SUPPORTING THE CHURCH OF ENGLAND NOW AND FOR THE LONG TERM

The Church Commissioners for England
Annual Report 2022

CHURCH COMMISSIONERS *for* ENGLAND

The Church Commissioners for England
Annual Report 2022

Supporting the Church of England
now and for the long term

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

Any enquiries about this report should be sent to the Church Commissioners' Secretariat at their registered office:
Church House
Great Smith Street
London SW1P 3AZ
commissioners.enquiries@churchofengland.org
Registered Charity Number: 1140097

ISBN 978–1–3999–5635–2
This document is available to download at:
cofe.io/CCAnnualReport2022

CONTENTS

Front cover: **Manchester Cathedral**

OVERVIEW AND WELCOME FROM THE ARCHBISHOP OF CANTERBURY

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

Let me start by expressing my gratitude to the trustees and staff of the Church Commissioners for their tireless work over the previous year, which was particularly challenging (again!).

The inflationary pressures on the cost of living impacted people and organisations across the country, and that of course included our churches, dioceses and cathedrals, which experienced additional financial challenges on top of those that already existed as we emerged from the pandemic. Yet the work of the Church continued and indeed became even more important as our parishioners responded to the needs of their local communities.

Given this vital ministry of the Church, and in light of the financial pressures, the news that the Church Commissioners committed to increase financial distributions to the Church by 30% in the current three-year period (2023–25) was particularly welcome. This funding will help to support God's mission and ministry across the country, supporting local parishes and growing many more new worshipping communities to serve the whole nation. I am pleased that the Church Commissioners plan to maintain that funding level for the subsequent six years.

On the day that this new funding commitment was announced, I had a joyous visit to a church in the Diocese of Sheffield, which has benefited from national funding enabled by the Church Commissioners. St John The Evangelist Church in Balby, in Doncaster, runs an impressive social action ministry and provides an 'everything bank' to support the local community. It is a wonderful example of how the Church of England continues to be a true witness to the life-changing gifts we find in Christ, ministering to all, regardless of their situation.

The Church Commissioners' teams in 2022 demonstrated their continued commitment to supporting the Church financially and administratively. This dedication included supporting cathedrals with the implementation of the Cathedrals Measure, working and consulting with local parishes and dioceses on the proposed reform of the Mission and Pastoral Measure, and providing vital support and guidance as we work to deliver on our ambition to reduce the carbon footprint of the Church.

The positive performance of the endowment fund in a challenging year for financial markets was another remarkable achievement. In addition, I continue to be impressed by the Church Commissioners' commitment to the ethical and responsible investment management of the endowment, which in 2022 included campaigning against deforestation and continuing to work towards a net zero world and investment portfolio.

It has also been vitally important to consider our past to understand our present and best prepare for our future. When the Church Commissioners decided to research the past of one of its predecessor funds, Queen Anne's Bounty, to determine if it had ever profited from transatlantic chattel slavery, they discovered that the origins of the fund did indeed have historic links with this shameful practice. This abominable trade took men, women and children created in God's image and stripped them of their dignity and freedom. The fact that some within the Church actively supported and profited from it is a source of shame.

It is only by facing this painful reality that we can take steps towards genuine healing and reconciliation – the path that Jesus Christ calls us to walk. This research and report by the Church Commissioners is a moment for lament, repentance and restorative action. I pray that in acknowledging the past and providing a response to the findings of this research, the Church Commissioners may be able to make a considerable difference to those in communities which have been affected by these past wrongs. I am heartened by their response and plans to commit funding of £100 million to invest in a better and fairer future for all, including creating a new impact investment fund as well as enabling grant funding and supporting further research.

I thank God for the work of the Church Commissioners and the difference they are making to the churches and in the communities we serve.

Justin Welby
Archbishop of Canterbury

LOOKING BACK AND LOOKING AHEAD – A LETTER FROM THE CHIEF EXECUTIVE

The annual report is an opportunity not only to reflect on the previous year's activity but also to look ahead to developing further the Church Commissioners' contribution to the mission and ministry of the Church of England. On this occasion, that is magnified – in 2022 we looked very far back, as well as planning very far ahead.

Our thorough actuarial review of the Church Commissioners' assets and financial commitments involved a huge amount of work and much careful and prayerful collaboration with other parts of the Church during 2022, and ultimately produced ambitious spending plans for the 2023–25 triennium. These plans represent an unprecedented level of financial support for a wide range of beneficiaries across the Church; the £1.2 billion we have committed is a 30% increase on the previous triennium and was made possible by the sustained strong performance of the investment fund. We also indicated that we plan to maintain this level of funding in the subsequent six years, which would mean total distributions of £3.6 billion to support front-line work of the Church of England between 2023 and 2031.

Looking forward, we want of course to continue to deliver the maximum possible sustainable distributions to support the Church's mission and ministry, and we will seek to do that through achieving strong returns from the fund, within our ethical investment framework. While various economic and geopolitical factors have brought significant challenges over the past year, we have taken steps to overcome them and were pleased that our returns held up well in 2022 compared with those of comparable funds, albeit below our CPIH+4% return target. But it is the long-term investment performance that is critical to the ongoing funding that we can provide to the Church - that is why we issued £550 million in bonds during 2022, in order to safeguard and hopefully increase our capacity to fund the Church's activities across the nation and for the long term.

As well as planning for the future, the Church Commissioners also looked far back (some 300 years back) into its history during 2022. Working with archivists, academics and forensic accountants, our research identified historic links between our predecessor fund, Queen Anne's Bounty, and the transatlantic chattel slave trade. In response to these findings, we committed £100 million of funding over the next nine years to establish a new impact investment fund and support further research within the Church and we also showed publicly some of the evidence of this shameful past in an exhibition at Lambeth Palace Library. The Church Commissioners is deeply sorry for these historic links with transatlantic chattel slavery and, while we have been clear that nothing can repair the damage caused by the generations of human misery inflicted through the transatlantic slave trade, we can and do seek to invest in a better future for us all.

