is a charitable joint venture between the Church 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 charity was registered with the Charity Commission on 31 December 2013 and started operating from 1 April 2014. Prior to this, the responsibility for the provision of shared services was split between the three main NCIs. The previous management arrangements continued into the new structure.

The Board's share of net assets and net income of ChECS was £nil (2020: £nil). As at 31 December 2021, £357,000 was owed by ChECS to the Board (2020: £323,000 owed by ChECS to the Board) representing amounts loaned to ChECS by the Board. In addition, £84,000 was owed by the Board to ChECS for services rendered in December 2021, which has been included within trade creditors and accrued expenditure.

The Pensions Board have no associated undertakings.

UK investment properties

The valuers of the investment properties were Savills LLP.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2021

10. Tangible assets – Supported housing and IT systems

Consolidated and charity	At 1 January 2021	Additions	Disposals	Charge in year	Impairment	At 31 December 2021
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Supported Housing land and buildings</i>						
Cost	27,292	-	-	-	-	27,292
Depreciation	(5,265)	-	-	(507)	-	(5,772)
Net book value	22,027	-	-	(507)	-	21,520
<i>Fixtures and fittings</i>						
Cost	4,446	34	-	-	-	4,480
Depreciation	(3,253)	-	-	(113)	-	(3,366)
Net book value	1,193	34	-	(113)	-	1,114
<i>IT systems</i>						
Cost	1,358	1,159	-	-	-	2,517
Depreciation	-	-	-	(154)	-	(154)
Net book value	1,358	1,159	-	(154)	-	2,363
Total supported housing and IT systems	24,578	1,193	-	(774)	-	24,997

IT systems represents the capitalised costs incurred in respect of the construction of the new Housing Management System and a major upgrade to the Pensions Administration System. Depreciation is now being charged for the Housing Management System and for the first completed phase of the Pension Administration system. No depreciation is charged for the second phase of Pensions Administration System whilst the assets are under construction.

11. Tangible assets – CHARM properties

The Board owns a number of different types of properties which it uses to fulfil its charitable objective: to provide retirement housing for retired clergy (CHARM).

Consolidated	Book value at 1 January 2021	Additions	Disposals	Book value at 31 December 2021	No. of properties at 1 January 2021	Additions	Disposals	No. of properties at 31 December 2021
	£'000	£'000	£'000	£'000				
Rental properties								
Funded by CC	23,875	-	(1,779)	22,096	252	-	(21)	231
Funded by PB	171,820	5,423	(2,004)	175,239	935	19	(9)	945
Rental properties total	195,695	5,423	(3,783)	197,335	1,187	19	(30)	1,176
Shared ownership properties								
Funded by CC	3,476	-	(122)	3,354	36	-	(1)	35
Funded by PB	6,350	-	(397)	5,953	68	-	(4)	64
Shared ownership properties total	9,826	-	(519)	9,307	104	-	(5)	99
Mortgaged properties								
Funded by CC	29,116	-	(2,415)	26,701	522	-	(51)	471
Funded by PB	841	-	(8)	833	15	-	(1)	14
Mortgaged properties total	29,957	-	(2,423)	27,534	537	-	(52)	485
Totals								
<i>Properties with significant restrictions (funded by Church Commissioners)</i>	56,467	-	(4,316)	52,151	810	-	(73)	737
<i>Properties without significant restrictions (funded by the Pensions Board)</i>	179,011	5,423	(2,409)	182,025	1,018	19	(14)	1,023
Total	235,478	5,423	(6,725)	234,176	1,828	19	(87)	1,760

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2021

11. Tangible assets – CHARM properties

Charity Only	Book value at 1 January 2021	Additions	Disposals	Book value at 31 December 2021	No. of properties at 1 January 2021	Additions	Disposals	No. of properties at 31 December 2021
	£'000	£'000	£'000	£'000				
Rental properties								
Funded by CC	23,875	-	(1,779)	22,096	252	-	(21)	231
Funded by PB	171,821	5,422	(2,004)	175,239	935	19	(9)	945
Rental properties total	195,696	5,422	(3,783)	197,335	1,187	19	(30)	1,176
Shared ownership properties								
Funded by CC	3,476	-	(122)	3,354	36	-	(1)	35
Funded by PB	6,350	-	(397)	5,953	68	-	(4)	64
Shared ownership properties total	9,826	-	(519)	9,307	104	-	(5)	99
Mortgaged properties								
Funded by CC	23,915	-	(2,253)	21,662	467	-	(49)	418
Funded by PB	436	-	(8)	428	11	-	(1)	10
Mortgaged properties total	24,351	-	(2,261)	22,090	478	-	(50)	428
Totals								
<i>Properties with significant restrictions (funded by Church Commissioners)</i>	51,266	-	(4,154)	47,112	755	-	(71)	684
<i>Properties without significant restrictions (funded by the Pensions Board)</i>	178,607	5,422	(2,409)	181,620	1,014	19	(14)	1,019
Total	229,873	5,422	(6,563)	228,732	1,769	19	(85)	1,703

The fixed assets shown in the Charity-only table above include only those mortgage loans made directly by the Board, for which CC-funding was received. Loans made by the Board to CEPB Mortgages Ltd, but ultimately funded by CC, are reflected in current debtors. See note 12. The related mortgages issued by CEPB Mortgages Ltd are shown in the Consolidated fixed assets table.

Financing and restriction

Historically, the Board's own properties were funded from trusts and legacies. From 1983 until July 2010 most of the rental, shared ownership and mortgaged properties purchased were financed by loans from the Church Commissioners. Under this arrangement, the legal ownership of each property lay with the Board but a significant part of the economic interest lay with the Commissioners. In the case of mortgaged and shared ownership properties, the Commissioners' economic interest was in the same proportion as the amount of financing they provided compared to the purchase price. Purchases were recognised at cost and the loan from the Commissioners recognised at an equal amount within creditors. If the property were sold, an amount equal to the proceeds (for mortgaged and shared ownership properties, in the same proportion as the financing they provided compared to the purchase price) would be repayable. This arrangement meant that the Commissioners retained a significant degree of financial control over the properties they funded, and on a property becoming vacant, determined if and when it was sold and for how much.

Since the end of the Commissioners' funding arrangement, financing for purchases of new rental or shared ownership properties has been provided through three sources. Firstly in 2010 the Board put in place a loan facility with Santander. Secondly in 2015 the Board was loaned £70,000,000 from its subsidiary CHARM Finance PLC, which raised funds through the issue of a listed bond. Thirdly in 2018 the Board was loaned £30,000,000 from its subsidiary CHARM Finance PLC, which raised funds through the issue of a second listed bond. Further details of both facilities are provided in Note 13.

Of the £70,000,000 loaned to the Board in 2015, £41,841,000 was used to purchase the economic interest in 196 properties which had originally been funded by the Commissioners. The Commissioners have retained a right to receive any profit on disposal of any of the 196 properties up to August 2025, over the agreed purchase price of that property, and in 2021 one (2020: two) properties were sold by the Board, with £39,369 (2020: £20,030) paid to the Church Commissioners as a result of this agreement. In the opinion of the trustees however, as the remainder of these properties have been identified for long-term use by the Charity, it is not expected that many further payments will accrue to the Church Commissioners as a result of this arrangement.

In addition to these arrangements, 48 rental properties were purchased with contributions from dioceses and others, where the contributions are repayable when the property is sold, as either a simple repayment or in the same proportion as the original contribution to the purchase price, depending on the agreement made. The Board recognises the full cost of the property and also recognises a liability for the amount contributed (see note 13).

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2021

12. Debtors

	Consolidated		Charity	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade debtors	215	512	215	509
Subsidiary undertakings	-	-	5,444 *	5,608
Prepayments and accrued income	770	835	758	835
Joint venture (ChECS)	384	323	384	325
Other debtors	30	145	30	145
Total	1,399	1,815	6,831	7,422

* Loans from the Church of England Pensions Board to CEPB Mortgages Ltd are repayable when the properties associated with them are sold. This is categorised as a current debtor for the Charity in line with FRS 102 section 4.7. See Note 13 for more details.

13. Creditors

Current liabilities:	Consolidated		Charity	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade creditors	981	2,610	981	2,610
Accruals and deferred income	3,337	2,596	3,325	2,596
Tax creditor	22	4	22	4
Other creditors	1,567	1,175	1,567	1,175
Total amounts falling due within one year:	5,907	6,385	5,895	6,385
Concessionary loans repayable on sale of fixed assets				
Loans from Church Commissioners for:				
- rental properties	22,096	23,873	22,096	23,874
- shared ownership properties	3,354	3,476	3,354	3,476
- mortgage properties	26,701	29,117	26,701	29,117
Diocesan and other creditors	700	759	700	758
Total loans repayable on sale of fixed assets	52,851	57,225	52,851	57,225
Total current liabilities	58,758	63,610	58,746	63,610

Loans from the Church Commissioners are repayable when the properties associated with them are sold. The trigger for the repayment is the sale of the property and the proceeds are passed in full to the Church Commissioners. Properties are sold when residents vacate rented properties, shared ownership properties are sold and mortgages are redeemed. These assets are classified as fixed assets and are included in note 11.

FRS 102 section 4.7 states that where the repayment of a creditor cannot unconditionally be deferred for more than a year, it must be classed as a current liability. Even though experience has shown that loans from the Church Commissioners will be repaid steadily over a timeline substantially longer than one year, they meet this definition and as a result are included within current liabilities.

The terms of these concessionary loans are: for loans granted prior until 31 March 1993 the initial interest rate was 3%, increasing in line with RPI each April; for loans granted from 1 April 1993 the initial interest rate was 4%, increasing in line with RPI each April.

The same current liability classification has been applied to the Diocesan loans to the Pensions Board.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2021

13. Creditors (continued)

	Consolidated		Charity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Non-current liabilities:				
Bond liabilities – 2015 Bond	70,000	70,000	-	-
Bond liabilities – 2018 Bond	30,000	30,000	-	-
Bond liabilities – capitalised bond set-up costs	(660)	(689)	-	-
Intra-group liability – loan repayable to CHARM Finance PLC	-	-	100,000	100,000
Intra-group liability – capitalised bond set-up costs	-	-	(660)	(689)
Loan from Santander	21,500	18,000	21,500	18,000
Loan from Santander - capitalised set-up costs	(117)	(150)	(117)	(150)
Total	120,723	117,161	120,723	117,161

The two bonds, issued by subsidiary undertaking CHARM Finance plc, were issued to finance the growth and development of the CHARM scheme. Transaction costs of £509,000 were incurred in respect of the 2015 bond, and £306,000 in respect of the 2018 bond. At 31 December 2021, the amortised cost of the set-up fees incurred (predominantly legal and financial advice fees) for both bonds was £660,000 (2020: £689,000).

For the 2015 bond, interest due up to August 2017 was based on the initial interest rate of 3.126% adjusted for changes in CPI (subject to a 4% cap and a floor of zero). Since August 2017 the applicable interest rate has risen to 3.154%. Repayment of the bond is due in five equal instalments of £14m due in August of 2038, 2041, 2043, 2045 and 2048 respectively. The bond is secured by a fixed charge over 437 properties held by the Charity.

For the 2018 bond, interest due is based on the fixed interest rate of 3.509%. Repayment of the bond is due in three instalments on 12 November 2044, 12 November 2046 and 12 April 2048. The bond is secured by a fixed charge over 209 properties held by the Charity.

The following table details the maturity of the bond-related contractual payments as at 31 December 2021:

Period	2015 Bond		2018 Bond	
	Interest due £'000	Capital repayment £'000	Interest due £'000	Capital repayment £'000
Due to end December 2021	809	-	140	-
Due within one year (to end December 2022)	2,355	-	1,053	-
Due within five years (to end December 2026)	9,476	-	5,126	-
Due after five years	39,480	70,000	19,823	30,000
Total	52,120	70,000	26,142	30,000

The intra-group liability due by the charity to CHARM Finance plc mirrors the terms of the bonds noted above.

The charity has a loan facility with Santander through Abbey National Treasury Services PLC which at December 2021 was secured by fixed charges over 249 properties (2020: 254 properties) owned by the charity, with occupied market value of £62,000,000 (2020: £61,000,000). The loan is repayable, subject to terms and conditions, at June 2025.

The cost of the Santander arrangement fee of £500,000 (1% of the loan facility) is offset against the loans and is being amortised over 15 years. At 31 December 2021, the amortised cost was £117,000 (2020: £150,000).

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2021

14. Financial Instruments

	Note	Consolidated		Charity	
		2021	2020	2021	2020
		£'000	£'000	£'000	£'000
Financial assets at fair value through statement of financial activities					
Listed non-current investments	9	46,858	41,739	46,871	41,752
Total financial assets		46,858	41,739	46,871	41,752

15. Funds

Consolidated and charity	Balance at 1 January 2021 £'000	Income £'000	Expenditure £'000	Investment gains £'000	Other gains £'000	Transfers £'000	Balance at 31 December 2021 £'000
Unrestricted funds	-	6,832	(6,832)	-	-	-	-
Total unrestricted funds	-	6832	(6,832)	-	-	-	-
Restricted funds:-							
General Purposes Fund:							
- General Funds	109,489	21,637	(19,711)	4,886	-	(1,700)	114,601
- Earmarked – Property Maintenance	6,567	-	(3,369)	-	-	1,700	4,898
Clergy Retirement Housing Trust & other trusts	12,402	597	(465)	290	-	-	12,824
Total restricted funds (excl. pension reserve)	128,458	22,234	(23,545)	5176	-	-	132,323
Pension reserve	(624)	-	133	-	26	-	(465)
Total funds	127,834	29,066	(30,244)	5,176	26	-	131,858

For comparative purposes, the table below shows the movement on funds for the year ending 31 December 2020:

Consolidated and charity	Balance at 1 January 2020 £'000	Income £'000	Expenditure £'000	Investment gains £'000	Other gains £'000	Transfers £'000	Balance at 31 December 2020 £'000
Unrestricted funds	-	7,367	(7,367)	-	-	-	-
Total unrestricted funds	-	7,367	(7,367)	-	-	-	-
Restricted funds:-							
General Purposes Fund:							
- General Funds	109,890	21,166	(18,411)	(556)	-	(2,650)	109,489
- Earmarked – Property Maintenance	7,838	-	(3,921)	-	-	2,650	6,567
Clergy Retirement Housing Trust & other trusts	11,972	545	(203)	88	-	-	12,402
Total restricted funds (excl. pension reserve)	129,700	21,711	(22,485)	(468)	-	-	128,458
Pension reserve	(775)	-	169	-	(18)	-	(624)
Total funds	128,925	29,078	(29,683)	(468)	(18)	-	127,834

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2021

15. Funds (continued)

Unrestricted funds

The **unrestricted funds** represent expenditure incurred by the CEPB on salaries and working expenses subsequently recovered from the pension funds administered by the Board. The CEPB has no net assets or liabilities in its own right as a body corporate.

Restricted funds

The **General Purposes Fund ("GPF")** is the largest charitable fund administered by the Church of England Pensions Board, covering the provision, maintenance & management of homes of residence for retired clergy and church workers and their spouses/former spouses/dependants, etc.

Within restricted funds, the Trustees have earmarked an amount for property maintenance. £1.7m (2020: £2.6m) was transferred from the restricted general fund to the earmarked Property Maintenance fund to allow for additional property maintenance work.

The **Clergy Retirement Housing Trust ("CRHT")** is a registered charity (Charity No. 236627-2) and is a linked charity of the Board. As a linked charity, it is accounted for as a restricted fund. The charitable object of the CRHT is to use its property as residences for those persons who are qualified for such residence by virtue of the provisions of the Clergy Pensions Measure 1961 or any succeeding legislation.

Below is a summary of the assets and liabilities of each fund as at 31 December 2021:

FUND	Fixed Assets	Current Assets	Current Liabilities	Non-Current Liabilities	SUB TOTAL	Provision for Pension Liability	NET ASSETS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	673	953	(1,626)	-	-	-	-
Restricted Funds:							
General Purposes Fund	294,463	2,838	(57,079)	(120,723)	119,499	(465)	119,034
Clergy Retirement Housing Trust & other trusts	10,895	1,982	(53)	-	12,824	-	12,824
Total	306,031	5,773	(58,758)	(120,723)	132,323	(465)	131,858

For comparative purposes, the table below provides a summary of the assets and liabilities of each fund as at 31 December 2020:

FUND	Fixed Assets	Current Assets	Current Liabilities	Non-Current Liabilities	SUB TOTAL	Provision for Pension Liability	NET ASSETS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	525	1,241	(1,766)	-	-	-	-
Restricted Funds:							
General Purposes Fund	290,501	4,820	(62,107)	(117,161)	116,053	(624)	115,429
Clergy Retirement Housing Trust & other trusts	10,770	1,372	263	-	12,405	-	12,405
Total	301,796	7,433	(63,610)	(117,161)	128,458	(624)	127,834

16. Subsidiary results

The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held to undertake property and building development at the supported housing schemes, and CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC (incorporated and acquired 17 July 2015), a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle which in August 2015 provided £70m of funds to the Board via the issue of £100m of 3.126% Secured Bonds (including £30m in principal amount of Retained Bonds) due August 2048. In April 2018 CHARM Finance PLC provided a further £30m of funds to the Board via the issue of £50m of 3.509% Secured Bonds (including £20m in principal amount of Retained Bonds) also due in 2048. These funds are being used to secure current and future obligations for clergy housing in retirement.