Through these very different but complementary aspects of our investments work, the performance of our advisory, administrative and quasi-judicial functions, and our other support of parishes, dioceses, cathedrals and bishops, we continue to strive to provide the best possible support we can to the Church's ministry to the whole nation. I give thanks for the great privilege of being part of this work, for all the work and achievements outlined in this report, and in particular I thank God for my colleagues, the committed and talented trustees and staff of the Church Commissioners and other National Church Institutions.

Gareth Mostyn
Chief Executive

AT A GLANCE

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

	2022	2021
Total return	5.0%	13.3%
Total return (30 years average)	10.0%	9.9%
Supporting dioceses and the local church	£117.2M	£86.8M
Bishops' and Archbishops' ministry	£44.9M	£42.2M
Cathedrals' ministry	£14.3M	£12.3M
Other activities	£10.4M	£6.0M
Total charitable expenditure excluding clergy pensions obligation	£186.8M	£147.3M
Total cash paid on clergy pensions	£117.1M	£116.1M
Investment fund	£10.3BN	£10.1BN

St Peter's, Highfields,
Diocese of Leicester

OUR PURPOSE

The Church Commissioners support the Church of England's ministry, particularly in areas of need and opportunity. We do this through responsible and ethical management of a diverse investment portfolio which enables us to grow our support for the Church, by helping to ensure funding is intentionally used for mission and growth, by managing our costs effectively,

STRATEGIC PRIORITIES	
Supporting the Church's Vision & Strategy for the 2020s, through targeted funding, practical guidance and effective processes 	*Ensure that Church Commissioners' funding is intentionally used for mission and growth*
	Support different parts of the Church to enhance the use of their resources to advance mission and growth
Investing for Good 	*Enable the Commissioners to meet its pension obligations and maintain and grow over time its support to the wider Church, by achieving a real rate of return (target: CPIH +4%) through a diversified portfolio to manage risk, that is at the forefront of responsible investment globally and is consistent with our ethical policies*

and by embracing our principles of accountability and service. Successful delivery of our purpose is underpinned by investment in a team of high-calibre trustees, committee members, and staff, and our commitment to their wellbeing and inclusion. Our priorities and objectives are closely aligned with the Archbishops' Council and the Church's Vision & Strategy for the 2020s.

	2022 ACHIEVEMENTS	2023 OBJECTIVES
	• Completed triennial actuarial review, agreed spending plans for 2023–25 and ensured they were well communicated • Completed the investigation into historic links to the transatlantic slave trade, reporting transparently on the findings, and developed a response package to invest in a better future for us all • Supported Racial Justice with funding allocation in 2023-25 triennium spending plans, and engaging with Racial Justice Commission on slave trade research and response • Supported churches and cathedrals with funding in response to energy crisis	• With Archbishops' Council, introduce and deliver new triennium funding streams and embed requisite governance processes • Encompasses new diocesan investment, net zero carbon, buildings for mission and racial justice programmes
	• Continued review of Mission and Pastoral Measure, undertaking broad consultation and engagement, including visits to parishes and dioceses and dialogue with Synod reference group • Provided advice and guidance on managing cathedral and church buildings • Supported the first four Cathedrals through registration with the Charity Commission	• Present Mission & Pastoral Measure Review proposals to Synod for approval to next stage • By end of 2023, most cathedrals to be registered with Charity Commission and co-regulated by Church Commissioners / Charity Commission
	• Continued to deliver strong investment returns, above target over the long run • Continued Responsible Investment efforts centred on two main pillars: "Respect for the Planet" and "Respect for People", with progress on biodiversity, diversity and inclusion, and artificial intelligence themes in particular • Introduced new dedicated staffing to take forward suitable affordable housing sites and piloting alternative strategies for taking forward development sites • Continued the process of identification of cost-efficiency initiatives, including exploring opportunity to bring 'in house' more of the public equities portfolio	• Onboarding of three new Assets Committee members • Conclude and report to Synod on 2023 fossil fuel investment hurdles • Continue to deliver upon priority housing opportunities in response to Coming Home report • Take forward delivery of the Church Commissioners' response to the findings from the transatlantic slave trade research, including creation of new Oversight Group

OUR PURPOSE
continued

		STRATEGIC PRIORITIES
FIRM FOUNDATIONS	*Environment*	*Working to be a Church that cherishes God's creation and leads by example in becoming Net Zero by 2030*
	Safeguarding	*Striving for a Church that affirms the dignity of all people by being a safe place for all children and vulnerable adults*
	Governance	*Effective Board, Committees and Executive, to ensure objectives are met, and with appropriate accountability to Parliament and Church*
	Finance	*Management of costs and commitments so our financial support, especially for areas of need and opportunity, can be maintained and grown over time*
	People	*Attract, retain and motivate high-calibre staff and trustees. Support staff and trustee engagement, performance, succession, belonging and inclusion to ensure effective delivery of our goals*
	Technology	*Maximise the benefits of technology to connect communities, and also provide efficient and cost-effective services across the Church*

	2022 ACHIEVEMENTS	2023 OBJECTIVES
	• Continued Responsible Investment efforts focused on the "Respect for the Planet" pillar • Integrated Environmental Social Governance (ESG) approach across Real Estate portfolio, encompassing net zero commitment and natural capital strategy to enhance biodiversity • Staff supported Environmental Working Group with development of the net zero carbon routemap, in support of the Church of England's 2030 net zero ambition	• Through visible leadership and funding support, drive forward the Net Zero 2030 programme • Establish new Net Zero Carbon programme board to oversee funding allocation
	• Supported the Church's efforts to make it a safe place for all by participating in the design national redress scheme for survivors of safeguarding failures • Funding support for the Archbishops' Council's National Safeguarding Programme which incorporates a range of improvement projects	• Support the design and development of new Safeguarding redress scheme • Continue to provide funding support for the Archbishops' Council's National Safeguarding Team and National Safeguarding Programme
	• Supported work of the National Church Governance Review project board • Recruited for new members of trustee board, securing high-quality, diverse appointments to join the Church Commissioners in late 2022 and early 2023	• Continue to develop and deliver plans to ensure a diverse 'trustee pipeline' • Improve knowledge of the Church Commissioners amongst potential future Board/Committee candidates • Achieve by running information event(s) with good engagement and interest • Support work of the National Church Governance Review project board
	• 2020–22 triennium funding managed in accordance with budgets. Virement between funding lines agreed in response to particular needs (e.g. energy crisis) • Completed triennial actuarial review, agreed spending plans for 2023–25 and ensured they were well communicated	• Manage expenditure in first year of new triennium according to agreed budgets
	• Finalised work on refreshed values and behaviours, and ran employee engagement survey in late 2022 • Embedded hybrid working, implementing consequent policy adjustment, learning and support • Evaluated the impact of Belonging and Inclusion strategy and developed and launched 'Phase 2' of the strategy	• Recruit, onboard and set up for success new senior staff • Develop and implement action plans in response to 2022 staff engagement survey • Move into new NCI office space in Church House
	• Robust technology support maintained to support National Church Institutions (NCIs) with the delivery of other objectives • Progressed development of the new People System with plan to go live in early 2023	• Deliver successful go-live of People System/Payroll • Launch and progress initial stages of project towards the introduction of a fit-for-purpose Finance system for the NCIs

SUPPORTING THE CHURCH OF ENGLAND

The Church Commissioners make funds available to support projects providing mission and ministry across England.

SUPPORTING THE CHURCH IN NUMBERS

£1.2BN

We have committed to distribute £1.2bn over the next three years.

AROUND

20%

The Church Commissioners for England contribute towards around 20% of the annual running costs of the Church of England.

St Helen's, Lundy Island Bristol Channel, Diocese of Exeter

SUPPORTING DIOCESES AND THE LOCAL CHURCH

One of the key ways in which the Church Commissioners achieve their purpose is through distributing funding to the Archbishops' Council ('the Council') and then on to support dioceses and local churches.

FUNDING PROGRAMMES IN 2022

The Strategic Investment Board (SIB) was responsible, on the Archbishops' Council's behalf, for determining the distribution of grant funding, evaluating its impact and advising the Council on funding strategy. The SIB's membership included the First Church Estates Commissioner and two other members of our Board of Governors.

Grants to the Archbishops' Council in support of dioceses and local churches are set out in note 5 of the financial statements.

SUSTAINABILITY FUNDING

As part of a package of measures to support dioceses and, through them, parishes, during the Covid-19 pandemic, in 2020 the Archbishops' Council allocated up to £35m of the funding made available to it by the Church Commissioners to create a new grant funding stream – Sustainability Funding.

Sustainability Funding aims to maintain short-term financial stability for dioceses as they implement or develop their strategies for long-term mission health and financial stability. (Strategic Transformation Funding was also available to support dioceses with these long-term change programmes.) The SIB awarded a total of £14.9m of the £35m Sustainability Funding in 2020 and a total of £9.5m in 2021, with 30 dioceses receiving awards across the two years.

The impact of Covid-19 on dioceses' finances continued into 2022 and it became clearer, that as well as having an immediate impact on diocesan finances each year, the pandemic has seen the acceleration of longer-term trends. The SIB therefore agreed to continue distributing the remaining Sustainability Funding in 2022 with these longer-term challenges in mind.

The Commissioners and Council agreed to vire £5m of the £10.6m unallocated Sustainability Funding to support a £15m funding programme for dioceses to support parishes with the rising cost of energy, leaving up to £5.6m Sustainability Funding available for award in 2022.

In 2022 the Sustainability Funding continued to be targeted on dioceses with fewer investment assets and less affluent populations. In making its decisions on funding applications, the SIB took account of the steps dioceses are taking to address the impact of Covid-19 on their financial position; the measures they have undertaken in recent years to improve their financial sustainability; and the steps they are taking or planning to develop their longer-term mission health and financial sustainability. It awarded a total of £4.3m of Sustainability Funding to 12 dioceses in 2022.

LOWEST INCOME COMMUNITIES FUNDING

The formula-based Lowest Income Communities (LInC) funding was introduced in 2017 to support dioceses in developing mission and growth in lower-income communities. Dioceses report annually on their use of the funding.

Many dioceses use LInC funding to support parishes which, due to their deprivation, cannot meet the full cost of ministry in their parish, in order to ensure ministry provision in these areas. The SIB has continued to encourage dioceses to ensure that their LInC funding is targeted towards supporting their most deprived communities. In 2022, a total of £28.3m of LInC funding was awarded to 28 dioceses. An additional £5.3m transitional funding was paid to support dioceses that receive less funding than they did under the previous formula.

As part of a package of measures designed to provide cash flow relief to dioceses during the pandemic, the Archbishops' Council and Church Commissioners paid all the LInC and transitional funding upfront in annual payments at the beginning of each year in the 2020–22 triennium.