Summaries of the Board's significant subsidiaries' results are shown below:

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2021

16. *Subsidiary results (continued)*

	CEPB Mortgages		CHARM Finance PLC	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Revenue	338	343	3,488	3,442
Expenditure	(338)	(343)	(3,488)	(3,442)
Result	-	-	-	-
Total Assets	5,445	5,609	100,973	100,285
Total Liabilities	(5,444)	(5,608)	(100,960)	(100,272)
Net Assets	1	1	13	13

17. *Related Parties*

Subsidiary companies

The Board received £338,000 from CEPB Mortgages (2020: £343,000) in respect of mortgage interest received by the Company. At the balance sheet date, CEPB Mortgages owed the Board £5,445,000 (2020: £5,609,000) in respect of mortgage loans repayable.

The Board paid £3,437,555 to CHARM Finance PLC in 2021 in respect of bond interest paid by the Company (2020: £3,381,000). At the balance sheet date, the Board owed CHARM Finance PLC £99,340,000 (2020: £99,311,000) in respect of loans repayable in relation to the 2015 and 2018 bonds.

Joint ventures

Church of England Central Services (ChECS) is a joint venture between the Church Commissioners, the Archbishops' Council and the Church of England Pensions Board, and therefore a related party of the Board. More information can be found in Note 9.

Pension Schemes

Details of amounts paid to the pension schemes are disclosed in note 8.

THE CHURCH OF ENGLAND PENSIONS BOARD

England & Wales - Charity number 236627

Accounts

The Church of England Pensions Board

Annual Report

**Year Ended
31 December 2020**

Content

Introduction from the Chair and Chief Executive	3
Report of the trustees for the year ended 31 December 2020	5
Structure and history	5
Public benefit	6
Objectives	6
Charitable activities of the Board	7
CHARM (Church's Housing Assistance for Retired Ministry)	7
Supported Housing	9
Administration of pensions	9
Review of 2020 activities	9
Pandemic Response	9
CHARM	11
Administration of Pensions	12
The Board's Approach to Ethical Investment & Stewardship	13
Financial Review	15
External financing	16
Charity Investments	16
Risk Management	17
Going Concern	19
Approach to Taxation	20
Reserves	20
Plans for the future	21
Structure, governance and management	23
Governance	23
The Charity Code of Governance	24
Trustees	25
Attendance by Trustees at meetings of the Board and its Committees	27
Reference and administrative information	28
Management	29
Statement of Trustees' responsibilities in relation to the financial statements	31
Consolidated statement of financial activities	37
Consolidated balance sheet	38
Charity only balance sheet	39
Consolidated cash flow statement	40
Notes to the financial statements	41

Introduction from the Chair and Chief Executive

The Church of England Pensions Board provides retirement services to those who minister and work for the Church of England. As a pension provider we are at the forefront of ethical and responsible investment. As a charity we provide housing and other services to those who have given a lifetime, living out their vocation to ministry in the Church of England in its service to this nation.

2020 has been profoundly marked by the impact of the coronavirus pandemic. For many of our customers, members, Church colleagues, and staff, this year has been very difficult.

Throughout the year we have worked hard to ensure the safety and continuity of key services. Office-based staff made a rapid transition to homeworking, supported by secure IT systems. Pensions and Housing helplines have operated with minimal disruption. Housing activities concentrated on essential maintenance, resident wellbeing during lockdown, and assisting those within 18 months of retirement.

Despite volatile investment markets, total assets returned 9.4% in 2020, with the portfolio benefiting from diversification across asset classes and a long-term approach. This in turn has meant that the funding level for our largest scheme – the Clergy scheme – has held up well.

Meanwhile, statutory valuations of the other two pension schemes (CAPF and CWPF) were substantially completed in the year, with long term strategies agreed for both defined benefit schemes. We are grateful for the engagement of participating employers to achieve this.

Even in the midst of the pandemic, we have continued to make good progress on our strategic priorities: to simplify; to become less financially reliant on the wider Church; and to engage in great conversations with those we serve and companies in which we invest.

In 2020, we put forward important proposals to simplify and reduce the cost of the Board's governance arrangements, and bring the Board into line with good practice externally. These proposals have been subject to an extensive formal consultation in 2020. They were approved at General Synod on 23rd April 2021 and come into effect from 1 July 2021. Work also continued on two major systems projects in housing and pensions to automate more of our core processes, and enable better service through online tools for customers and staff.

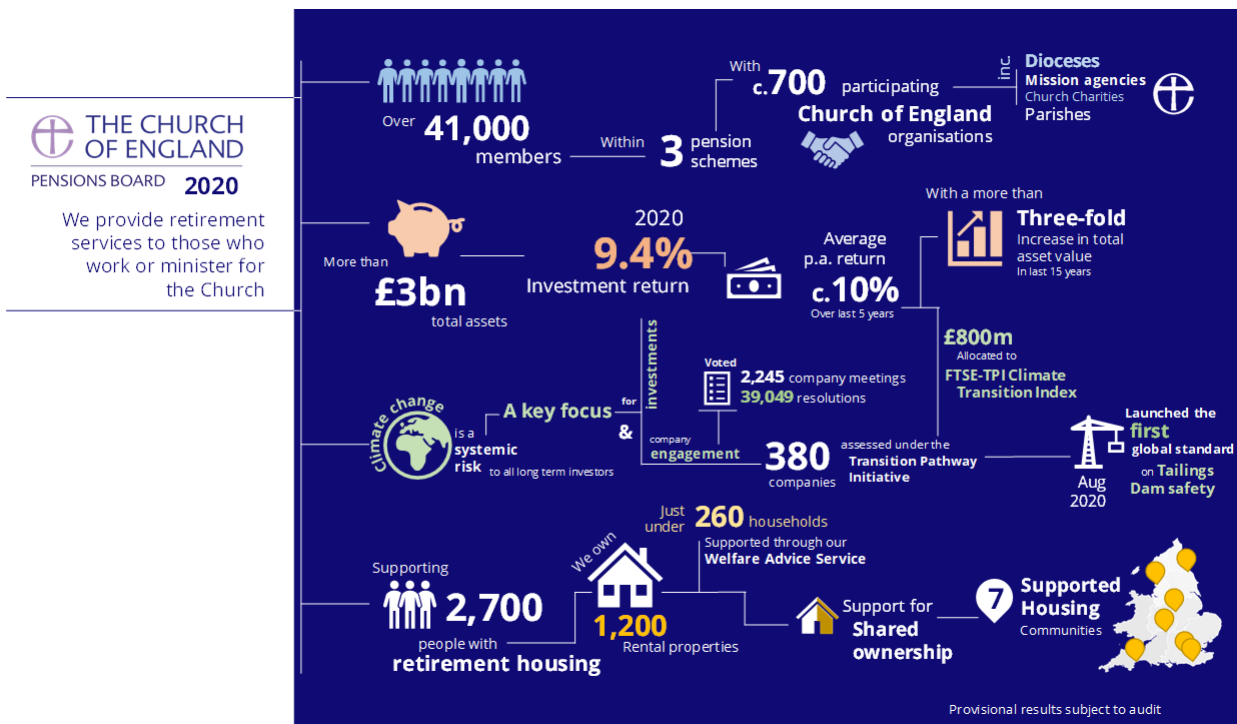
As part of our commitment to climate transition, we launched the FTSE-TPI Climate Transition Index, and co-created a new global Net Zero Investment Framework for pension funds. As the Church's lead on extractives, we worked with other investors, the UN and the mining industry to establish a global standard on mining safety. These are world firsts, reflecting our ambition that members should be able to retire well, and into a world worth retiring into.

The Board is blessed by the contributions of its Trustees who give freely of their time and expertise. We welcomed Ian Wilson to the Board in the summer. We thanked Jeremy Clack and Deb Clarke who finished their terms on the Board and Investment Committee respectively in December, and mourned the passing of Simon Baynes, a former member. Within the Executive, Michael Pratten was appointed as Chief Investment Officer in succession to Pierre Jameson, who retired in February 2020.

Even through such a trying year, it remains our deep privilege and joy to serve those who work and minister for the Church of England. Looking ahead we are determined to continue press ahead with our strategic priorities, supporting the vision for a simpler, bolder, humbler Church.

Clive Mather
Chair

John Ball
Chief Executive Officer



Report of the trustees for the year ended 31 December 2020

The trustees present their annual report and financial statements of the charity for the year ended 31 December 2020. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the Charities Act 2011, FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and “Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Finance Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)” (“the SORP”).

Structure and history

The Church of England Pensions Board (“the Board”) was established in 1926 by the Church Assembly (now the General Synod) by the Clergy Pensions Measure 1926, to serve as the pensions authority for the Church of England and to administer a comprehensive pension scheme for clergy. Prior to 1926 there was no proper pension system for clergy.

The Board was given powers in 1948 to provide housing for retired clergy and their widows and dependants, and in subsequent years also became trustee of various charitable funds and trusts to provide for the relief of poverty of retired clergy and their widows and dependants. In 1964 the Board became a registered charity. Since then the funds and trusts have been amalgamated and now exist as a single restricted fund: the ‘General Purposes Fund’; and one linked charity for which the Board is corporate trustee: the ‘Clergy Retirement Housing Trust’.

In its current form, the Board is a body corporate, a registered charity, and is governed by the Church of England Pensions Measure 2018 – the main operative provisions of which came into force on 1 March 2019. Prior to the 2018 Measure, the Board was governed by the Clergy Pensions Measure 1961 (as amended from time to time). During the period covered by these accounts it was the corporate trustee of three pension schemes:

- The Church of England Funded Pensions Scheme (“CEFPS”, commonly called ‘the clergy scheme’);
- The Church Workers Pension Fund (“CWPF”);
- The Church Administrators Pension Fund (“CAPF”).

The financial statements of the three pension schemes listed above are not included in this report but are separately available.

The Board administers two other pension schemes, for which it is not a trustee: the Church of England Pensions Scheme (for clergy service prior to 1 January 1998); and the Church Commissioners Superannuation Scheme (for staff service prior to 1 January 2000). The financial affairs of these schemes can be found in the Church Commissioners’ accounts. They have no impact on the financial position of the pension schemes of which the Board is trustee.

Public benefit

The purposes of the Board are the provision of retirement services set by the Church of England for those who have served or worked for the Church. This is carried out primarily through the provision of retirement housing and through the administration of pensions.

In accordance with the requirements of s17(5) of the Charities Act 2011, in exercising their responsibilities the Board has had regard to the Charity Commission's published advice on public benefit, especially that contained in its supplementary guidance "*The Advancement of Religion for the Public Benefit*".

Nationally, the Church, through its network of more than 12,000 parishes, 16,000 churches and 20,000 ordained and lay ministers seeks to build social capital and provide spiritual care for all those who might wish to engage with matters of faith in a Christian context. The local churches are a focus for community activity, and through resources available at their disposal, provide activities that support community development and social cohesion. These can include projects which support children, families and the elderly.

Retired clergy and their dependants often play a role in these projects. Through the provision of comprehensive pension schemes, retirement accommodation and, where applicable, direct grants to supplement their income, the Board assists clergy in retirement to continue to play a full role in the community.

Objectives

The Board's charitable objectives are first, to provide the best possible support and care, within available resources, to those who have retired from stipendiary and lay ministry within the Church of England, and to their dependants, through the provision of retirement and supported housing, and through advice services, and discretionary grants for those most in need. Second, the Board's objective is to meet its responsibilities as administrator for the various pension schemes, as laid out in its governing documents (see Structure and History section).

The strategic objectives of the Board are:

- Effective and efficient delivery of our pension schemes
- Quality housing and charitable services that our customers and funders value
- Demonstrate leadership in ethical and responsible investment
- Understand what matters most to our customers
- Model good governance and stewardship
- Create a great place to work for all our teams

In December 2019 the Board agreed three strategic priorities to guide its work and the implementation of its objectives. These are:

- **Simplification**
- **Self-sufficiency**, so that the Board can be less reliant on financial support from the wider Church in the long-term
- Engaging in **great conversations** with those the Board serves and the companies in which it invests

These priorities together form the Board's 'Centenary Vision'.

Around one in five clergy retiring from the stipendiary ministry seek the Board's assistance with retirement accommodation. Retirement can be a stressful life event for many people and particularly so for the Church of England clergy who have lived most of their working lives in tied accommodation and for whom retirement also entails the stress of moving to a new house. The Board aims to work with clergy to assist them in this significant life transition and encourages early conversations about retirement housing and pension provision. We aim to provide an appropriate level of service over the long term, and retirement housing which is well maintained and suits its purpose.

In 2021, the Board will continue to provide these services within the resources available. We continue to shape and refine the services that are offered to ensure that they are sustainable in the future.

The charitable activities are financed by grants, gifts, legacies and investment income. All donations are placed in the General Purposes Fund unless otherwise specified. We are very grateful to those who have given donations and left legacies over the past year.

Charitable activities of the Board

Around 2,700 individuals – primarily retired clergy and their dependants – receive housing assistance through CHARM rental, supported housing, shared ownership and the (closed) mortgage schemes.

CHARM (Church's Housing Assistance for Retired Ministry)

The CHARM scheme is the main housing provision made by the Church of England Pensions Board. It is designed to assist retiring clergy leaving tied accommodation and who have not been able to make their own provision for somewhere to live in retirement.

The provision of housing through CHARM is a discretionary facility with the Board specifying various parameters relating to the size and type of property available. The parameters are regularly reviewed.

Information on the CHARM scheme, eligibility and access to the various options is available on the Church of England websites at www.churchofengland.org/housing.

The Board also supports retirees and their households through a Welfare Advice Service which enables us to sign-post individuals to other charities and agencies through which they can access the different types of support available to them, including helping individuals to navigate the state benefit system.

Rental Property

The rental option is the Board's core service, with around 1,200 properties let across England and Wales. Customers can choose from a portfolio of available properties across the country up to five years before they intend to retire and "reserve" it for their retirement.

The Board ensures that all properties are in a good state of repair. It uses stock condition surveys to plan and carry out maintenance.

Tenants who moved into their properties after 1 April 2015 pay a "target rent" based on a social housing model; tenants who already lived in a property prior to this date pay a rent which was based on their (joint) income, which is being slowly transitioned to a target rent.

The CHARM scheme is subsidised by the wider Church of England through Vote 5 of the Archbishops' Council's budget. The total grant for 2020 was £5.3m (2019: £5.0m). This support enables the Board to continue to offer target rents at a lower level than market rents. The Trustees are grateful for the financial support from the wider Church towards this work.

Shared Ownership

The Shared Ownership option assists 104 households. Properties are bought in partnership with the customer who contributes a minimum of 25% of the property cost. The Board's maximum contribution is £150,000. Additional shares of the property can be bought by the customer who can buy outright ownership if they wish.

Customers pay a rent, based on the Board's capital share of the property, and a service charge which reflects the cost of maintaining and insuring the property. The rent is increased in line with the weighted increase in the full Church and State pension for a married couple.

Mortgage Schemes

The mortgage schemes are closed to new applicants.

A fixed-interest mortgage option was in operation until 31 December 1982. Mortgagors had the option to pay interest on the amount loaned during the life of the loan and then on redemption repay the nominal amount of the loan, or pay one-half of the interest due during the life of the loan and on redemption repay the nominal amount of the loan together with the unpaid interest. Four loans were outstanding at the end of the year, two of which the mortgagor is paying the full interest amount on the mortgage advanced, and two of which the mortgagor is paying one-half of the interest due.

A value-linked mortgage option closed on 31 March 2008. Mortgagors pay an interest-only element on the advanced sum, with the rate of interest being subject to an annual uplift in line with increases in Church and State pensions. When the property is sold or the mortgage redeemed, the sale proceeds are divided between the mortgagor and the Board in the same proportions as when the loan was advanced. At the end of the year mortgage loans were outstanding on 537 properties (478 from the Charity and 59 from the subsidiary company CEPB Mortgages Ltd) (2019: 576 properties (516 from the Charity and 60 from the subsidiary company CEPB Mortgages Ltd)).

Supported Housing

For more than 70 years, the Board has operated supported housing schemes for those retired clergy and their dependants who wish to live as independently as possible in a community of Christians. Some retired clergy, or their surviving spouses or civil partners, no longer feel comfortable living by themselves or find it increasingly difficult to maintain and manage a home of their own. Equally, some wish to continue living within a community where the liturgical and spiritual life of the Church of England is central and practical support is available to enrich older living.