STRATEGIC DEVELOPMENT FUNDING

Since its inception in 2014, Strategic Development Funding (SDF) has supported major change projects which fit with dioceses' strategic plans and make a significant difference to their mission and financial strength.

Since 2020, SDF has been targeted at promoting growth in the largest urban areas, and where there is a focus on one or more of younger generations and deprived communities, channelling the funding available in 2020–22 towards people and areas where the Church has often had little effective engagement.

In June 2021, in response to a recommendation in the report of the Archbishops' Anti-Racism Taskforce, From Lament to Action, the SIB amended the SDF criteria to explicitly include targeting SDF on UK Minority Ethnic/Global Majority Heritage (UKME/GMH) communities. The new criteria applied to projects awarded SDF from 2022. The previous criteria for SDF encompassed many areas that contain large UKME/GMH communities and a number of projects funded before June 2021 have a specific focus on these communities.

The aims of SDF align closely with the Church's Vision and Strategy priorities of building (1) a church of missionary disciples, (2) a church which is younger and more diverse, and (3) a church where the mixed ecology is the norm. In 2022, the SIB awarded £15.2m of SDF to six new projects. The funding will be drawn down over more than one year. The SIB also awarded additional SDF totalling £1.9m to existing projects in seven dioceses, mainly to support them with the impact of the rapid increases in church building costs.

SDF was awarded on the basis that the cash drawdown stayed within the limits of the monies allocated for this funding in the three-year spending period, reflecting the fact that the projects supported can run for up to six years.

The 2022 awards brought the total SDF awarded in 2014–22 to £198m to support 93 major change programmes. Of these, 76 projects have been supported in 37 dioceses totalling £183m since the SDF programme was significantly expanded in 2017.

The projects that were awarded SDF in 2022 are:

- **Chichester Diocese The Beauty of Christ for Crawley's New Generation:** Building on the success of St John's Crawley which was planted in 2017 from St Peter's Brighton, as part of a 2017 SDF project. St John's church, Crawley, is moving to a new town centre site and aims to grow and connect with unchurched and dechurched people. A leadership development pipeline will train apprentices who reflect all backgrounds and ages, with at least 25% from UKME/GMH backgrounds. St John's will revitalise churches in Three Bridges, Crawley and West Green, Crawley, and plant into the new housing developments in Forge Wood and Kilnwood Vale. Awarded £1.6m against a total project cost of £3.4m

- **Durham Diocese Transforming Growth in Darlington:** The project will invest in St Cuthbert's church, Darlington to grow a youth-focused centre which will resource youth ministry across the deanery, with outreach focusing on the church's musical heritage. The project will also invest in six locations across the diocese to pilot church plants with a variety of models and contexts. Awarded £2.5m against total project costs of £4m.

- **London Diocese Transforming Tower Hamlets:** Ordained or lay planting leads will be based at St Paul's Shadwell, Christ Church Spitalfields and Bow Church, and will go on to plant a total of six new worshipping communities in Bethnal Green, Whitechapel, Shadwell, Stepney Green, Mile End and Poplar, with a strong focus on youth and young people in a multicultural context. An online churches network will signpost to social transformation and discipleship across the deanery. The project will also research into engagement with Bangladeshi groups, leading to at least two pilot projects to engage with these groups. Awarded £1.8m against total project costs of £5.6m.

- **London Diocese Transforming Southall & Hounslow:** St John's Southall and Holy Trinity Hounslow will be supported to plant and resource 13 parishes across a newly created mission zone, focusing on reaching first, second and third generation migrants, alongside developing youth hubs; a social engagement programme offering employment training for young people; an intercultural mission and discipleship course; and training for young and emerging church planters. The project will aim to encourage and train 15 new foreign language and intercultural congregations serving 500 new disciples and 60 new emerging young leaders from diverse backgrounds. Awarded £2.7m against total project costs of £5.4m.

- **Birmingham Diocese Growing Capacity in Longbridge and through Anglo-Catholic Mission:** This project will support the revitalisation of a church in Longbridge by Gas Street Birmingham. The Longbridge church will serve the community through the Love Your Neighbour scheme, offer gathered worship services, encourage membership of small discipleship groups, and develop leaders, including for further church plants and revitalisations. The project will also invest in a pilot with five selected Anglo-Catholic parishes, working with a missioner and a facilitator, to grow new disciples in each parish and pilot new approaches to mission and ministry that could be transferrable to other Anglo-Catholic settings. Awarded £2.3m against total project costs of £4.1m.

- **Leeds Diocese Mountains into Roads:** New Opportunities in the Bradford Episcopal Area: This is an expansion of the work of Fountains Church in Bradford which was awarded SDF in 2018. The diocese aims to sustain and promote growth in one of the largest urban populations of deprived, UKME/GMH communities in the country. As progress has been faster than expected, the project plans to increase social impact, make more disciples, raise more leaders, and plant more churches. Aims by 2027 include an additional ten plants and revitalisations, more than 500 new disciples, more than 160 lay leaders, about 925 new worshippers, and some 25 candidates for ordination. These will be spread across: Fountains Church and network, St John's Great Horton, Holy Trinity Idle, St John's Clayton, as well as a new resourcing church: Girlington, Manningham and Heaton. This project was awarded £4.2m.

STRATEGIC TRANSFORMATION FUNDING

The Archbishops' Council and Church Commissioners made a one-off sum of £44m available in 2020–22 to help dioceses develop and deliver diocesan-wide mission and growth strategies to ensure a thriving and sustainable future for the Church.

The overall aims of Strategic Transformation Funding (STF) align with those of SDF, i.e. to support major change programmes which fit with dioceses' strategic plans and make a significant difference to their mission and financial strength. The SIB agreed that the funding would support a relatively small number of dioceses, targeted at those with the least historical and current resources.

The SIB made two awards of STF in 2022:

- **St Edmundsbury & Ipswich Diocese** was awarded £1.27m, towards total project costs of £2.57m. The funding will support flourishing and growing Christian communities across the diocese, including in Ipswich, Bury St Edmunds, Haverhill and Felixstowe, up to 12 market towns and in rural areas. It will support churches in developing their mission and ministry to children and young people and their families, especially in deprived areas. It will also enable the development of a learning hub which will offer training, events and resources to churches.

- **Liverpool Diocese** was awarded £7.5m in two tranches for its Fit for Mission strategy, the first tranche of £3.4m has been released, and the second tranche of £4.1m will be released after a successful pilot of the work around Larger Single Parishes. Fit For Mission is built around four mission priorities: introducing people to Jesus, deepening discipleship, developing leaders, and working for justice.

All dioceses are eligible to apply for funding to strengthen their strategic capacity. In 2020–22 this funding was made available from the monies allocated for STF. The SIB made 17 awards of Capacity Funding, totalling £6.4m, in 2022.

INNOVATION FUNDING

The SIB launched Innovation Funding in 2021 to support limited-scale projects which will innovate in the light of the Church's Vision and Strategy and generate learning about 'good growth', i.e. growth which increases the number of new disciples, strengthens discipleship, grows the impact of the Church's social engagement work, or increases and diversifies the number of leaders in the church.

Innovation Funding aims to help find creative approaches to challenges facing the Church of England today and will support innovation focused on at least one of the following underrepresented groups as we aim to be a church which fully represents the communities we serve in age and diversity: younger people and children; lower income communities; UK Minority Ethnic/Global Majority Heritage populations; and urban areas.

In 2022 the SIB awarded £4.2m to 18 Innovation Funding projects, encompassing a wide range of exciting approaches to mission and ministry. In addition to these, the SIB awarded £375,000 to the Estates Evangelism Task Group to run a series of events or 'Innovation Challenges,' bringing together practitioners to identify potential innovative ideas to be further developed into projects which meet the funding's key criteria.

The 2022 awards are listed below:

DIOCESE/ORGANISATION	PROJECT NAME	INNOVATION AWARD
Diocese of Birmingham	Safe Spaces for Young People; Supporting churches to connect with young people who live in some of the most disadvantaged neighbourhoods of the diocese.	£239,775
Diocese of Blackburn	Choir Church; Building a partnership with Choir Church to plant 25 new congregations in schools across the diocese.	£249,531
Diocese of Bristol	Swindon New Town: Seeking good growth in a traditional Catholic context by responding to social need with an intentional approach to discipleship.	£249,690
Diocese of London	Youth Ministry in Communion; Establishing a hub of collaborative youth ministry rooted in the sacramental tradition.	£250,000
Royal School of Church Music	Hymnpact! Developing a school to church pathway, using Hymnpact! materials to support discipleship both individually and corporately.	£230,000
Diocese of Southwark	Bubble Church; Investing in Bubble Church (developed by Ascension Church, Balham), so that it may be launched, nurtured, and grow nationally.	£250,000
St Hild College	Seedbed; A new training programme for lay church planters and lay evangelists.	£223,666
Diocese of Bath & Wells	Movement; Gathering Christian young people scattered among rural churches, and training local youth leaders to share their faith with unchurched young people.	£248,289
Church Mission Society	Pioneering Parishes; Equipping parish leadership teams to make pioneering integral to parish life and sustain a mixed ecology of church.	£247,059
Jesus Shaped People	Innovation Project; Equipping churches in deprived parishes to bring about growth in discipleship, discover new vision, reshape mission strategy, build lay confidence, bring people in from the margins, enabling growth.	£249,810
The Kick Project	KICK Innovation Project; Transforming young people's lives, with God's love, through sport and support.	£104,200
Diocese of Lichfield	St Chad & St Mark Wolverhampton; Bringing diverse, multiple ethnic communities together in shared worship and mission, ensuring growth in discipleship that will help nurture new leaders.	£175,000
Diocese of London	Imprint; Aiming to culturally equip and theologically inform young adult leaders from diverse backgrounds and demonstrate innovative ways to catalyse church planting.	£250,000
New Wine	Raising Generation Minsters; Minster churches from within the New Wine Network will each seek to help, support and develop smaller local churches to pioneer and establish a new children's and youth ministry of their own.	£250,000
Diocese of St Albans	Alban Way; Developing young leaders through spiritual formation in order to develop spiritually healthy, resilient and holistic leaders.	£249,035
St Mellitus	Peter's Stream; Pioneering the Peter Stream into a new regional hub based at SMC East Midland.	£249,836
Weston Church, Diocese of Winchester	Weston Church Youth Project; Establishing a church plant reaching, and eventually led by young people living in a disadvantaged neighbourhood.	£250,000
Diocese of Winchester	The Pillar; A church-led mental health project for young people aged 11-18 years of age.	£249,992

INDEPENDENT REVIEW OF STRATEGIC DEVELOPMENT FUNDING AND LOWEST INCOME COMMUNITIES FUNDING

In 2021, the SIB commissioned an independent review of SDF and LInC funding, chaired by Sir Robert Chote.

The SIB warmly welcomed the Review's report which was published in March 2022.

The Review found that LInC funding is sustaining ministry in many poor communities that would otherwise lose it. It recommended that the primary role of LInC should continue to be in supporting and sustaining ministry in deprived communities and that funding levels should be at least maintained for the remainder of the ten-year transition period (2017–26). More of LInC should be used to extend and refresh ministry in deprived communities, with dioceses explaining the distribution and use of LInC funding clearly, including reporting on missional effectiveness.