The Board's seven supported housing communities provide residents with a self-contained flat and also include dining facilities, meeting spaces, libraries, a chapel and communal grounds. The Board charges for the accommodation using a rent and service charge system and operate a subsidy system to assist those of its residents who are unable to pay for those support charges which are not eligible for state assistance.

The total cost of running the supported housing operation including central overheads and costs in relation to former nursing care services, is largely met by the income the Board receives through rent and service charges. The shortfall is met from grants, voluntary donations and investment income received by the General Purposes Fund. In 2020 this amounted to £1.4m (2019: £1.6m).¹

Administration of pensions

During the period covered by this report, the Church of England Pensions Board was the trustee of three pension funds – the Church of England Funded Pension Scheme, the Church Workers Pension Fund and the Church Administrators Pension Fund.

The administration of pensions for the clergy is one of the charitable objects of the Board; this is carried out at no cost to the charitable funds since the administration costs are charged to the relevant pension fund.

In total, the pensions for more than 41,000 people, across about 700 employers are administered by the Board. Separate reports and accounts are issued for each of the pension schemes.

Review of 2020 activities

Pandemic Response

In 2020, our main focus has been to support our customers through the pandemic, and adapt our services to keep customers, partners and our team safe. With the onset of the pandemic in March 2020, we deployed tried and tested business continuity plans to move our office based staff to home-working using

¹ See note 4 for further details of the shortfall between charitable income from rent and service charges, and charitable expenditure incurred.

secure systems. During the year this was strengthened through additional IT kit enabling the pensions and housing helplines to maintain a good level of service to our members and participating employers.

At an early stage, we wrote to all members, residents and beneficiaries to advise on our Covid response plan, and a dedicated webpage has been maintained and updated throughout the crisis. This has been supplemented with other advice, such as guidance on how to avoid pension-scams, and specific communications with groups of customers, for example those with self-select DC funds and those registered for housing and within months of retirement.

In relation to Housing, during the national lockdown in the spring, our team reached out to many of our 2,700 residents by telephone to check on their wellbeing and to offer help to access local support networks as needed. In line with Government guidance, we also temporarily paused all house moves across our portfolio. However, throughout this period, our emergency repairs service continued through Sanctuary, our maintenance contractor.

As the year went on, plans adapted as needed, to changing guidance and restrictions. In the Summer, non-urgent repairs, property viewings, and house moves restarted with the right health and safety measures in place. Our team worked hard to match those closest to retirement to a suitable home. Thanks to the extraordinary commitment of staff and residents, our Supported Housing schemes remained Covid-free throughout 2020.

Within Supported Housing, additional procedures were put in place in line with government guidelines and with the support of staff and residents. Some of our staff made extraordinary personal commitments, such as temporarily moving into guest rooms to ensure they would not bring infection into the schemes. It was a delight to see that by the end of the year, the first of our Supported Housing residents received the Covid vaccination.

The Board sought to control expenditure carefully in the face of uncertainty, and maintained a regular and open dialogue with its lenders. It monitored the liquidity position for both the pension funds and the charity on a regular basis, and continues to do so.

In respect of the Board's pensions operations, the Board worked closely with employers and colleagues in other national church bodies to monitor the employer covenant and engage where needed. The Church Commissioners and Archbishops' Council put in place a package of financial support measures for dioceses and Cathedrals, and emphasised the importance of maintaining pension contributions. There were no formal enquiries for contribution easements during the year, though sadly we have seen some church bodies reduce the number of staff employed. We are also sad to report that the UK trend in excess deaths also appears to have been reflected in the experience of our pension schemes. Staff sought to respond pastorally and professionally to this additional workload while facing challenges in their own personal lives.

Throughout this period, the Board has followed the advice from and been in contact with the relevant regulatory bodies for its activities. It has also been supported by its professional advisers.

While some of our plans had to be changed, the Board continued to deliver most of its core services and make progress on its development plans, including all the matters identified as future plans in the 2019 Annual Report, with the exception of the conscious decision to purchase fewer properties than planned.

Our Covid response has continued to adapt in 2021 in response to changing national restrictions and government guidance, as well as the roll out of the vaccine programme where many of our Supported Housing residents were fortunate to be among the first million to receive the vaccination.

CHARM

The Board continues to be able to assist around 2,700 retired clergy and their dependants through the CHARM scheme (including the historic mortgage arrangements).

The Board's strategy for the main rental scheme is to build up a portfolio of suitable properties which can be held for the long term and will be suitable for re-letting when they become vacant. This requires a transition away from historic Church Commissioner funded properties, which are sold as they fall vacant. In line with this strategy, the Board purchased 17 new rental properties during the year (2019: 54 new rental properties) and was also able to re-let a number of existing (Pension Board funded) properties to meet demand. The reduction in purchases compared to the previous year, and plan for 2020, reflected the pandemic response. Given wider economic uncertainty and practical constraints on the property market, the Board sought to minimise purchases, and instead work closely with those approaching retirement to match them to available properties where possible. This approach was so successful that it will be adopted on an on-going basis. Specific properties continued to be acquired where needed – particularly in response to ill-health retirements – and surplus properties were marketed for sale. Overall there was a net decrease in the size of the rental portfolio from 1,192 at the end of 2019 to 1,187 at the end of 2020. The proportion funded by the Pensions Board increased to 79% (2019: 78%).

In addition to rental properties, the Board continued to assist customers through the shared ownership scheme. One new shared ownership property was purchased in 2020 (2019: 2).

The Board continued to provide supported housing through its seven supported living schemes, housing 297 residents in 2020 (2019: 266). Following a necessary hiatus through the summer, viewings and moves were able to resume in the autumn with the adoption of appropriate safety procedures.

We have continued to provide support to our customers through our Welfare Advice service. In 2020 we supported almost 260 customers (2019: 200) in accessing local authority support and benefits to which they are entitled, as well as in signposting individuals to other charities as needed.

The pandemic has not prevented continued development and improvement of our services. Work on a new Housing Management System proceeded at pace during 2020. Once live next year, this will reduce paperwork, improve data quality and free up our team to spend more time with customers.

In line with the General Synod environment motion in February 2020, the Board commissioned an assessment of the technologies, costs and practical steps to achieve climate transition in its housing portfolio. The results of this work will feed into the development of the asset management strategy.

During the year the Board undertook a review of its housing and charitable services. This considered the future demand for housing services, the nature of the services offered and how these can be refined in

the context of the Board's strategic priorities of simplification, great conversations, and moving towards self-sufficiency. Aspects of the review will be taken forward in 2021 and subsequent years, starting with simplification of the discretionary grants made by the Board.

Administration of Pensions

During 2020 the Board undertook the triennial valuations of the CWPF and CAPF, both based on valuation date of 31 December 2019, and a statutory date for completion of 31 March 2021. The Board carefully considered The Pensions Regulator's guidance on valuations during the pandemic as part of the valuation work. Both valuations benefited from engagement before and during the valuation process with employers, leading to the agreement of long-term funding and derisking journey plans for both schemes.

We continued the implementation of an upgrade to the Board's pension administration system. The Board first implemented its pensions administration software 15 years ago. The system has provided considerable resilience through the pandemic, with staff able to maintain service levels whilst working remotely from the office. The system improvements we are now implementing will further enhance the service, including through:

- online access for members,
- web access and electronic interfaces for employers, and
- greater automation of our 'back of house' processes.

The first phases of this project will go live in 2021.

During 2020 we reduced the number of legacy Additional Voluntary Contributions (AVCs) providers, simplifying arrangements for members.

In 2021, we will formally conclude the actuarial valuations of the CWPF and CAPF schemes, and prepare for the next valuation of the CEFPS, which has a valuation date of 31 December 2021.

The total assets of the defined benefit pension schemes for which the Board is Trustee returned 9.4% over 2020² (2019: 15.5%). For the fifteen years to the end of 2020, annualised returns are 8.7%.

The results of the schemes are not reflected in those of the Board and may be found in the separate annual report and accounts produced for each scheme. The table below provides summary information for the net assets of each scheme as at 31 December 2020:

² This excludes the return on investment assets within the Defined Contribution sections of the schemes.

	Church of England Funded Pension Scheme £m	Church Workers Pension Fund £m	Church Administrators Pension Fund £m	Total £m
Total net assets available for benefits	2,411	653	188	3,252

The table below provides summary information for the most recent concluded actuarial valuation of each pension scheme at the date indicated:

	Church of England Funded Pension Scheme £m	Church Workers Pension Fund £m	Church Administrators Pension Fund £m
<i>Date of Valuation</i>	<i>31 Dec 2018</i>	<i>31 Dec 2019</i>	<i>31 Dec 2019</i>
Total Technical Provisions	(1,868)	(611)	(151)
Total net assets available for benefits	1,818	601	142
Total pension scheme deficit	(50)	(10)	(9)

In line with its agreed long-term asset allocation, the Board continued its programme of diversifying the assets and sources of return for the pension schemes during the year, particularly through commitments to private market and alternative investments. This additional diversification partly mitigated the volatility in equity and gilt markets throughout the year. The Board is a long-term investor well able to ride out market volatility. Our long-term plan envisages both restructuring and reducing public equity investments as a share of the total, with further investments in private markets and other assets. We can do this because, overall, our schemes are continuing to grow and are some years from maturity. This will further diversify our growth portfolio and directly supports our ethical investment agenda, by allowing us to invest in areas such as renewable energy, energy efficiency, environmental wellbeing, and technology.

Further development of our asset allocation will continue throughout 2021, supported by ongoing risk analysis.

The Board's Approach to Ethical Investment & Stewardship

The Board is a leading voice in ethical and responsible investment. It is globally recognised and respected for its work. The Board actively engages with companies in which it is invested and is committed to managing its funds in a way that reflects the Church's teaching and values. The Board is the only pension provider offering schemes that fully comply with the Church of England's ethical investment policies.

Climate change is the biggest risk investors face. Both an ethical and financial issue, it remains a major focus of our engagement with companies, and shapes our investment approach.

We continue to co-chair the Transition Pathway Initiative (TPI) with the Environment Agency Pension Fund. TPI offers investors a robust approach to assessing companies' preparedness for transition to a low carbon economy, and is backed 93 other investors with over \$22 trillion in assets under management.

In 2020, insights from TPI were embedded within a new market index – the FTSE-TPI Climate Transition Index. Developed with FTSE Russell and the London School of Economics Grantham Research Institute, this index is the first in the world to consider what targets a company has (or has not) set in support of the Goals of the Paris Agreement, adjusting investment in those companies accordingly. By the end of 2020, the Board had over £800m of investments allocated to the index. The development of the index was recognised as 'ESG Incorporation Initiative of the year' by the UN-backed Principles for Responsible Investment (PRI), in their 2020 awards.

We collaborate with other pension funds and investors globally to collectively drive action on climate change. With Dutch Fund APG, we co-created the first Global Net Zero Investment Framework. This provides a practical blueprint for pension funds to tackle climate change and achieve net zero emissions globally by 2050. On behalf of the Climate Action 100+ global engagement initiative (supported by funds with \$51 trillion of assets) we led engagement with Royal Dutch Shell to secure the most comprehensive commitment from an oil and gas major to align to the goal of net zero.

In the autumn of 2020, we received the results of independent assessment of the pension funds resilience to different climate scenarios. This confirmed the Board is in good shape, particularly following the adoption of the FTSE TPI Climate Transition Index, which has delivered lower carbon intensity and greater exposure to green revenues in the portfolio. In 2021 we will be expanding our approach to other asset classes.

The Board has continued to lead the Church's engagement with mining and extractives industry, co-ordinating the investor response to the Brumadinho tailings dam disaster in 2019. As a direct result, the first ever global industry safety standard on tailings (waste) dams was launched in August 2020, supported by investors, the UN, and the world's largest leading mining companies. At the end of 2020, a further partnership was announced between the UN, the Council on Ethics of the Swedish National Pension Funds and the Board to establish an independent international institute to implement the global tailings standard. The Mining & Tailings Safety Initiative was recognised as the most impactful investor engagement through the PRI award of 'Stewardship project of the year.'

We are guided in our engagement activities by the advice from the Church's Ethical Investment Advisory Group (EIAG). Ethical policies and guidance across 18 areas advise exclusions on certain kinds of investments such as tobacco, gambling, high rate lending, or support a mixture of ethical exclusions alongside engagement to change company behaviour. Aligned with our climate change policy, we also restrict investments in companies generating more than 10% of revenues from thermal coal and tar sands. The Board's approach to ethical and responsible investing is further described in our first annual stewardship report, which may be found at www.churchofengland.org/cepb.

In our policies and engagement with companies, we coordinate closely with the other National Investing Bodies, the Church Commissioners and CBF Church of England Funds.

Financial Review

The Board's overall result for 2020 was a net reduction in funds of £1.1m (2019: increase of £5.3m). Net expenditure before losses on investments was £0.6m (2019: net income of £4.0m). Net income in 2019 was particularly high due to the recognition of a one-off legacy of £5.2m.

Total income for 2020 was £29.1m (2019: £35.1m), with income from charitable activities being £21.0m (2019: £20.5m), which includes income from rents and service charges for CHARM properties and the supported housing schemes along with interest received in relation to mortgage properties, which together amount to £13.7m (2019: £13.6m). The remaining income from charitable activities of £7.4m (2019: £6.9m) relates to the recovery of administrative costs in respect of the pension schemes administered by the Board.

In addition to the income received through provision of its services, the Board relies upon voluntary income sources to sustain its charitable activities. Income from grants, donations and legacies was £6.2m (2019: £10.9m). This includes support from the wider Church of England, through Vote 5 of the Archbishops' Council's budget, under which a grant of £5.3m (2019: £5.0m) was made towards the provision of retirement housing. Total income from donations and legacies in 2020 was £0.9m (2019: £5.9m) for which the Board is extremely grateful.

The Board also received investment income of £1.4m (2019: £1.6m), and profit from the sale of CHARM properties of £0.5m (7 rental and 1 shared ownership) (2019: £2.1m, 19 rental and 6 shared ownership). The Board continues to develop the portfolio through sale of unsuitable properties as they become vacant, using the proceeds of sale, along with external borrowing, to fund the purchase of new properties; however the Board carefully managed both sales and purchases in the year given the impact of Covid on the Housing market, customer decisions and choices in the context of the pandemic and wider uncertainty.

Total expenditure for 2020 totalled £29.7m (2019: £31.1m), with expenditure on charitable activities totalling £29.7m (2019: £31.1m). The largest component of expenditure was on rental properties of £13.2m (2019: £14.9m). Expenditure on supported housing was £4.9m (2019: £5.4m). Expenditure was monitored carefully in the wake of the pandemic, with certain expenditures such as property improvement works running at lower levels than a typical year through choice (to mitigate other unplanned costs) or necessity (Covid restrictions).

Charitable expenditure also includes the cost of administering the pension schemes which was £7.4m (2019: £6.9m) – this is a figure which varies year to year in large part due to the level of work on statutory valuations within the year.

Net losses of £0.5m on investment funds (2019: gains of £1.3m), explained further below, contributed to an overall decrease in total funds of £1.1m to £127.8m (2019: £128.9 m).

The value of fixed assets increased in the year to £301.8m (2019: £301.3m). The overall value of the CHARM portfolio increased by £0.5m, reflecting acquisitions and disposals in the year, whilst the value of CEPB funded properties increased to £179.0m (2019: £175.0m) largely driven by the increase in CEPB-funded rental housing stock in the year (with 18 additions in 2020 versus 7 disposals).

The Board's pension deficit liability in relation to its participation in the CAPF scheme was £0.6m at the end of 2020 (2019: £0.8m). At the end of 2020 the Board paid, in full, its assessed CWPf 2019 valuation deficit.

External financing

The Board has supported the long-term financing of the CHARM scheme through the issue of two listed bonds, as well as making use of a Revolving Credit Facility.

During 2015 the Board issued a £100m Bond, of which £70m was drawn down immediately. This gave the Board access to long-term finance to purchase additional retirement properties, to secure the future of clergy housing in retirement. The Board used part of the proceeds to acquire the further economic interest in 196 CHARM rental properties which had been financed by the Church Commissioners and had previously been subject to significant restrictions. The remaining proceeds were used to repay other existing, shorter-term, borrowings.

In 2018, the Board issued a new £50m fixed rate bond in April 2018, of which £30m was drawn down immediately and was predominantly used to repay existing borrowings. This reflects the continuation of the Board's long-term financing strategy.

In 2019, the Board agreed a variation to its £50m Revolving Credit Facility, extending this arrangement to 2025.

Charity Investments

The charity holds investments of £41.7m (2019: £42.3m), which generated income of £1.4m in the year (2019: £1.6m).

During 2020 the majority of investments were held with Brewin Dolphin, the Charities Property Fund (CPF, managed by Savills) and the Property Income Trust for Charities (PITCH, managed by Mayfair Capital). The CPF and PITCH funds invest wholly in UK property, principally industrial, office and retail property. They are structured as charity common investment funds, which allow investing charities to benefit from their statutory exemption from stamp duty on UK investments. The charity also holds £0.7m (2019: £0.7m) in investment properties, covering a portfolio of 6 (2019: 6) properties.

The amounts invested at the end of 2020 by the Board across the three funds are shown in the table below, along with the return generated by each investment for the Board over the year. At times, the Board's returns may differ from the funds' own returns, because of investment or disinvestment during the year, which will affect its returns.

The Board monitored its charitable investments carefully during 2020 in the light of the pandemic, and will continue to review the charity investment strategy in 2021.

	Value at end 2020 £m	Allocation %	2020 Return for the Board %
Brewin Dolphin	12.9	31%	6.6
Investment Properties	0.7	2%	8.6
Savills Charities Property Fund	20.0	48%	1.3
Mayfair Capital Property Income Trust for Charities	8.1	19%	(1.6)
Total	41.7	100%	2.4

The charity also holds £1.4m (2019: £1.4m) in short-term cash deposits with the CBF Deposit Fund (CBDFD, managed by CCLA Management Ltd).

Further information about the two charity property funds in which the Board is invested is provided below.

	Fund returns net of fees			Yield	Net fund size
	2020	2018-2020	2016-2020	End 2020	End 2020
	%	% p.a.	% p.a.	%	£m
Savills Charity Property Fund	1.3	3.5	5.3	4.6	1,186
Mayfair Capital Property Income Trust for Charities	(1.6)	3.0	5.3	4.6	568

Risk Management

The Church of England Pensions Board's risk management process supports management by facilitating the identification and assessment of significant risks to the achievement of objectives. There is a clearly defined Risk Management Policy which outlines the roles and responsibilities of Trustees, management, and staff.

The Trustee Board reviews the strategic risk register and risk management arrangements at least annually. The Board and its Sub-Committees closely monitor key strategic risks throughout the year, as meeting agendas are focused upon the delivery of these objectives. The Board is supported by the Audit and Risk Committee, which regularly reviews the risk registers and seeks assurance over the adequacy of arrangements in place to manage the risks. The Board has considered its appetite for different types of risk, and seeks assurance that additional actions are planned where residual risk is assessed to exceed the stated appetite. The Board recognises that fulfilment of certain Pension Trustee and charitable duties requires a measure of risk taking, for example to deliver investment returns for members, and seeks to ensure that such activities are undertaken within an appropriate control environment.

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

Principal Risks

The principal risks, which Trustees consider most significant are –

Risk	Key Management Actions
Significant wider socio-economic issues resulting from events [inc. COVID-19 and Brexit], have a major impact on pension deficits or covenants on external financing.	<ul style="list-style-type: none"> • Regular monitoring and reporting of the external environment and scenario analysis. • Diversification of the investment portfolio. • Adoption of Asset Led Funding methodology for the CEFPS. • Engagement with scheme funders / employers. • Employer covenant monitoring arrangements. • Debt covenant monitoring arrangements. • Customer engagement. • Annual actuarial review. • COVID19 Response Plan.
Failure to meet customer needs and expectations in the context of the expected significant increase in retirements	<ul style="list-style-type: none"> • Encouraging early customer engagement. • Scenario modelling and demand surveys. • New process to match prospective customers with CHARM properties.
Failure to comply with Landlord regulatory responsibilities resulting in injury or death to individuals	<ul style="list-style-type: none"> • Landlord responsibilities identified. • Specific arrangements in place for Supported Housing, including third party support. • Compliance actions for CHARM properties delivered by a range of third-party providers, managed and monitored by inhouse Compliance Manager. • Specific COVID19 planning undertaken.
Covenant(s) materially weakened by a significant event within the church leading to financial strain	<ul style="list-style-type: none"> • Covenant monitoring and integrated risk management. • Close liaison with Archbishops' Council on wider church financial issues, particularly during the pandemic. • Horizon scanning and ad-hoc simulation or scenario planning. • Close liaison with employers.
Legal or regulatory change resulting in a pension scheme or housing operations becoming unviable, unacceptable to employers, or unaffordable.	<ul style="list-style-type: none"> • Horizon scanning. • Engage with regulatory bodies and policy makers. • Ethics & Engagement programme.
CWPF Pension Builder sections become untenable.	<ul style="list-style-type: none"> • Advice from the Scheme Actuary combined with developed policies for each section.

Risk	Key Management Actions
Failure to understand and respond to the paradigm shifts caused by climate change	<ul style="list-style-type: none"> • Climate change integrated into investment decision making. Independent climate scenario analysis completed in 2020. • Property purchases consider climate and flood risk
Failure to deliver strategic objectives in event of a major business continuity event	<ul style="list-style-type: none"> • Testing of business continuity plans across NCIs. • Cyber resilience and Technology strategy, including Cyber Essentials Plus certification. • Defined Health and Safety procedures

With the unfolding pandemic during 2020, the Board and management paid particularly close attention to risk management and developed new mitigations appropriate to the circumstances. For example, additional procedures were introduced to manage infection risks in housing activities, and there was close liaison with other NCIs on the financial measures they were putting in place to support church bodies. The Board also implemented pre-prepared contingency plans for its operations. Risk scores increased in a number of areas at the outset of the pandemic before coming down later in the year as these additional mitigations and actions were implemented.

Going Concern

The Board meets the cost of property purchases, fit-outs and other working capital requirements through its external borrowing, comprising a bank facility and two listed bond issues. The Board prepares annual budgets and regular re-forecasts, along with a three-year financial plan in order to ensure that it can meet its spending commitments as they fall due, and fulfil the terms and conditions associated with external borrowing. In addition, the Board has also prepared a long-term business plan to consider financial viability over a longer period than that for which formal budgets and forecasts are prepared.

The Board has considered the key risks and uncertainties which impact upon immediate liquidity and longer term solvency. These include the level of anticipated demand for its services, the resilience of voluntary income streams and changes in economic conditions. It has modelled the impact of changes in these factors over time, and has considered whether it has adequate reserves and appropriate contingency plans to deal with a range of potential adverse scenarios.

The Board has considered the continuing impact of the COVID-19 pandemic on its operations, particularly with reference to the contingency plans it has put in place to respond to the emergency and the impact of delayed activity (including property acquisition and non-essential maintenance) on its future obligations and commitments.

Having due regard to the above, the trustees have reasonable expectation that the Board has adequate resources to meet its spending commitments as they fall due, including the servicing and repayment of debt and compliance with loan covenants for the foreseeable future. Accordingly, the going concern basis of accounting in preparing the annual report and accounts continues to be adopted.

Approach to Taxation

In conducting its tax affairs, the Board will:

- ensure that it conducts them not only in accordance with the letter but also the spirit of the law;
- not behave in a manner that could be considered aggressive or abusive;
- endeavour to obtain all reliefs available to it as a charity;
- ensure that all tax filings are compliant with the law and that tax payments are made in a timely manner;
- engage in dialogue with Her Majesty's Revenue & Customs ("HMRC") on a regular basis to ensure that any matters where the tax treatment is uncertain or difficult are raised and discussed at an early opportunity;
- maintain suitable processes and controls to ensure that the risk of non-compliance with filing and disclosure requirements is minimised; and
- ensure appropriate compliance with any non-UK tax regimes in relation to filing and payment obligations by paying the right amount of tax in the right place at the right time and disclosing all relevant facts and circumstances to the tax authorities and claiming reliefs and incentives where available.

Reserves

Unrestricted funds

The unrestricted funds represent expenditure incurred by the Board on salaries and working expenses subsequently recovered from the pension funds administered by the Board. The Board has no net assets in its own right as a body corporate and, consequently, no unrestricted reserves are retained.

Restricted funds

Restricted income funds are to be spent or applied within a reasonable period from their receipt to further one or more, but not all of the charity's charitable purposes.

The largest restricted fund administered by the Board is the **General Purposes Fund** ("GPF") at £116.1m (2019: £117.7m), which exists to provide for the relief of poverty among, and housing for retired clergy and church workers and their spouses/former spouses/dependants etc. This fund is considered to be restricted since the provisions for use of its resources are narrower than the statutory objects of the Board, which include the administration of pensions.

Within the GPF, the Board has earmarked funds of £6.6m (2019: £7.8m) for the provision of future property maintenance costs. The designation of this fund merely expresses the current intentions of the Trustees and has no legal effect. Legally, the funds are available for spending on any of the objects of the GPF.

The **Clergy Retirement Housing Trust** ("CRHT") is a registered charity and is a linked charity of the Board (Charity No. 236627-2). The CRHT may use its property as residences for qualified persons under the

provisions of the Clergy Pensions Measure 1961 or any succeeding legislation. As a linked charity, it is accounted for as a separate restricted fund, which together with some smaller trusts is valued at £12.0m (2019: £12.0m).

Reserves policy

Reserves are held to ensure that the Board can continue to deliver services to its beneficiaries and to meet its obligations and covenants in respect of debt financing in the event of a sustained reduction in voluntary income or other adverse scenario. The Board considers annually the level of reserves that should be maintained and takes account of the requirements of the Charities SORP and the guidance issued by the Charity Commission (Charities and reserves CC19).

Whilst it is unusual for a charity to hold reserves entirely within restricted funds, in practice the breadth of the restriction placed on the General Purposes Fund means that the trustees have a reasonable expectation that they could meet all necessary charitable expenditure of the Board from this fund, excluding the administration of pensions, the cost of which is fully recoverable from the Schemes.

For the purposes of defining an appropriate reserves policy, the Board therefore considers 'free reserves' to be the net assets of the General Purposes Fund after excluding:

- the value of programme related assets net of secured borrowings, i.e. CHARM properties (most of which are debt financed);
- other fixed assets held for charitable purposes, which cannot be quickly realised;
- the amount earmarked for property maintenance;
- and after making provision for the pension liability.

The Board holds free reserves in the region of £35m - £40m, allowing it to generate annual investment income in the region of £1.5m - £2m whilst taking an investment approach which aims to preserve capital value. This level of reserve also gives considerable cover in the case of a one-off significant financial stress event.

The Trustees have again considered the reserves policy in light of the COVID-19 pandemic and the impact on the Board's activities as well as the wider economy, and believe it continues to be appropriate. Therefore no changes have been made.

Plans for the future

The Pensions Board has been providing retirement services to the Church of England for over 90 years. These services have changed over the years and will continue to develop to ensure that the needs of its customers are met. The Board will continue to regularly review these services using the information obtained from an understanding of its customers' needs and expectations, to improve delivery, whilst demonstrating value for money to those who provide the Board with the resources to operate. It will also continue to provide a working environment which motivates and develops its people to give of their best and take pride in working for the Church of England Pensions Board.

Our core work will continue to be serving a growing population of 41,000 pension scheme members and beneficiaries and 2,700 housing residents, plus working with partner employers and responsible bodies across the Church of England. This includes managing health and safety, regulatory compliance and performance monitoring.

In December 2019 the Board adopted three strategic priorities: simplification, engaging in great conversations, and seeking to become more self-sufficient over the long term. These priorities – which resonate strongly with the emerging vision for the Church of England – are manifest in various parts of our plan.

Specific activities in our Delivery Plan for 2021 include:

- **Continuing to respond to the Covid-19 pandemic** in our delivery of services and management of investments. This includes managing a fluid situation as it affects housing operations, while seeking to meet customers' needs.
- **Implementing the first stage of a Housing Management System** to assist management of assets and customer interaction.
- **Implementing the first stages of a revised strategy and plan for our charitable services, following on from a review in 2020.** This includes simplifying the current system of charitable grants to ensure that help is targeted where most needed, and looking to release value from redundant sites.
- **Upgrading our Pensions administration system** enabling the introduction of member and employer web portals to enable members to access their pension information easily, and automate various administrative processes.
- **Concluding the statutory valuations of the CAPF and the CWPF** by the statutory deadline of 31 March 2021, working with our advisers, employers, and The Pensions Regulator. And beginning early engagement with Responsible Bodies on the CEFPS.
- **Continuing planned investment diversification** as private market strategies mature; through implementing the journey planning and derisking for the CAPF and CWPF defined benefit schemes; and reassessing the risk framework for our investments, partly in the light of Covid-19.
- **Further developing our ethical investment, engagement and stewardship work**, particularly through the publication of the Board's first stewardship report and publication of data on voting, in line with the new Stewardship Code; continuing to play a leading role on climate change and extractive industries, working with other funds; and expanding our analysis of Net Zero alignment to other asset classes.
- **Seeking approval for and implementing simplification of the Board's governance** through a Legislative Reform Order to be considered by the April General Synod and implemented on the Appointed Day, 1 July 2021. This Order, described in more detail below, simplifies the governance structure through a smaller Board established in line with best practice, broadens the franchise for member nominated trustee elections, and repeals various redundant and otiose statutory requirements affecting the Board and the Dioceses.

Structure, governance and management

Governance

Members of the Board represent a balance of skills and expertise and are drawn from a wide range of constituencies. Following changes to the legislation affecting the membership of the Board in 2017, of the 20 trustees, seven are elected by the various Houses of the General Synod and five by the members or the employers participating in the pension schemes for lay workers. One is appointed by the Church Commissioners and seven are appointed by the Archbishops of Canterbury and York, after consultation, including the Chair whose appointment is approved by General Synod. A period of membership lasts for six years; retiring members may offer themselves for re-election or be reappointed.

From 1 July 2021, the provisions of the Legislative Reform Order come into effect. This reduces the size of the Board from 20 members to 12. The Chair remains an appointment of the Archbishops with the approval of Synod. There will be four member nominated trustees, two drawn from the clergy schemes and one each from the CWPF and CAPF. One member shall be elected by the CAPF and/or CWPF employers and one appointed by the Archbishops following consultation with the Commissioners and dioceses, as a proxy for the clergy 'employers'. The remaining members will be formally appointees of the Archbishops for their skills and expertise following an open process and appropriate consultations.

The Board decides on the frequency of its meetings, which is typically five a year. For Board meetings a quorum is present when six people are in attendance, including at least two persons elected by the members of the pension schemes administered by the Board. From 1 July 2021 the quorum will be four.

New trustees receive an induction into the work and practices of the organisation. All have access to an online database which includes outlines of their responsibilities, copies of the Rules and other documentation for each pension scheme, policies relating to the provision and operation of retirement housing assistance, and a library of past Board and committee papers.

Members of the Board have completed either fully or partially the Pensions Regulator's Trustee Toolkit, or an equivalent qualification, and regular training sessions are provided at Board meetings on a range of subject areas. In 2020 trustee training topics included Landlord responsibilities, various ethical investment issues, and the implications of the Competition and Markets Authority Order.

The Board has committees to oversee the following areas: Audit and Risk, Housing, Investment, and Pensions. The Board has delegated authority to make decisions concerning these areas within its terms of reference and to make recommendations to the full Pension Board on other matters.

The Board has also delegated some of the day-to-day management and operation of the schemes' affairs to professional organisations as set out on page 28.

Independent Auditors

During the year, there have not been any non-audit services performed by the external auditors Crowe U.K. LLP.

Ethical Investment

The Board manages the Secretariat to the Ethical Investment Advisory Group (“EIAG”) on behalf of the Church of England’s national investing bodies – the Church Commissioners, the Church of England Pensions Board and the CBF Church of England funds managed by CCLA Investment Management Ltd.

The Charity Code of Governance

The Church of England Pensions Board takes its governance responsibilities seriously and, as a large charity, aims to have a governance framework that is fit for purpose, compliant and efficient. In 2017 the new Charity Code of Governance was launched, with a recommendation that charities review their level of application and to explain any aspects of the code they were not applying. In our review, we carried out a detailed examination of each element of the code:

- Organisational purpose
- Leadership
- Integrity
- Decision making, risk and control
- Board effectiveness
- Diversity
- Openness and accountability

Our review found we apply the code with a few exceptions, mainly arising from the Governing documentation, which as a statutory corporation, is itself primary legislation. The main area where we differed from the recommendations related to the limitation of trustee terms. On 1 July 2021, the Legislative Reform Order comes into effect. This reduces trustees’ terms from six years to five and provides that no trustee may serve more than ten years. This differs slightly from the recommendation in the Code of nine years because of the overriding need to provide a measure of continuity through triennial pension scheme valuation cycles.

In recent years, the Board has also enhanced its compliance with the Code. These have included extending the gathering of feedback from customers, consideration of extending the aspects of diversity we monitor, and through a thorough review of our charitable services.

Trustees

The Board has members elected and appointed by various means, which are described below. It delegates some of its business and decision making to sub-committees.