The Review noted that SDF is manifested in parishes revitalised, the creation of new worshipping communities and additional ordained and lay ministry posts, with a focus on major and relatively deprived urban areas that have been under-served. Diocesan capacity to effect missional change is improved, helping the whole Church, and there have been new disciples and fresh social action in communities. In the delivery of project-based funding to support mission and growth, the Innovation Funding should be used to trial new ideas, while SDF should be used to scale up promising approaches, to help roll out relatively proven missional concepts and to develop and adapt them for new contexts. Resources should be provided to improve reporting mechanisms for the funding, increase the participation of communities currently under-represented in Church by ethnicity, class and gender, and ensure that the funding enables mission in all Church traditions and areas of the country. The Review recommended that, as well as these policy changes, there should be enhanced transparency and communication.

The Review observed that the funding streams are too small by themselves to achieve Church-wide change. Making the most of any lessons learned is therefore critical. They noted that work had been undertaken by the national church to share the lessons learned by the programmes, but that this should be enhanced and shared more widely.

The Review concluded that the Vision & Strategy offers an opportunity to try to establish renewed unity of purpose around the schemes and more broadly.

It recommended that the funding streams should align with the Vision and Strategy, and that the funds should retain their intentionality and additionality to existing work. As part of that, this should include moving to a more integrated strategic approach with dioceses.

The SIB has welcomed each of the Review's recommendations and has had conversations on the themes of church culture, outcome and learning collection, and transparency and communication. The recommendations have been taken into account in the design of future funding streams, and the SIB has also commissioned an outcome and learning framework to pick up many of the points around gathering common outcomes and sharing learning.

FUTURE SPENDING PLANS

In 2022, the Commissioners and the Archbishops' Council agreed and announced their 2023–31 spending plans (encompassing the 2023–5 triennium as well as plans for the following two triennia). These include the creation of Strategic Mission and Ministry Investment (SMMI), which will support the Church in achieving the strategic priorities and the bold outcomes of the Church of England's Vision and Strategy for the 2020s. The vast majority of this funding will go directly to dioceses to advance their plans for the Vision and Strategy in local parishes and communities across the country.

The Commissioners and the Council have indicated total funding of £1.2 billion for SMMI from 2023–31, subject to the outcome of future triennial funding reviews.

A new Board – the Strategic Mission and Ministry Investment Board – will distribute and monitor the progress and impact of the SMMI. The new Board will also take on responsibility for tracking the effective delivery and impact of existing mission projects across the country previously awarded funding by the Strategic Investment Board.

Many of the recommendations of the independent review of SDF and LInC funding have been taken into account in the design of the Strategic Mission and Ministry Investment, including the building of trust and partnership between dioceses and national church. The funding programme and the processes undertaken at the new Strategic Mission and Ministry Board will also be more transparent.

MEETING OUR AIMS:
Supporting the Church's Vision and Strategy for the 2020s, through targeted funding, practical guidance and effective processes. **See more on pages 12–15.**

One of the key ways in which the Church Commissioners achieve their purpose is through distributing funding to support dioceses and local churches.


Justin Welby, Archbishop of Canterbury and Stephen Cottrell, Archbishop of York at St John The Evangelist, Balby, Diocese of Sheffield

ARCHBISHOPS', BISHOPS' AND CATHEDRALS' MINISTRY

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

This area of our work is overseen by the Bishoprics & Cathedrals Committee, chaired by the Third Church Estates Commissioner (The Reverend Canon Dr Flora Winfield).

Diocesan bishops can spend their funding according to local needs, which were reviewed during 2022 in a zero-based budgeting exercise to inform future funding allocations.

LAMBETH PALACE

Lambeth Palace is owned and maintained by the Church Commissioners. The Palace has been in need of repair for many years, with its infrastructure having not been updated since well before the Second World War. In 2022, under the regular oversight of the Bishoprics and Cathedrals Committee and an additional Project Oversight Board, a contractor was engaged under contract to carry out the required refurbishment works, which focus on sustainability, accessibility, safety and security.

BISHOPS' HOUSING

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

Three new diocesan bishops took up office during 2022 and so the opportunity was taken to undertake necessary refurbishment works at the Bath & Wells, Rochester and Salisbury See houses, along with the Liverpool and Newcastle See houses to enable the new bishops to take up their ministries and responsibilities during early 2023.

We continued to take the opportunity to review and undertake sustainability interventions to ensure the See house portfolio aligns with the Church's commitment to be carbon net zero by 2030. The roll out of the installation of electric vehicle charging points at the See houses continues.

Challenges with availability of contractors and building material supply chains remained during 2022 and so, whilst always seeking best value in respect of building and maintenance costs, inflationary pressures remained a factor.

CHANCEL REPAIRS

The Church Commissioners have inherited a whole or partial chancel repair liability in respect of approximately 800 parish churches, and from 1 January 2019 the Church Commissioners also took on the full administrative and financial responsibility for keeping approximately 200 cathedral chapter chancels in good order.

Consequently, the Bishoprics and Cathedrals Committee is responsible for the oversight of the Church Commissioners' expenditure on all chancel repairs and related matters. In 2022, we approved 58 new chancel repair projects which, with the existing projects from previous years, enabled us to provide financial and administrative support to approximately 105 parishes where the Commissioners have a responsibility. Similarly, we also supported nine cathedrals by taking on the financial and administrative responsibility for the repair of approximately 14 chancels for which those cathedrals are responsible.

CATHEDRALS MEASURE 2021

The Commissioners continue to support cathedrals as they transition to become registered charities. Four cathedrals registered during 2022 with the vast majority expected to register in 2023.