Board members (1 January 2020 to 29 June 2021)

Appointed with the approval of the General Synod, by the Archbishops of Canterbury and York

Clive Mather (Chair)

Elected by the House of Clergy of the General Synod

The Revd Fr Paul Benfield

The Revd Nigel Bourne

The Revd Peter Ould

The Ven David Stanton

Appointed by the Archbishops of Canterbury and York

Canon Nicolette Fisher

Elected by the House of Laity of the General Synod

Roger Boulton FIA

Canon Emma Osborne

Bill Seddon

Appointed by the Archbishops of Canterbury and York after consultation with the representatives of the dioceses

Nikesh Patel

Elected by the members of the Church Workers Pension Fund

Susan Pope

Michaela Southworth

Appointed by the Archbishops of Canterbury and York after consultation with the Chairs of the Church of England Appointments Committee and the General Synod's House of Laity

Tony King

The Revd Caroline Titley

Ian Wilson (from September 2020)

Elected by the members of the Church Administrators Pension Fund

Maggie Rodger

Appointed by the Church Commissioners

Jeremy Clack FIA (to December 2020)

Elected by the House of Bishops of the General Synod

The Rt Revd Alan Wilson, Bishop of Buckingham

Elected by the Employers in the Church Workers Pension Fund and the Church Administrators Pension Fund

Richard Hubbard

Canon Sandra Newton

Committee Members (as at 29 June 2021)

Audit and Risk Committee

Maggie Rodger (Chair)
Richard Hubbard (to September 2020)
The Revd Peter Ould
Susan Pope (from March 2020)
Ian Wilson (from September 2020)
Helen Ashley Taylor*
Caron Bradshaw OBE*

Housing Committee

Canon Sandra Newton (Chair)
Canon Nicolette Fisher
Tony King (from March 2020)
The Revd Caroline Titley
The Rt Revd Alan Wilson
Jonathan Gregory*
Tom Paul* (from March 2020)
Lawrence Santcross*

Pensions Committee

Richard Hubbard (Chair)
The Revd Fr Paul Benfield
The Revd Nigel Bourne
Maggie Rodger
Michaela Southworth (from March 2020)

Investment Committee

Roger Boulton FIA (Chair from January 2020)
Jeremy Clack FIA (to December 2020)
Canon Emma Osborne
Nikesh Patel
Bill Seddon
Matthew Beesley*
Deb Clarke* (to December 2020)
Jonathan Rogers*

* indicates members of committees who kindly give of their time and experience to the committees but are not trustees of the Pensions Board

Attendance by Trustees at meetings of the Board and its Committees

The table below sets out the attendance of trustees at meetings of the Board and its Committee during 2020. Where a member served for part of the year, the number of meetings that they could have attended is shown in brackets.

Trustee	Board (6)	Audit and Risk (3)	Housing (4)	Investment (5)	Pensions (4)
Clive Mather (Chair)	6		4	5	4
The Revd Fr Paul Benfield	5				4
Roger Boulton	5			5	
The Revd Nigel Bourne	5				4
Jeremy Clack	2			2	
Canon Nicolete Fisher	5		4		
Richard Hubbard	6	2(2)		Obs 1 mtg	4
Tony King	6		4		
Canon Sandra Newton	5		4		
Canon Emma Osborne	6			5	
The Revd Peter Ould	4	3			
Nikesh Patel	5			4	
Canon Susan Pope	6	2(2)			
Maggie Rodger	5	3			4
Bill Seddon	5			5	
Michaela Southworth	6				4
The Ven David Stanton	1				
The Revd Caroline Titley	6		4		
The Rt Revd Alan Wilson	5		4		
Ian Wilson	2(2)	0(1)	Obs 1 mtg		

Reference and administrative information

Charity number	236627
Principal office	Church House, 29 Great Smith Street, London, SW1P 3PS
Chief Executive	John Ball MA(Oxon), MSc
Actuary	Aaron Punwani, Lane Clark and Peacock LLP
Independent auditor	Crowe U.K. LLP
Bankers	Lloyds Bank
Corporate financial advisor	Traderisks Ltd
Investment Advisers	Mercer Ltd
Charity Investment Managers	Brewin Dolphin Savills Investment Management Ltd Mayfair Capital Investment Management Ltd CCLA Investment Management Limited

Enquiries

Enquiries should be addressed to:

Post: Church of England Pensions Board, PO Box 2026, Pershore, WR10 9BW
Email: cebfeedback@churchofengland.org
Phone: 020 7898 1890

Management

The day-to-day management of the Board's activities is delegated to the Executive Team, which is led by the Chief Executive.

Staff Remuneration and Executive Pay

Other than staff employed to work in the supported housing schemes, all staff in the Pensions Board, and those working for Church of England Central Services who provide support functions to the Board, are covered by a unified pay policy that operates across all the National Church Institutions. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value which is based on a comprehensive job evaluation scheme, with staff being placed in one of eight 'bands'. For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market related salaries and is subject to annual review. The NCIs use a range of appropriate external data tools and internal dedicated resource to advise on market rates.

Staff pay is reviewed annually and any increases as a result of the annual pay negotiations are awarded with effect from 1 January each year.

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

The annual salary for the highest paid member of staff was £147,000 (2019: £143,000), 13 (2019: 13) times the salary earned by the lowest paid member of staff and 4 (2019: 5) times the median salary.

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

Staff employed by the Board directly, mainly in the supported housing schemes, are eligible to join the Church Workers Pension Fund.

In common with the other National Church Institutions, the Pensions Board became an accredited with the Living Wage Foundation in October 2019. This formalised an extant commitment.

Approval

The Trustees Report was approved by the Trustees on 29 June 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Clive Mather', with a horizontal line underneath.

Clive Mather
Chair

Statement of Trustees' responsibilities in relation to the financial statements

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditor’s report to the Church of England Pensions Board

Opinion

We have audited the financial statements of The Church of England Pensions Board (the “Parent Charity”) and its subsidiaries (the “Group”) for the year ended 31 December 2020, which comprise:

- the consolidated Statement of Financial Activities for the year ended 31 December 2020;
- the consolidated and Parent Charity only Balance Sheets at 31 December 2020;
- the consolidated Cash Flow Statement for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Charity’s affairs as at 31 December 2020 and of the Group’s profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law);
- the Parent Charity financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the Charities Act 2011.

Basis for opinion

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

Conclusions relating to going concern

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. Our evaluation of the Trustees’ assessment of the entity’s ability to continue to adopt the going concern basis of accounting included reviewing the detailed paper prepared by management setting out their assessment of the Board’s ability to continue as a going concern. The assessment covers the period to 31 December 2023.

We have discussed this with the Board’s management in order to fully understand their assessment including the underlying assumptions applied.

In addition to this we have:

- reviewed the period used by Trustees to assess the ability of the Group to continue as a going concern;
- examined budgets and forecasts prepared by management covering the period of the going concern assessment including the impact of Covid-19;
- reviewed the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year; and
- Reviewed any other information or documentation which the Trustees have used in their going concern assessment.

We have no further observations arising from that evaluation.

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 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 Trustees with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £3m, based on 1% of the Group's total assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate, performance materiality may be reduced to a lower level, such as for related party transactions.

We agreed with the Audit and Risk Committee to report to it all identified errors in excess of £150k. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the trustees made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates and considered the risk of acts by the Group which were contrary to

applicable laws and regulations, including fraud. We designed audit procedures at Group and component level to respond to the risks, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the group and charity financial statements. Our tests included, but were not limited to, the review of financial statement disclosures, enquiries of management and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the trustees that represented a risk of material misstatement due to fraud.

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 which 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>How the scope of our audit addressed the key audit matter</i>
<i>Going concern</i>	Our observations on going concern are included in the “Conclusions related to going concern” section of this report.
<i>Fixed asset impairment assessment</i>	<p>We reviewed management’s overall impairment assessment and performed our own audit work on the process, agreeing items to supporting evidence where possible including verification of the house price indices used within the impairment model to third party documentation.</p> <p>In addition to this, for a sample of individual properties we compared the property’s carrying value to the sale value of any similar properties in the same area.</p> <p>Following this work, we have determined that it is appropriate that no impairment charge is recognised in relation to the Board’s properties held at 31 December 2020.</p>

Each year-end, management perform a full impairment review which considers whether any properties within the portfolio should be impaired. This review utilises a range of valuation sources and applies a significant element of management judgment.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

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

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

We have nothing to report in this regard.

Trustees' Report

Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Trustees' Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

Matters on which we are required to report by exception

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

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept by the parent charity; or
- the 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 the trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 31, 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 group's and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

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

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. 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 the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe U.K. LLP

Crowe U.K. LLP

Statutory Auditor

London

Date 30 July 2021

Consolidated statement of financial activities of the Church of England Pensions Board for the year ended 31 December 2020

	Note	2020			2019		
		Unrestricted funds	Restricted funds	Total	Unrestricted funds	Restricted funds	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Income from:							
Grants, donations and legacies	2	-	6,172	6,172	-	10,879	10,879
Investment income	3	-	1,385	1,385	-	1,616	1,616
Charitable activities	4	7,367	13,675	21,042	6,883	13,630	20,513
Other income: gain on sale of fixed assets		-	479	479	-	2,116	2,116
Total income		7,367	21,711	29,078	6,883	28,241	35,124
Expenditure on:							
Charitable activities	4	(7,367)	(22,267)	(29,634)	(6,883)	(24,199)	(31,082)
Raising funds	5	-	(49)	(49)	-	(23)	(23)
Total expenditure		- (7,367)	(22,316)	(29,683)	(6,883)	(24,222)	(31,105)
Total income less expenditure before gain on investments		-	(605)	(605)	-	4,019	4,019
Net (loss) / gain on investments	9	-	(468)	(468)	-	1,316	1,316
Net (expenditure) / income		-	(1,073)	(1,073)	-	5,335	5,335
Other recognised gains and (losses)							
Other (losses): adjustment to pension provision	8	-	(18)	(18)	-	(79)	(79)
Total other gains		-	(18)	(18)	-	(79)	(79)
Transfers between funds	15	-	-	-	-	-	-
Net movement in funds		-	(1,091)	(1,091)	-	5,256	5,256
RECONCILIATION OF FUNDS							
Total funds brought forward at 1 January		-	128,925	128,925	-	123,669	123,669
Net movement in funds in year		-	(1,091)	(1,091)	-	5,256	5,256
Total funds carried forward at 31 December	15	-	127,834	127,834	-	128,925	128,925

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

The notes on pages 41 to 58 form part of these financial statements.

Note – all figures within the consolidated statement of financial activities are the same as for the charity-only statement of financial activities.

Consolidated balance sheet of the Church of England Pensions Board as at 31 December 2020

	Note	2020			2019		
		Consolidated		£'000	Consolidated		£'000
		£'000	£'000		£'000	£'000	
		Funded by CC*	Funded by CEPB**	Total	Funded by CC*	Funded by CEPB**	Total
FIXED ASSETS							
Investment assets	9	-	41,740	41,740	-	42,270	42,270
Tangible assets - supported housing and IT	10	-	24,578	24,578	-	24,053	24,053
Tangible assets - CHARM	11	56,466	179,012	235,478	60,011	174,961	234,972
Total fixed assets		56,466	245,330	301,796	60,011	241,284	301,295
CURRENT ASSETS							
Debtors	12	-	1,815	1,815	-	6,736	6,736
Short term deposits		-	1,427	1,427	-	1,421	1,421
Cash at bank and in hand		-	4,191	4,191	-	2,968	2,968
Total current assets		-	7,433	7,433	-	11,125	11,125
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	13	-	(6,385)	(6,385)	-	(5,352)	(5,352)
Loans repayable on sale of fixed assets	13	(56,466)	(759)	(57,225)	(60,011)	(758)	(60,769)
Total current liabilities		(56,466)	(7,144)	(63,610)	(60,011)	(6,110)	(66,121)
Net current (liabilities)/assets		(56,466)	289	(56,177)	(60,011)	5,015	(54,996)
Total assets less current liabilities		-	245,619	245,619	-	246,299	246,299
NON-CURRENT LIABILITIES							
	13	-	(117,161)	(117,161)	-	(116,599)	(116,599)
Net assets excluding pension provision		-	128,458	128,458	-	129,700	129,700
Pension deficit provision	8	-	(624)	(624)	-	(775)	(755)
NET ASSETS		-	127,834	127,834	-	128,925	128,925
FUNDS OF THE CHARITY							
Total unrestricted funds	15	-	-	-	-	-	-
Restricted funds (excl. pension reserve)	15	-	128,458	128,458	-	124,533	124,533
Pension reserve	15	-	(624)	(624)	-	(864)	(864)
Total restricted funds	15	-	127,834	127,834	-	123,669	123,669
TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER		-	127,834	127,834	-	123,669	123,669


*Funded by the Church Commissioners

**Funded by the Church of England Pensions Board

(See Note [11](#) for more details)

The notes on pages 41 to 58 form part of these financial statements.

These financial statements were approved by the trustees on 29 June 2021 and signed on their behalf by:



Clive Mather
Chair

Charity only balance sheet of the Church of England Pensions Board as at 31 December 2020

	Note	2020			2019		
		£'000	£'000	£'000	£'000	£'000	£'000
		Funded by CC*	Funded by CEPB**	Total	Funded by CC*	Funded by CEPB**	Total
FIXED ASSETS							
Investment assets	9	-	41,753	41,753	-	42,283	42,283
Tangible assets - supported housing and IT	10	-	24,578	24,578	-	24,053	24,053
Tangible assets - CHARM	11	51,266	178,607	229,873	54,685	174,556	229,241
Total fixed assets		51,266	244,938	296,204	54,685	240,892	295,577
CURRENT ASSETS							
Debtors	12	5,200	2,222	7,422	5,326	7,139	12,465
Short term deposits		-	1,427	1,427	-	1,421	1,421
Cash at bank and in hand		-	4,178	4,178	-	2,960	2,960
Total current assets		5,200	7,827	13,027	5,326	11,520	16,846
CURRENT LIABILITIES							
Creditors: amounts falling due within one year	13	-	(6,385)	(6,385)	-	(5,355)	(5,355)
Loans repayable on sale of fixed assets	13	(56,466)	(759)	(57,225)	(60,011)	(758)	(60,769)
Total current liabilities		(56,466)	(7,144)	(63,610)	(60,011)	(6,113)	(66,124)
Net current (liabilities)/assets		(51,266)	683	(50,583)	(54,685)	5,407	(49,278)
Total assets less current liabilities		-	245,621	245,621	-	246,299	246,299
NON-CURRENT LIABILITIES							
	13	-	(117,161)	(117,161)	-	(116,599)	(116,599)
Net assets excluding pension provision		-	128,460	128,460	-	129,700	129,700
Pension deficit provision	8	-	(624)	(624)	-	(775)	(775)
NET ASSETS		-	127,836	127,836	-	128,925	128,925
FUNDS OF THE CHARITY							
Total unrestricted funds	15	-	-	-	-	-	-
Restricted funds (excl. pension reserve)	15	-	128,460	128,460	-	129,700	129,700
Pension reserve	15	-	(624)	(624)	-	(775)	(775)
Total restricted funds	15	-	127,836	127,836	-	128,925	128,925
TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER		-	127,836	127,836	-	128,925	128,925

*Funded by the Church Commissioners

**Funded by the Church of England Pensions Board

The notes on pages 41 to 58 form part of these financial statements.

Consolidated cash flow statement of the Church of England Pensions Board for the year ended 31 December 2020

	Note	2020	2019
		£'000	£'000
Cash flow from operating activities:			
Net movement in funds (as per the statement of financial activities)		(1,091)	5,256
Adjustments for:			
Depreciation and impairment – supported housing and IT systems	10	601	599
Amortisation – Santander arrangement fee	13	33	33
Amortisation – CHARM Finance PLC bond set-up costs	13	29	28
Losses (gains) on investments	9	468	(1,316)
Dividends, interest and rents from investments	3	(1,385)	(1,616)
Gains on disposal of tangible assets – CHARM		(479)	(2,116)
Movement in pension liability	8	(151)	(89)
Movement in debtors	12	4,921	(4,729)
Movement in creditors: amounts due within less than one year	13	1,033	(171)
Net cash (used in) operating activities		3,979	(4,121)
Cash flow from investing activities:			
Cash flows from investing activities:			
Dividends, interest and rents from investments	3	1,385	1,616
Proceeds from the sale of tangible assets – CHARM properties	11	4,968	10,499
Purchase of tangible assets – CHARM properties	11	(5,282)	(16,533)
Purchase of tangible assets – supported housing	10	(1,126)	(577)
Proceeds from the sale of investments	9	275	(11,662)
Purchase of investments	9	(338)	12,059
Net cash generated from investing activities		(118)	(4,598)
Cash flows from financing activities:			
Repayment of loans from Church Commissioners	13	(3,544)	(5,029)
Repayment of dioceses' share of rental properties	13	-	(279)
Additional (repayment to) /funding from Santander	13	500	13,500
Net cash (used in) financing activities		(3,044)	8,192
Change in cash and cash equivalents in the year		817	(527)
Cash and cash equivalents at the beginning of the year		4,801	5,328
Cash and cash equivalents at the end of the year		5,618	4,801

Cash and cash equivalents and net debt comprise the following balances:

	At 1 January	Cash Flows	At 31 December
	£'000	£'000	£'000
Cash at bank and in hand	2,968	1,223	4,191
Short term deposits	1,421	6	1,427
Cash held by investment manager	412	(412)	0
Total cash and cash equivalents	4,801	1,229	5,618
Bond financing	(100,000)	-	(100,000)
Loan from Santander	(17,500)	(500)	(18,000)
Total net debt	(112,699)	729	(112,382)

The notes on pages 41 to 58 form part of these financial statements.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2020

1. Accounting policies

a) Legal status

The Church of England Pensions Board ("the Board") is a body corporate established in 1926 but now governed by the Church of England Pensions Measure 2018. It is a registered charity in England and Wales (Charity No. 236627) and is regulated by the Charity Commission.

The Charity's address is: 29 Great Smith Street, London, SW1P 3PS.

b) Basis of preparation

The consolidated and charity-only financial statements have 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 financial statements 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 financial statements have been prepared to give a true and fair view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a true and fair view. This departure has involved following Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

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

The financial statements have been prepared on the historical cost basis (except for the revaluation of investments and where cost is deemed to be the revaluation amount at date of transition) and on the accruals basis.

The financial statements contain the financial information for the Church of England Pensions Board which is structured as follows:

- Unrestricted Funds - representing expenditure incurred by the Board on salaries and working expenses subsequently recovered in full from the pension funds administered by the Board.
- Restricted Funds - these funds have narrower purposes than that of the Board.

A summary of the accounting policies, which have been applied consistently across the Group, is set out below.

c) Basis of consolidation

The consolidated statement of financial activities ("SOFA") and the balance sheet include the financial information of the Board and its subsidiary undertakings (CEPB Developments Ltd, CEPB Mortgages and CHARM Finance plc). The subsidiaries have been consolidated on a line by line basis. Intra-group balances and transactions are eliminated on consolidation.

The Board has chosen not to present its non-consolidated statement of financial activities separately as the numbers are the same as for the consolidated equivalent. The Board has also taken advantage of the exemption conferred by FRS 102 Section 1 not to prepare a charity-only cash flow statement.

The Board, together with the Archbishops' Council and the Church Commissioners are equal partners in Church of England Central Services (ChECS), a joint venture. This jointly controlled entity is included in the Board's consolidated financial statements using the equity method. The Board's share of profits or losses from ChECS is included in the SOFA and its share of net assets is included in the balance sheet.

d) Going concern

The Board meets the cost of property purchases, fit-outs and other working capital requirements through its external borrowing, comprising a bank facility and two listed bond issues. The Board prepares annual budgets and regular re-forecasts, along with a three-year financial plan in order to ensure that it can meet its spending commitments as they fall due, and fulfil the terms and conditions associated with external borrowing. In addition, the Board has also prepared a long-term business plan to consider financial viability over a longer period than that for which formal budgets and forecasts are prepared.

The Board has considered the key risks and uncertainties which impact upon immediate liquidity and longer term solvency. These include the level of anticipated demand for its services, the resilience of voluntary income streams and changes in economic conditions. It has modelled the impact of changes in these factors over time, and has considered whether it has adequate reserves and appropriate contingency plans to deal with a range of potential adverse scenarios.

The Board has considered the continuing impact of the COVID-19 pandemic on its operations, particularly with reference to the contingency plans it has put in place to respond to the emergency and the impact of delayed activity (including property acquisition and non-essential maintenance) on its future obligations and commitments.

Having due regard to the above, the trustees have reasonable expectation that the Board has adequate resources to meet its spending commitments as they fall due, including the servicing and repayment of debt and compliance with loan covenants for the foreseeable future. Accordingly, the going concern basis of accounting in preparing the annual report and accounts continues to be adopted.

e) Income

All income is recognised once the Board has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

i) Grants, donations and legacies

Donations are accounted for when received. Grants are recognised when the Board is entitled to receive them and revenue recognition criteria of entitlement, probability and measurement have been met. Gift Aid receivable is included in income when there is a valid declaration from the donor.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2020

1. Accounting policies (continued)

Pecuniary legacies are recognised as receivable once probate has been granted and notification has been received. Residuary legacies are recognised as receivable once probate has been granted, where sufficient information has been received and are recognised on an estimated basis as follows: cash elements are recognised at monetary value, with property and other assets, including investments, valued at probate or net realisable value. Values are reviewed and, if material, adjusted up to the point of financial statement approval.

In the case of donated properties, these are valued at market value and recognised within Donations.

ii) *Investment income*

Income from investments is recognised on an accruals basis.

iii) *Income from charitable activities*

Income from charitable activities represents rent from rental properties, rent and service charge from shared ownership properties, income from mortgaged properties and fees and service charges from supported housing schemes, which are all recognised on the accruals basis.

iv) *Other income*

Other income is recognised when the Board is entitled to receive it and revenue recognition criteria of entitlement, probability and measurement have been met.

f) Expenditure

All expenditure is accounted for on the accruals basis. Expenditure and liabilities are recognised when a legal or constructive obligation exists as outlined in Section 7 of FRS 102. The SOFA has been presented on an activity basis. Costs have been distinguished between charitable activities and those incurred to raise funds.

i) *Charitable activities*

Direct costs and grants are allocated directly to activities. Grants payable are recognised when the grant is formally approved by the Board and has been communicated to the recipient.

ii) *Support costs*

Costs include shared service costs (finance, IT, HR, legal, internal audit), department running costs and governance costs. They are allocated across the charitable activities and raising funds as detailed in notes 4 and 5. Governance costs relate to the general running of the Board, which include costs associated with the strategic, as opposed to day-to-day, management of the Board's activities, and compliance with constitutional and statutory requirements.

g) Pensions

Staff pensions are described in note 8. Defined benefit schemes are considered to be multi-employer schemes as described in FRS 102 paragraph 28.11 and consequently are accounted for as if they were defined contribution schemes, where employer contributions payable in the year are charged to expenditure.

Where schemes have deficit recovery contribution plans in place, FRS 102 paragraph 28.11A requires the present value of these agreed payments to be recognised as a liability. Amounts paid during the year are charged against this liability.

h) Fixed assets

Rental properties, shared ownership properties, mortgaged properties and supported housing properties generate income from the furtherance of the charity's objects. As such, they are not considered to be investment properties but are classed as programme related investments, which under the SORP, do not need to be revalued.

Where fixed assets were purchased with significant restrictions as a result of agreements with the funder such that the Board has a right of use of the asset for the lifetime of a beneficiary of the charity but the risks and rewards relating to capital value accrue entirely to the lender, these assets are shown in a separate category. Proceeds on eventual sale of these properties are not accounted for by the Board as they are received as agent for the lender and are used to settle the corresponding liability.

i) *Rental properties*

Properties are held at original cost or for properties received as gifts, the notional cost equivalent to the market value. Funding arrangements are explained in note 11.

Costs relating to the repair and maintenance of properties are charged to the SOFA in the year incurred.

No depreciation is charged on long leasehold or freehold properties due to the long life and the high residual value of properties which would result in immaterial depreciation for each asset and in aggregate.

An impairment review is carried out annually and where materially different from historic cost, the properties are carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

ii) *Shared ownership properties*

These properties are purchased by the Board and the resident buys a 90-year lease for a share in the property (at least 25%) and pays a rent and a service charge on the proportion of the property that they do not own. Residents can purchase further shares in their property if their financial circumstances change, and the equity interests are adjusted accordingly.

The Board holds each property at its equity percentage of the original cost, subject to an impairment review. An impairment review is carried out annually and where materially different from historic cost, the Board's proportion of each property is carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2020

1. Accounting policies (continued)

No depreciation is charged on leasehold or freehold shared ownership properties due to the long life and the high residual value of properties which would result in immaterial depreciation for each asset and in aggregate.

iii) *Mortgaged properties*

Mortgaged properties were purchased by the Board under a scheme that closed to new business in 2008. These mortgages operate as value linked loans, where the Board's equity interest in a property is the amount loaned to the resident (up to 95% of the property value) and the resident's equity interest is the amount funded directly by the resident. If a resident pays off part of their loan, the equity interests are adjusted accordingly.

On the sale of a property, the Board and the resident receive proceeds in the same proportion as their equity interests.

The Board's interest is therefore classified as a tangible fixed asset and not as a financial instrument, as the rights attaching are more closely linked to the ownership of a share of a property. The Board accounts for each property at its equity percentage of original cost, subject to an impairment review. An impairment review is carried out annually and where materially different from historic cost, the Board's proportion of each property is carried at recoverable amount (being the higher of fair value less costs to sell and value in use).

iv) *Supported housing schemes and nursing home*

The properties and their associated land are held at deemed cost. Freehold land is not depreciated. The buildings are depreciated.

Fixtures, fittings, plant and equipment are held at original cost to the Board less depreciation.

Depreciation is charged on the following basis:

Tangible asset	Basis	Rate
Freehold buildings	Straight line	2.5% per annum
Fixtures, fittings, plant and equipment	Straight line	5-50 years following the NHF guidelines for all assets acquired after 2017

v) *Investment properties*

Investment properties are held at fair value. Valuations are carried out every year in accordance with the Appraisals & Valuation Manual issued by the Royal Institute of Chartered Surveyors. No depreciation is charged.

vi) *IT systems*

IT systems are held at original cost to the Board less depreciation charged on a straight-line basis over 5 years. Systems are capitalised while under construction until implementation and at that stage depreciation commences.

vii) *Gains (or losses) from sale of fixed assets*

Gains (or losses) resulting from the sale of fixed assets are recognised in income (or expenditure). Gains or losses resulting from the sale and revaluation of investment assets are recognised in the SOFA in a separate section before net income/expenditure.

i) **Loans**

The Board applies the measurements provisions of FRS 102 paragraphs PBE34.90-92 to all its concessionary loans. Loans from the Church Commissioners are measured at the amount received from the Commissioners. See notes 11 and 13 for more information.

The loan from Santander is a basic financial instrument and measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. Arrangement fees are deducted from the transaction price and are amortised over 15 years (July 2010 to July 2025).

The loan from CHARM Finance PLC to the Charity is a basic financial instrument and is measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. Arrangement fees are deducted from the transaction price and are amortised over the length of the facility.

The Bond liabilities relate to the corporate bonds issued by CHARM Finance PLC, and are basic financial instruments measured initially at the proceeds of issue less transaction costs directly attributable to the issue of the Bonds. After initial recognition the liabilities are measured at amortised cost using the effective interest method with transaction costs being amortised over the length of the facility.

j) **Financial instruments**

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

Basic financial instruments

Listed and unlisted investments are initially measured at fair value. Such assets are subsequently held at fair value at each balance sheet date. The changes in fair value are recognised in the SOFA. The fair value of listed investments is determined using bid price in accordance with the practice of the appropriate stock exchange. Unlisted investments are valued by reference to latest dealing prices, valuations from reliable sources or net asset values.

k) **Subsidiary undertakings**

Investment in the Board's subsidiary companies are held at cost less accumulated impairment losses.

Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2020

1. Accounting policies (continued)

l) Taxation

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

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

m) Related parties

The Church of England comprises a large number of legally independent bodies in its parishes, cathedrals and dioceses as well as at national level. These bodies are not related to the Board as defined in the Charities SORP or chapter 33 of FRS 102: Related parties disclosures. 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 Church of England Pensions Board is related to ChECS, as it is a partner in this joint venture. Details are given in Note 17.

n) Funds

In line with the SORP, the Board segregates its funds between those that are restricted and those that are unrestricted.

Unrestricted funds are funds received by the Board that are available for use at the discretion of the Board in pursuing the general charitable objectives of the charity.

Restricted funds are funds received by the Board for particular purposes and are to be used in accordance with those purposes. An analysis of restricted funds is provided in note 15.

o) Significant judgements and estimates

The Board's key judgements, which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:

- Carrying value of investment properties and tangible assets – judgements in respect of appropriate valuation methods used for the assets of the Charity. Further details are disclosed in notes 9 to 11.

The Board's key estimates, which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:

- Residuary legacies - estimation required for residuary legacies receivable once probate has been granted.
- Pension deficit provision - estimations surrounding the methodology used in the calculation of the Charity's defined benefit pension deficit provision. Further details are disclosed in note 8.
- Support costs – estimation surrounding the methodology used in the apportionment of support costs between the restricted and unrestricted funds.

2. Income from grants, donations and legacies

	Note	2020 £'000	2019 £'000
Grants from:			
The Archbishops' Council	4	5,299	5,046
Other grants		32	23
Total grants		5,331	5,069
Donations		56	158
Legacies		785	5,652
Total income from grants, donations and legacies		6,172	10,879

The Archbishops' Council makes grants from money provided by the dioceses under the General Synod Vote 5, towards the costs of the CHARM scheme. All income from grants, donations and legacies was attributable to restricted funds.

3. Investment income

	2020 £'000	2019 £'000
Dividends	1,365	1,582
Rental income from investment properties	10	10
Interest on cash	10	24
Total income from investments	1,385	1,616

All income from investments of £1,385,000 (2019: £1,616,000) was attributable to restricted funds.

Notes to the financial statements of the Church of England Pensions Board For the year ended 31 December 2020

4. Charitable activities

	Rental properties	Shared ownership	Mortgage properties	Supported housing	Other charitable activities	Total restricted funds	Unrestricted funds Pension Schemes	2020 Total	2019 Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities:									
Rent received	6,999	553	-	1,404	-	8,956	-	8,956	8,500
Service charge received	-	88	-	2,390	-	2,478	-	2,478	2,825
Income from mortgage properties	-	-	2,241	-	-	2,241	-	2,241	2,305
Support costs recharge	-	-	-	-	-	-	7,367	7,367	6,883
Total income from charitable activities	6,999	641	2,241	3,794	-	13,675	7,367	21,042	20,513
Expenditure on charitable activities:									
Financing costs (interest and commitment fee)	5,744	439	2,193	-	-	8,376	-	8,376	8,403
Grant making	-	-	-	-	101	101	-	101	107
Property costs (repairs, insurance and other costs)	6,052	11	104	-	-	6,167	-	6,167	7,599
Support costs 6	1,737	579	386	1,158	-	3,860	7,367	11,227	10,821
Amortisation of arrangement fees	62	-	-	-	-	62	-	62	62
Service charge costs	-	76	-	2,266	-	2,342	-	2,342	2,598
Nursing care costs (former residents)	-	-	-	172	-	172	-	172	283
Supported Housing and other direct costs	-	-	-	761	-	761	-	761	778
Depreciation and impairment charges 10	-	-	-	601	-	601	-	601	599
Total expenditure on charitable activities	13,595	1,105	2,683	4,958	101	22,442	7,367	29,809	31,250
Unwinding of pension deficit on charitable activities	(80)	(26)	(17)	(52)	-	(175)	-	(175)	(168)
Total expenditure including pension deficit movement in year	13,515	1,079	2,666	4,906	101	22,267	7,367	29,634	31,082

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2020

4. Charitable activities (continued)

For comparative purposes, details of 2019 charitable income and expenditure are set out below:

	Rental properties	Shared ownership	Mortgage properties	Supported housing	Other charitable activities	Total restricted funds	Unrestricted funds Pension Schemes	2019 Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from charitable activities:								
Rent received	6,846	551	-	1,103	-	8,500	-	8,500
Service charge received	-	93	-	2,732	-	2,825	-	2,825
Income from mortgage properties	-	-	2,305	-	-	2,305	-	2,305
Fees received for nursing care	-	-	-	-	-	-	-	-
Support costs recharge	-	-	-	-	-	-	6,883	6,883
Total income from charitable activities	6,846	644	2,305	3,835	-	13,630	6,883	20,513
Expenditure on charitable activities:								
Financing costs (interest and commitment fee)	5,723	434	2,246	-	-	8,403	-	8,403
Grant making	-	-	-	-	107	107	-	107
Property costs (repairs, insurance and other costs)	7,406	31	116	46	-	7,599	-	7,599
Support costs 6	1,772	591	394	1,181	-	3,938	6,883	10,821
Amortisation of arrangement fees	62	-	-	-	-	62	-	62
Service charge costs	-	39	-	2,559	-	2,598	-	2,598
Nursing care costs	-	-	-	283	-	283	-	283
Supported Housing and other direct costs	-	-	-	778	-	778	-	778
Depreciation and impairment charges 10	-	-	-	599	-	599	-	599
Total expenditure on charitable activities	14,963	1,095	2,756	5,446	107	24,367	6,883	31,250
Unwinding of pension deficit on charitable activities	(74)	(26)	(18)	(50)	-	(168)	-	(168)
Total expenditure including pension deficit movement in year	14,889	1,069	2,738	5,396	107	24,199	6,883	31,082

The deficit on charitable activities is funded through a combination of specific and general voluntary income, investment income, and realised gains on disposal of investments and property. In the year ended 31 December 2020 grants of £5,299,000 were received from the Archbishops' Council towards the CHARM scheme (2019: £5,046,000). In addition, the Board's broader charitable activities were funded through voluntary income of £873,000 (2019: £5,833,000), Investment income of £1,385,000 (2019: £1,616,000) and gains on disposal of property of £479,000 (2019: £2,116,000).