Bespoke training and legal support for the registration process continues. We also convened a three-day strategic leadership event in Manchester to support cathedrals' focus on key areas of development as they move into the new co-regulatory regime (The Church Commissioners are co-regulator along with the Charity Commission). This was well attended and marked the first stage in our training programme for Chapters as cathedrals adopt the new structures and ways of working outlined in the Cathedrals Measure 2021. We continue to meet regularly with the Charity Commission for England and Wales to ensure that the registration process is working well and to strengthen working relationships as we move into the role of co-regulator.

BISHOPRICS & CATHEDRALS COMMITTEE SUSTAINABILITY WORK AND SUPPORT FOR THE CHURCH OF ENGLAND'S AMBITION TO REACH NET ZERO CARBON BY 2030

In 2022 the Commissioners completed a baseline survey of the carbon footprint of cathedrals and See houses. These surveys will help to inform part of the response to General Synod's call for all parts of the Church of England to work to achieve year-on-year reductions in carbon emissions to achieve a target of net zero by 2030.

The survey of cathedrals highlighted the challenges in meeting this call, finding that achieving net zero by 2030 is likely to require some form of carbon offsetting. However, the survey identified the potential to reduce the cathedral sectors' total operational carbon by 75% by 2030 and we will be working closely with cathedrals in 2023 to help them to develop potential pathways.

The carbon footprint of See houses was much smaller, reflecting the different scale and challenges associated with this portfolio. Whilst their carbon footprint is unsurprisingly significantly smaller, there is a greater potential to achieve net zero by 2030 and we will be developing pathways in 2023 to try to meet this target.

LAMBETH PALACE LIBRARY

2022 saw the Library's first full year in its new building, which now gives readers and visitors the opportunity to use the former collections of the Church of England Record Centre alongside those of the Library. The building is open to the general public, who can see changing exhibitions and find out more about the history of the Church of England. Exhibitions during 2022 included From Popish Plot to Civil Rights (on religious archives), Layers of Lambeth (on the urbanization of Lambeth Marsh over four centuries) and Collecting during Covid-19 (recent acquisitions of rare books and manuscripts by the Library's Friends), as well as highlights from the Library's historic collections.

In early 2023, the Library held the Enslavement: Voices from the Archives exhibition, which accompanied the Church Commissioners' public report on historic links between Queen Anne's Bounty and transatlantic chattel slavery, an exhibition which received many visitors and much interest.

MEETING OUR AIMS:
Supporting the Church's Vision and Strategy for the 2020s, through targeted funding, practical guidance and effective processes. **See more on pages 12–15.**

CATHEDRAL AND CHURCH BUILDINGS

The Cathedral and Church Buildings team works with and supports the people who care for our churches and cathedrals.

We do this through training and guidance for Diocesan Advisory Committees and Fabric Advisory Committees, through online published guidance and advice on the day-to-day maintenance and conservation of churches and on how to go about making changes to church and cathedral buildings. We engage directly with some cases, where we are involved with individual churches or cathedrals, and support the work of the Church Buildings Council and the Cathedrals Fabric Commission for England. We work with government, Historic England and the wider heritage sector to develop policy and leverage funding.

With the start of a new Quinquennium in May 2022, we recruited 14 new members (of 24) for the Cathedrals Fabric Commission for England, six new members (of 24) for the Church Buildings Council, and 19 new members for the various conservation committees.

BUILDINGS FOR MISSION

During 2022 we secured funding as part of the 2023–25 triennium for a programme of work entitled ‘Buildings for Mission’. This work is aimed at supporting cathedrals, dioceses and parishes with the management of their built assets and associated land, expanding existing tools and models which have been shown to work.

The overall aim is to remove burdens from hard pressed congregations and governance bodies by providing support to help them manage many of the more onerous technical responsibilities or facilitating them to do so on a collective basis. Total funding of £11 million has been allocated over the triennium, divided into two mutually supportive workstreams:

- Digital provision and training; the overall aim is to provide an improved integrated system for many aspects of managing buildings and sites.
- Support for churches; the bulk of the funding will provide for more than 20 new Church Buildings Support staff in dioceses to complement and supplement the work done by existing staff and to support the work of local volunteers. It will also enable these staff to offer minor repair grants. This workstream will support the roll-out of Church Buildings Management Partnerships, a delivery mechanism that was developed in 2022.

ENVIRONMENT AND NET ZERO CARBON 2030

We have continued to progress our net zero programme in 2022. There is widespread recognition across the Church of England of the climate emergency and the necessity of a strong, visible Christian response to what is happening to our world. As a key step towards this, all 42 dioceses have now registered as Eco Dioceses. The Eco Diocese scheme is an initiative run by A Rocha UK to encourage diocesan-level engagement with ‘Eco Church’, and promote local church participation in the scheme.

At the February 2022 General Synod, amendments to the Faculty Jurisdiction Rules were approved that removed some regulatory hurdles to proposals for reducing the carbon footprint of a church and also requiring a strong case to be made for proposals that continue or increase reliance on fossil fuels for heating. These came into force on 1 July 2022.

The Routemap to Net Zero Carbon by 2030 was agreed by General Synod in July 2022 and is the action plan to deliver net zero carbon this decade, in line with the ambition agreed at Synod. It contains milestones and actions for all parts of the Church. The Church Commissioners have committed an anticipated £190 million of funding over the next nine years towards this action plan, with £30m for 2023–25. Work began in 2022 to plan and prepare for the best use of this funding.

In support of this work, we launched a new range of case studies, issued new guidance, offered training and webinars, ran two conferences (one for Diocesan Environment Officers and one, in partnership with Fit for the Future and Historic England, on the Future of Heat) and increased our own capacity through creating the Net Zero Carbon and Building Services committee of the Church Buildings Council.