Income & Expenditure from charitable activities:

Rental Properties

The Archbishops' Council, from money provided by the dioceses under the General Synod Vote 5, makes grants towards the costs of the CHARM scheme, being the excess of direct expenditure and interest payable over maintenance contributions receivable from residents.

Rent from tenancies starting after 1 April 2015 are target rents based on the value of the property and are subsidised so that they are more affordable than market rents. Rent from tenancies before this are based on the occupant's ability to pay. Residents pay for moving costs, furnishings and white goods, contents insurance and on-going utility and council tax costs. The Board pays for repairs and on-going maintenance of the properties.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2020

4. Charitable activities (continued)

There are a small number of properties that are let on the open market at market rents during short periods when a property is not occupied by residents eligible for the CHARM scheme. At 31 December 2020 there were 19 (2019: 23) such tenancies.

All tenancies fall into the definition of operating leases as set out in FRS 102 section 20 and clarified in the Housing SORP 2014 paragraph 10.3 (which though the Board does not apply, it does look to this guidance for clarification where the Charities SORP and FRS 102 are silent on particular issues). All tenancies are cancellable, either on death or notice of the resident and are not assignable.

Shared Ownership

Residents pay rent based on the Board's share of the ownership of the property and the cost of buildings insurance.

For some properties bought before 1 April 2014, residents also pay a service charge towards the repairs and maintenance of properties. For properties bought after 1 April 2014, or where residents have opted, the responsibility for repairs and maintenance lies with the resident.

Mortgage Properties

The mortgage scheme offered value linked loans to retired clergy and closed to new business in 2008. Mortgagees pay an interest-only amount on the capital advanced.

A small number of loans pre-dating the 1983 CHARM mortgage scheme remain, where a fixed amount of interest is paid based on the capital advanced. At 31 December 2020, the number of such loans in place was 4 (2019: 5).

Supported Housing

Some residents in the schemes receive subsidies from the Board's charitable funds. The cost of running the schemes is not met fully by rent and service charge fees. The nursing home closed in March 2017 however the Board continues to subsidise the nursing care of former residents of the nursing home. The operating deficit is met from the Board's charitable funds.

Other charitable activities

Grants are payable to augment the income of those retired clergy and clergy widow(er)s whose income falls below a certain standard, which is reviewed annually.

5. Raising funds

	2020	2019
	£'000	£'000
Investment management costs (direct costs)	49	23
Total cost of raising funds	49	23

6. Support costs

Support costs include department running costs and governance costs, plus charges for using shared services operated by ChECS. They are included in charitable expenditure (note 4) and are apportioned to the various charitable activities to which they relate.

	Restricted funds				Total	Unrestricted funds Pension schemes	Total 2020
	Rental properties	Shared ownership	Mortgage properties	Supported housing			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing department	997	333	222	666	2,218	-	2,218
Executive and Secretariat	132	44	29	88	293	336	629
Governance costs	55	18	12	36	121	175	296
Pensions department	-	-	-	-	-	3,326	3,326
Investments department	-	-	-	-	-	2,121	2,121
Shared services	553	184	123	368	1,228	1,409	2,637
Total support costs	1,737	579	386	1,158	3,860	7,367	11,227
2019							
Total support costs	1,772	591	394	1,181	3,938	6,883	10,821

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2020

6. Support costs (continued)

For comparative purposes, details of 2019 support costs are set out below:

	Restricted funds				Total	Unrestricted funds	Total
	Rental properties	Shared ownership	Mortgage properties	Supported housing		Pension schemes	2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing department	1,070	357	238	713	2,378	-	2,378
Executive and Secretariat	111	37	24	74	246	264	510
Governance costs	56	19	13	37	125	175	300
Pensions department	-	-	-	-	-	3,043	3,043
Investments department	-	-	-	-	-	1,998	1,998
Shared services	535	178	119	357	1,189	1,403	2,592
Total support costs	1,772	591	394	1,181	3,938	6,883	10,821

Housing department costs

These costs are allocated on a 'per head' basis: costs of housing staff are allocated 45% to rental properties, 30% to supported housing schemes, 10% to mortgages and 15% to shared ownership.

Executive and Secretariat and shared service costs

Centrally incurred management and shared service costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 45% to rental properties, 30% to supported housing schemes, 10% to mortgages and 15% to shared ownership.

Governance costs

Governance costs comprise staff and non-staff costs relating to the general running of the Board, including supporting the work of the Board and its Committees. Trustees (and co-opted members) of the Board are reimbursed for travel expenses incurred whilst on official business but are not entitled to any other remuneration or allowances. In the year to 31 December 2020, 12 (2019: 13) trustees claimed a total of £3,000 (2019: £14,000). Governance costs other than external audit costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 45% to rental properties, 30% to supported housing schemes and nursing care, 10% to mortgages and 15% to shared ownership.

	2020	2019
	£'000	£'000
External audit (including VAT)	70	70
Internal audit	50	49
Board and committee meetings	1	6
Total governance costs	121	125

Total fees paid (excluding VAT) to Crowe U.K. LLP are shown below:

	2020	2019
	£'000	£'000
Audit of CEPB and its subsidiary undertakings	58	58
Total audit fees relating to current year for CEPB and its subsidiaries	58	58
Audit of Pension Schemes	97	96
Total audit fees relating to current year for Pension Schemes	97	96

Pensions department costs

Expenses are incurred by the Board for administering the pension schemes. These costs are recovered from the pension schemes by charging an administration fee to each scheme.

Investment department costs

Expenses are incurred by the Board for managing the investment portfolio of the Church of England Investment Fund for Pensions through which the pension schemes hold investments. These costs are recovered by the Board as part of the administration fee the Board charges each pension scheme.

Shared service costs

Shared services are provided by Church of England Central Services. Expenses incurred by the Board for administering the Pension Funds are either charged directly to the activity to which they relate or are allocated to the funds in proportion to staff costs, number of data processes or other relevant criteria.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2020

7. Staff numbers and costs

The Chief Executive and staff employed to work in the supported housing schemes are employed directly by the Board. The Board is joint employer, together with the other National Church Institutions (the NCIs), of most of the staff of the NCIs. In addition to staff employed directly, the work of the Board is supported by staff in shared service departments who provide finance, HR, communications, legal, IT and internal audit services. Since 1 April 2014 they have been employed by a separate NCI, Church of England Central Services (ChECS). Prior to this they had one of the three main NCIs as managing employer and their costs were shown only in the relevant NCI's financial statements.

The SORP requires that the costs of staff employed by third parties who operate on the organisation's behalf be disclosed in the financial statements. In order to comply with the spirit of the SORP, the costs of all ChECS staff are shown in aggregate in the tables below – the Board's share of which was £1,644,000 (2019: £1,622,000).

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

	Pensions Board own staff								ChECS			
	Housing		Pensions and Investments		Secretariat		Supported housing		Total		Shared services	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Average number employed	36	32	41	38	4	3	93	98	174	171	178	165
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	1,390	1,315	1,997	1,831	352	264	1,389	1,383	5,128	4,793	8,189	7,463
National Insurance costs	151	143	228	207	44	32	97	94	520	476	911	820
Pension contributions	196	184	271	255	49	38	173	181	689	658	1,898	1,796
Total cost of staff	1,737	1,642	2,496	2,293	445	334	1,659	1,658	6,337	5,927	10,998	10,079
Total chargeable to Charitable Funds	1,737	1,642	-	-	207	154	1,659	1,658	3,603	3,454		

Included in staff costs is £nil (2019: £27,000) paid by way of redundancy costs to nil (2019: 3) individuals following a restructuring. Restructuring costs are accounted for in full in the year in which the restructure is announced.

The number of staff whose total employee benefits for the year fell in the following bands were:

	Pensions Board own staff								ChECS	
	Housing		Pensions and Investments		Secretariat		Supported housing schemes		Shared services	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
£60,001 to £70,000	1	-	3	3	1	1	-	-	14	13
£70,001 to £80,000	1	1	2	1	-	-	-	-	7	5
£80,001 to £90,000	1	-	1	1	1	-	-	-	2	5
£90,001 to 100,000	-	-	3	1	-	-	-	-	3	4
£100,001 to 110,000	-	-	-	-	-	-	-	-	5	1
£110,001 to 120,000	-	-	-	3	-	-	-	-	-	-
£120,001 to £130,000	-	-	1	-	-	-	-	-	1	1
£130,001 to £140,000	-	-	-	-	-	-	-	-	-	-
£140,001 to £150,000	-	-	-	-	1	1	-	-	-	-
£150,001 to £160,000	-	-	-	-	-	-	-	-	-	1

Employee benefits include gross salaries and termination payments but do not include employer pension contributions and employer National Insurance contributions.

Most staff above were members of the Church Administrators Pension Fund. Of those directly managed by the Board, 12 (2019: 8) staff accrued benefits under a defined contributions scheme for which contributions for the year were £125,000 (2019: 90,000). The other 4 (2019: 4) staff accrued benefits under a defined benefit scheme. Of those managed by ChECS, 28 (2019:24) staff accrue benefits under a defined contribution scheme for which contributions for the year were £295,000 (2019: £256,000). The remaining 4 (2019: 6) staff members accrue benefits under a defined benefit scheme.

The highest paid member of staff earned £147,000 (2019: £143,000). Further details of the Board's remuneration policy are included in the Management section of the Board's report, on page 29. The Board's executive leadership team comprises 10 individuals (2019: 10), 7 (2019: 7) of whom are employed directly by the Board and 3 (2019: 3) by ChECS. The aggregate remuneration for these 10 individuals, including National Insurance and pension contributions, was £1,179,000 (2019: £1,119,000).

Interest free loans are made for travel season tickets and interest free green travel loans for the purchase of bicycles and electric scooters.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2020

8. Staff pensions

Staff employed jointly by the National Church Institutions

Pension benefits from Service up to 31 December 1999

These are met by the Church Commissioners for England, so no costs or liability are reflected by the Board.

Pension benefits from Service from 1 January 2000

Benefits for staff arising from service from 1 January 2000 are provided by the Church Administrators Pension Fund ("CAPF").

The participating employers are responsible for making contributions of £390,000 (2019: £390,000) towards the administration costs of the CAPF. The Board's share of these costs was £41,000 (2019: £49,000).

Staff who were in service as at 30 June 2006 are members of the defined benefit section of the CAPF. This is considered to be a multi-employer scheme as described in FRS 102 paragraph 28.11 and consequently is accounted for as if it were a defined contribution scheme, where employer contributions payable in the year are charged to expenditure.

The contributions to the CAPF are assessed by an independent qualified actuary using the projected unit method of valuation. A valuation of the scheme is carried out once every three years, the most recent having been carried out as at 31 December 2019. This revealed a deficit of £9.1m. Deficit contributions of £2,400,000 per annum from January 2021 are payable until 30 April 2023. At 31 December 2020, payments were made under the previous Schedule of Contributions, where the deficit recovery contributions of £2,667,723 per annum from 1 January 2018 were subject to an annual increase on 1 January each year of 3.3% per annum.

The Board's share of this agreed deficit recovery plan is provided for. The provision is measured at its net present value. The table below shows the movement on the provision:

	CEPB staff	Share of ChECS staff	2020	CEPB staff	Share of ChECS staff	2019
Provision at 1 January	477	298	775	527	337	864
Contributions Paid	(114)	(61)	(175)	(118)	(63)	(181)
Interest charged on provision	4	2	6	9	4	13
Adjustment to net present value of provision	12	6	18	59	20	79
Provision at 31 December	379	245	624	477	298	775

Staff who joined after 20 June 2006 are members of the defined contributions section of the CAPF. Employer contributions payable in the year are charged to expenditure.

Staff employed directly by the Board (mainly in supported housing schemes)

Pension benefits for staff in supported housing managerial positions are provided for by a defined benefit section of the Church Workers Pension Fund ("CWPF"). The scheme is considered to be a multi-employer scheme as described in FRS 102 paragraph 28.11 and consequently is accounted for as if it were a defined contribution scheme, where employer contributions payable in the year are charged to expenditure.

The contributions to the Fund are assessed by an independent qualified actuary using the projected unit method of valuation. The last full valuation of the Fund, as at 31 December 2019, showed there is no more deficit (2016: £29.4m). There is no deficit recovery needed from each participating employer in the scheme from 2021. In 2020, the Board's share of the deficit contributions of £56,000 were paid and £4,300 administration fees were charged to expenditure.

Pension benefits for other staff are provided for by a defined contribution scheme in CWPF, where employer contributions payable in the year are charged to expenditure.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2020

9. Investment assets

GROUP	At 1 January 2020	Additions	Disposals	Gains/(losses)	Cash movements	At 31 December 2020
	£'000	£'000	£'000	£'000	£'000	£'000
UK investment funds	41,170	830	(702)	(518)	-	40,780
Cash held by investment managers	412	-	-	-	(190)	222
Total UK investment funds	41,582	830	(702)	(518)	(190)	41,002
UK investment properties	688	-	-	50	-	738
Consolidated total investment assets	42,270	830	(702)	(468)	(190)	41,740

CHARITY	At 1 January 2019	Additions	Disposals	Gains/(losses)	Cash movements	At 31 December 2020
	£'000	£'000	£'000	£'000	£'000	£'000
UK investment funds	41,170	830	(702)	(518)	-	40,780
Cash held by investment managers	412	-	-	-	(190)	222
Total UK investment funds	41,582	830	(702)	(518)	(190)	41,002
UK investment properties	688	-	-	50	-	738
Investment in subsidiary	13	-	-	-	-	13
Charity's total investment assets	42,283	830	(702)	(468)	(190)	41,753

Funds were managed by Savills, Mayfair and Brewin Dolphin. Investment funds were held as follows:

	2020	2019
	£'000	£'000
Savills	19,997	20,526
Mayfair	8,136	8,647
Brewin Dolphin	12,869	12,409
Total	41,002	41,582

Subsidiaries

The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held to undertake property and building development at the supported housing schemes and nursing home, and CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC, a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle which in August 2015 provided £70m of funds to the Board via the issue of £100m of 3.126% Secured Bonds (including £30m in principal amount of Retained Bonds) due August 2048. In April 2018 CHARM Finance PLC provided a further £30m of funds to the Board via the issue of £50m of 3.509% Secured Bonds (including £20m in principal amount of Retained Bonds) also due in 2048. These funds are being used to secure current and future obligations for clergy housing in retirement.

The financial results of the Subsidiaries are detailed in Note 16.

Joint ventures

ChECS is a charitable joint venture between the Church 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 charity was registered with the Charity Commission on 31 December 2013 and started operating from 1 April 2014. Prior to this, the responsibility for the provision of shared services was split between the three main NCIs. The previous management arrangements continued into the new structure.

The Board's share of net assets and net income of ChECS was £nil (2019: £nil). As at 31 December 2020, £323,000 was owed by ChECS to the Board (2019: £146,000 owed by the Board to ChECS) representing amounts loaned to ChECS by the Board. In addition, £64,000 was owed by the Board to ChECS for services rendered in December 2020, which has been included within trade creditors and accrued expenditure.

The Pensions Board have no associated undertakings.

UK investment properties

The valuers of the investment properties were Savills LLP.

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2020

10. Tangible assets – Supported housing and IT systems

Consolidated and charity	At 1 January 2020	Additions	Disposals	Charge in year	Impairment	At 31 December 2020
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Supported Housing land and buildings</i>						
Cost	27,292	-	-	-	-	27,292
Depreciation	(4,759)	-	-	(506)	-	(5,265)
Net book value	22,533	-	-	(506)	-	22,027
<i>Fixtures and fittings</i>						
Cost	4,384	62	-	-	-	4,446
Depreciation	(3,158)	-	-	(95)	-	(3,253)
Net book value	1,226	62	-	(95)	-	1,193
<i>IT systems (under construction)</i>						
Cost	294	1,064	-	-	-	1,358
Net book value	294	1,064	-	-	-	1,358
Total supported housing and IT systems	24,053	1,126	-	(601)	-	24,578

IT systems represents the capitalised costs incurred in respect of the construction of the new Housing Management System and a major upgrade to the Pensions Administration System. No depreciation charge is incurred whilst the assets are under construction.

11. Tangible assets – CHARM properties

The Board owns a number of different types of properties which it uses to fulfil its charitable objective: to provide retirement housing for retired clergy (CHARM).

Consolidated	Book value at 1 January 2020	Additions	Disposals	Transfers	Book value at 31 December 2020	No. of properties at 1 January 2020	Additions	Disposals	Transfers	No. of properties at 31 December 2020
	£'000	£'000	£'000	£'000	£'000					
Rental properties										
Funded by CC	25,371	-	(1,496)	-	23,875	268	-	(16)	-	252
Funded by PB	167,781	5,188	(1,148)	-	171,821	924	18	(7)	-	935
Rental properties total	193,152	5,188	(2,644)	-	195,696	1,192	18	(23)	-	1,187
Shared ownership properties										
Funded by CC	3,551	-	(75)	-	3,476	37	-	(1)	-	36
Funded by PB	6,357	94	(101)	-	6,350	68	1	(1)	-	68
Shared ownership properties total	9,908	94	(176)	-	9,826	105	1	(2)	-	104
Mortgaged properties										
Funded by CC	31,089	-	(1,955)	(18)	29,116	563	-	(39)	(2)	522
Funded by PB	823	-	-	18	841	13	-	-	2	15
Mortgaged properties total	31,912	-	(1,973)	-	29,957	576	-	(39)	-	537
Totals										
<i>Properties with significant restrictions (funded by Church Commissioners)</i>	60,011	-	(3,526)	(18)	56,467	868	-	(56)	(2)	810
<i>Properties without significant restrictions (funded by the Pensions Board)</i>	174,961	5,282	(1,249)	18	179,012	1,005	19	(8)	2	1,018
Total	234,972	5,282	(4,775)	-	235,479	1,873	19	(64)	-	1,828

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2020

11. Tangible assets – CHARM properties (continued)

Charity only	Book value at 1 January 2020 £'000	Additions £'000	Disposals £'000	Transfers £'000	Book value at 31 December 2020 £'000	No. of properties at 1 January 2020	Additions	Disposals	Transfers	No. of properties at 31 December 2020
Rental properties										
Funded by CC	25,371	-	(1,496)	-	23,875	268	-	(16)	-	252
Funded by PB	167,781	5,188	(1,148)	-	171,821	924	18	(7)	-	935
Rental properties total	193,152	5,188	(2,644)	-	195,696	1,192	18	(23)	-	1,187
Shared ownership properties										
Funded by CC	3,551	-	(75)	-	3,476	37	-	(1)	-	36
Funded by PB	6,357	94	(101)	-	6,350	68	1	(1)	-	68
Shared ownership properties total	9,908	94	(176)	-	9,826	105	1	(2)	-	104
Mortgaged properties										
Funded by CC	25,763	-	(1,830)	(18)	23,915	507	-	(38)	(2)	467
Funded by PB	418	-	-	18	436	9	-	-	2	11
Mortgaged properties total	26,181	-	(1,830)	-	24,351	516	-	(38)	-	478
Totals										
<i>Properties with significant restrictions (funded by Church Commissioners)</i>	54,685	-	(3,401)	(18)	51,266	812	-	(55)	(2)	755
<i>Properties without significant restrictions (funded by the Pensions Board)</i>	174,556	5,282	(1,249)	18	178,607	1,001	19	(8)	2	1,014
Total	229,241	5,282	(4,650)	-	229,873	1,813	19	(63)	-	1,769

The fixed assets shown in the Charity-only table above include only those mortgage loans made directly by the Board, for which CC-funding was received. Loans made by the Board to CEPB Mortgages Ltd, but ultimately funded by CC, are reflected in current debtors. See note 12. The related mortgages issued by CEPB Mortgages Ltd are shown in the Consolidated fixed assets table.

Financing and restriction

Historically, the Board's own properties were funded from trusts and legacies. From 1983 until July 2010 most of the rental, shared ownership and mortgaged properties purchased were financed by loans from the Church Commissioners. Under this arrangement, the legal ownership of each property lay with the Board but a significant part of the economic interest lay with the Commissioners. In the case of mortgaged and shared ownership properties, the Commissioners' economic interest was in the same proportion as the amount of financing they provided compared to the purchase price. Purchases were recognised at cost and the loan from the Commissioners recognised at an equal amount within creditors. If the property were sold, an amount equal to the proceeds (for mortgaged and shared ownership properties, in the same proportion as the financing they provided compared to the purchase price) would be repayable. This arrangement meant that the Commissioners retained a significant degree of financial control over the properties they funded, and on a property becoming vacant, determined if and when it was sold and for how much.

Since the end of the Commissioners' funding arrangement, financing for purchases of new rental or shared ownership properties has been provided through three sources. Firstly in 2010 the Board put in place a loan facility with Santander. Secondly in 2015 the Board was loaned £70,000,000 from its subsidiary CHARM Finance PLC, which raised funds through the issue of a listed bond. Thirdly in 2018 the Board was loaned £30,000,000 from its subsidiary CHARM Finance PLC, which raised funds through the issue of a second listed bond. Further details of both facilities are provided in Note 13.

Of the £70,000,000 loaned to the Board in 2015, £41,841,000 was used to purchase the economic interest in 196 properties which had originally been funded by the Commissioners. The Commissioners have retained a right to receive any profit on disposal of any of the 196 properties up to August 2025, over the agreed purchase price of that property, and in 2020 two (2019: three) properties were sold by the Board, with £20,000 (2019: £69,000) paid to the Church Commissioners as a result of this agreement. In the opinion of the trustees however, as the remainder of these properties have been identified for long-term use by the Charity, it is not expected that many further payments will accrue to the Church Commissioners as a result of this arrangement.

In addition to these arrangements, 48 rental properties were purchased with contributions from dioceses and others, where the contributions are repayable when the property is sold, as either a simple repayment or in the same proportion as the original contribution to the purchase price, depending on the agreement made. The Board recognises the full cost of the property and also recognises a liability for the amount contributed (see note 13).

Notes to the financial statements of the Church of England Pensions Board For the year ended 31 December 2020

12. Debtors

	Consolidated		Charity	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade debtors	512	478	509	478
Subsidiary undertakings	-	-	*5,608	*5,730
Prepayments and accrued income	835	5,794	835	5,793
Joint venture (ChECS)	323	146	325	146
Other debtors	145	318	145	318
Total	1,815	6,736	7,422	12,465

* Loans from the Church of England Pensions Board to CEPB Mortgages Ltd are repayable when the properties associated with them are sold. This is categorised as a current debtor for the Charity in line with FRS 102 section 4.7. See Note 13 for more details.

13. Creditors

Current liabilities:	Consolidated		Charity	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade creditors	2,610	1,821	2,610	1,820
Accruals and deferred income	2,596	2,290	2,596	2,290
Tax creditor	4	26	4	26
Other creditors	1,175	1,215	1,175	1,219
Total amounts falling due within one year:	6,385	5,352	6,385	5,355
Concessionary loans repayable on sale of fixed assets				
Loans from Church Commissioners for:				
- rental properties	23,873	25,371	23,874	25,371
- shared ownership properties	3,476	3,551	3,476	3,551
- mortgage properties	29,117	31,089	29,117	31,089
Diocesan and other creditors	759	758	758	758
Total loans repayable on sale of fixed assets	57,225	60,769	57,225	60,769
Total current liabilities	63,610	66,121	63,610	66,124

Loans from the Church Commissioners are repayable when the properties associated with them are sold. The trigger for the repayment is the sale of the property and the proceeds are passed in full to the Church Commissioners. Properties are sold when residents vacate rented properties, shared ownership properties are sold and mortgages are redeemed. These assets are classified as fixed assets and are included in note 11.

FRS 102 section 4.7 states that where the repayment of a creditor cannot unconditionally be deferred for more than a year, it must be classed as a current liability. Even though experience has shown that loans from the Church Commissioners will be repaid steadily over a timeline substantially longer than one year, they meet this definition and as a result are included within current liabilities.

The terms of these concessionary loans are: for loans granted prior until 31 March 1993 the initial interest rate was 3%, increasing in line with RPI each April; for loans granted from 1 April 1993 the initial interest rate was 4%, increasing in line with RPI each April.

The same current liability classification has been applied to the Diocesan loans to the Pensions Board.

Notes to the financial statements of the Church of England Pensions Board For the year ended 31 December 2020

13. Creditors (continued)

Non-current liabilities:	Consolidated		Charity	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bond liabilities – 2015 Bond	70,000	70,000	-	-
Bond liabilities – 2018 Bond	30,000	30,000	-	-
Bond liabilities – capitalised bond set-up costs	(689)	(718)	-	-
Intra-group liability – loan repayable to CHARM Finance PLC	-	-	100,000	100,000
Intra-group liability – capitalised bond set-up costs	-	-	(689)	(718)
Loan from Santander	18,000	17,500	18,000	17,500
Loan from Santander - capitalised set-up costs	(150)	(183)	(150)	(183)
Total	117,161	116,599	117,161	116,599

The two bonds, issued by subsidiary undertaking CHARM Finance plc, were issued to finance the growth and development of the CHARM scheme. Transaction costs of £509,000 were incurred in respect of the 2015 bond, and £306,000 in respect of the 2018 bond. At 31 December 2019, the amortised cost of the set-up fees incurred (predominantly legal and financial advice fees) for both bonds was £689,000 (2019: £718,000).

For the 2015 bond, interest due up to August 2017 was based on the initial interest rate of 3.126% adjusted for changes in CPI (subject to a 4% cap and a floor of zero). Since August 2017 the applicable interest rate has risen to 3.154%. Repayment of the bond is due in five equal instalments of £14m due in August of 2038, 2041, 2043, 2045 and 2048 respectively. The bond is secured by a fixed charge over 437 properties held by the Charity.

For the 2018 bond, interest due is based on the fixed interest rate of 3.509%. Repayment of the bond is due in three instalments on 12 November 2044, 12 November 2046 and 12 April 2048. The bond is secured by a fixed charge over 209 properties held by the Charity.

The following table details the maturity of the bond-related contractual payments as at 31 December 2020:

Period	<u>2015 Bond</u>		<u>2018 Bond</u>	
	Interest due £'000	Capital repayment £'000	Interest due £'000	Capital repayment £'000
Due to end December 2020	809	-	140	-
Due within one year (to end December 2021)	2,356	-	1,053	-
Due within five years (to end December 2025)	9,481	-	4,214	-
Due after five years	41,881	70,000	21,786	30,000
Total	54,527	70,000	27,193	30,000

The intra-group liability due by the charity to CHARM Finance plc mirrors the terms of the bonds noted above.

The charity has a loan facility with Santander through Abbey National Treasury Services PLC which at December 2020 was secured by fixed charges over 257 properties (2019: 118 properties) owned by the charity, with occupied market value of £61,000,000 (2019: £29,000,000). The loan is repayable, subject to terms and conditions, at June 2025.

The cost of the Santander arrangement fee of £500,000 (1% of the loan facility) is offset against the loans and is being amortised over 15 years. At 31 December 2020, the amortised cost was £150,000 (2019: £183,000).

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2020

14. Financial Instruments

	Note	Consolidated		Charity	
		2020	2019	2020	2019
		£'000	£'000	£'000	£'000
Financial assets at fair value through statement of financial activities					
Listed non-current investments	9	41,739	42,270	41,752	42,283
Total financial assets		41,739	42,270	41,752	42,283

15. Funds

Consolidated and charity	Balance at 1 January 2020	Income	Expenditure	Investment gains	Other gains	Transfers	Balance at 31 December 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	-	7,367	(7,367)	-	-	-	-
Total unrestricted funds	-	7,367	(7,367)	-	-	-	-
Restricted funds:-							
General Purposes Fund:							
- General Funds	109,890	21,166	(18,411)	(556)	-	(2,650)	109,489
- Earmarked – Property Maintenance	7,838	-	(3,921)	-	-	2,650	6,567
Clergy Retirement Housing Trust & other trusts	11,972	545	(203)	88	-	-	12,402
Total restricted funds (excl. pension reserve)	129,700	21,711	(22,485)	(468)	-	-	128,458
Pension reserve	(775)	-	169	-	(18)	-	(624)
Total funds	128,925	29,078	(29,683)	(468)	(18)	-	127,834

For comparative purposes, the table below shows the movement on funds for the year ending 31 December 2019:

Consolidated and charity	Balance at 1 January 2019	Income	Expenditure	Investment gains	Other gains	Transfers	Balance at 31 December 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	-	6,883	(6,883)	-	-	-	-
Total unrestricted funds	-	6,883	(6,883)	-	-	-	-
Restricted funds:-							
General Purposes Fund:							
- General Funds	108,597	27,666	(19,815)	942	-	(7,500)	109,890
- Earmarked – Property Maintenance	4,429	-	(4,091)	-	-	7,500	7,838
Clergy Retirement Housing Trust & other trusts	11,507	575	(484)	374	-	-	11,972
Total restricted funds (excl. pension reserve)	124,533	28,241	(24,390)	1,316	-	-	129,700
Pension reserve	(864)	-	168	-	(79)	-	(775)
Total funds	123,669	35,124	(31,105)	1,316	(79)	-	128,925

Notes to the financial statements of the Church of England Pensions Board

For the year ended 31 December 2020

15. Funds (continued)

Unrestricted funds

The **unrestricted funds** represent expenditure incurred by the CEPB on salaries and working expenses subsequently recovered from the pension funds administered by the Board. The CEPB has no net assets or liabilities in its own right as a body corporate.

Restricted funds

The **General Purposes Fund ("GPF")** is the largest charitable fund administered by the Church of England Pensions Board, covering the provision, maintenance & management of homes of residence for retired clergy and church workers and their spouses/former spouses/dependants, etc.

Within restricted funds, the Trustees have earmarked an amount for property maintenance. £2.6m (2019: £7.5m) was transferred from the restricted general fund to the earmarked Property Maintenance fund to allow for additional property maintenance work.

The **Clergy Retirement Housing Trust ("CRHT")** is a registered charity (Charity No. 236627-2) and is a linked charity of the Board. As a linked charity, it is accounted for as a restricted fund. The charitable object of the CRHT is to use its property as residences for those persons who are qualified for such residence by virtue of the provisions of the Clergy Pensions Measure 1961 or any succeeding legislation.

Below is a summary of the assets and liabilities of each fund as at 31 December 2020:

FUND	Fixed Assets	Current Assets	Current Liabilities	Non-Current Liabilities	SUB TOTAL	Provision for Pension Liability	NET ASSETS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	525	1,241	(1,766)	-	-	-	-
Restricted Funds:							
General Purposes Fund	290,501	4,820	(62,107)	(117,161)	116,053	(624)	115,429
Clergy Retirement Housing Trust & other trusts	10,770	1,372	263	-	12,405	-	12,405
Total	301,796	7,433	(63,610)	(117,161)	128,458	(624)	127,834

For comparative purposes, the table below provides a summary of the assets and liabilities of each fund as at 31 December 2019:

FUND	Fixed Assets	Current Assets	Current Liabilities	Non-Current Liabilities	SUB TOTAL	Provision for Pension Liability	NET ASSETS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	94	955	(1,049)	-	-	-	-
Restricted Funds:							
General Purposes Fund	290,508	8,952	(65,133)	(116,599)	117,728	(775)	116,953
Clergy Retirement Housing Trust & other trusts	10,693	1,218	61	-	11,972	-	11,972
Total	301,295	11,125	(66,121)	(116,599)	129,700	(775)	128,925

16. Subsidiary results

The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held to undertake property and building development at the supported housing schemes, and CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC (incorporated and acquired 17 July 2015), a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle which in August 2015 provided £70m of funds to the Board via the issue of £100m of 3.126% Secured Bonds (including £30m in principal amount of Retained Bonds) due August 2048. In April 2018 CHARM Finance PLC provided a further £30m of funds to the Board via the issue of £50m of 3.509% Secured Bonds (including £20m in principal amount of Retained Bonds) also due in 2048. These funds are being used to secure current and future obligations for clergy housing in retirement.

Summaries of the Board's significant subsidiaries' results are shown below:

16. Subsidiary results (continued)

	CEPB Mortgages		CHARM Finance PLC	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Revenue	343	335	3,442	3,371
Expenditure	(343)	(335)	(3,442)	(3,371)
Result	-	-	-	-
Total Assets	5,609	5,731	100,285	100,246
Total Liabilities	(5,608)	(5,730)	(100,272)	(100,233)
Net Assets	1	1	13	13

17. Related Parties

Subsidiary companies

The Board received £343,000 from CEPB Mortgages (2019: £335,000) in respect of mortgage interest received by the Company. At the balance sheet date, CEPB Mortgages owed the Board £5,609,000 (2019: £5,731,000) in respect of mortgage loans repayable.

The Board paid £3,381,000 to CHARM Finance PLC in 2020 in respect of bond interest paid by the Company (2019: £3,326,000). At the balance sheet date, the Board owed CHARM Finance PLC £99,311,000 (2019: £99,282,000) in respect of loans repayable in relation to the 2015 and 2018 bonds.

Joint ventures

Church of England Central Services (ChECS) is a joint venture between the Church Commissioners, the Archbishops' Council and the Church of England Pensions Board, and therefore a related party of the Board. More information can be found in Note 9.

Pension Schemes

Details of amounts paid to the pension schemes are disclosed in note 8.