We also focused on biodiversity, in particular through the Churches Count on Nature project, and on climate resilience, creating new case studies and guidance.

CONTESTED HERITAGE

We continued to provide advice to parishes, dioceses and ecclesiastical judges regarding contested heritage cases. In January 2022, we presented our work on contested heritage to the Archbishops' Commission on Racial Justice. We are grateful for the serious attention the Commission gave in its first Biannual Report to consideration of the impact of memorials in our churches and cathedrals to known traders in enslaved people and those who were otherwise a party to their brutal exploitation. A Contested Heritage Committee was established by the Church Buildings Council in July 2022 to bring a broader understanding of the issues, and to provide advice on policy, guidance and cases for the Church Buildings Council and Cathedrals Fabric Commission for England. A review of the published national contested heritage guidance is underway, with a focus on the theology underpinning the guidance and learning from its use in cases at Jesus College Chapel, Cambridge (Diocese of Ely) and Dorchester, St Peter, Holy Trinity & All Saints (Diocese of Salisbury).

FUNDING

We continued our work with Historic England, the National Churches Trust, the National Lottery Heritage Fund, the Historic Religious Buildings Alliance and others to gather evidence ahead of a future bid to government for long-term repairs funding for listed places of worship as recommended in the 2017 Taylor Report into the sustainability of cathedrals and church buildings.

The major repair projects funded by the government's Culture Recovery Fund came to successful conclusions in June 2022. These grants were aimed at sustaining cultural institutions and the specialist craft and buildings trades during the pandemic. £4.3m was awarded to 21 cathedrals and Major Churches across the country under the second round of the scheme.

In 2022, our conservation grants programmes awarded nearly £300,000 to 102 projects in 30 dioceses. We continued to work with organisations and networks including the Heritage Craft Funders Network and the Heritage Skills Demand Group on the current and future challenges of sustaining crafts and heritage skills that are necessary to conserve our historic church buildings and interiors. Our grants are published on the 360Giving website.

THE NATIONAL BURIAL GROUNDS SURVEY

The project to map each of the Church of England's 12,500 churchyards is now well underway, with surveying completed in the Dioceses of Carlisle and Truro and progressing in Exeter, Salisbury and Oxford. This project using laser scanning technology will result in a free-to-access map of graves being available online over a seven-year period.


Gloucester Cathedral

MEETING OUR AIMS:
Supporting the Church's Vision and Strategy for the 2020s, through targeted funding, practical guidance and effective processes. **See more on pages 12–15.**

MISSION, PASTORAL AND CHURCH PROPERTY

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

This work is fundamental to our shared mission and ministry, as it enables the Church to respond to changing factors such as demography and population shifts.

The Commissioners have a quasi-judicial role and are responsible for the management and delivery of the processes of the Mission and Pastoral Measure (2011), the Church Property Measure (2018) and related legislation. This work is overseen by the Mission, Pastoral and Church Property Committee (MPCPC). The Committee is chaired by the Third Church Estates Commissioner (The Reverend Canon Dr Flora Winfield). The Committee met nine times in 2022; eight committee meetings and one day of hearings into three cases in the Diocese of Winchester. As well as considering casework, the Committee also discusses wider policy and works with the National Church Institutions (NCIs) and other partners on a range of related matters.

The Mission and Pastoral Measure facilitates changes to pastoral arrangements (the administrative geography of worship, mission and ministry), changes to ministry provision (generally benefices) and changes to building provision (including church buildings, graveyards and housing). The process required to make changes varies according to the matter, but it usually involves consultation with the relevant parties and in some matters the proposals will be published for consultation. If there are no written objections the legal instrument (a scheme or order) gets made, or if there are written objections the case is considered by the MPCPC.

In 2022 the MPCPC considered the following cases:
- Eight schemes affecting the pastoral arrangements in parishes and benefices.
- One scheme for a church building which needed to be closed, and six schemes for the disposal of church buildings where new uses had been identified, including a nursery and residential housing.

Other casework included:
- Making 89 schemes which included the creation of new parishes and benefices, the unions of parishes and benefices and alterations to team ministry arrangements. 108 new proposals were received during the year.
- Settling the future use of 28 church buildings which included disposals for worship use by other Christian denominations, and disposals for educational, community and residential uses, including the freehold disposal of ten church buildings which had previously been leased for housing in London.
- Consulting on the new uses for 26 church buildings which are no longer required for regular public worship which included community and residential uses.
- Making progress on the disposal of church buildings which have been closed for longer than five years. Four church buildings were sold for Christian worship and residential use, and uses were identified for a further nine churches.
- Vesting one new church into the Churches Conservation Trust (CCT).

In total, just over £2m in net proceeds from the disposal of closed churches and sites was allocated to dioceses to support mission and ministry and new initiatives in 2022. In the past ten years, we have transferred more than £20m from proceeds to dioceses to support ongoing mission.

REVIEW OF THE MISSION AND PASTORAL MEASURE (MPM)

In 2020, the Legislative Reform Committee of the Archbishops' Council commissioned a review of the Mission and Pastoral Measure (MPM) 2011. An initial paper was brought to General Synod in 2021 and an analysis of consultation responses was tabled in February 2022. A General Synod Reference Group was also established in February 2022 and the Church Commissioners are very grateful for the support of that group, as they have helped us to seek out areas of consensus for change and develop our proposals in collaboration. Alongside that work, the Commissioners have completed a substantial programme of engagement with representatives from parishes, deaneries and diocesan teams from across different parts of the country, and from a range of ministry contexts, including in Carlisle, Exeter, Hereford, St Edmundsbury and Ipswich, Lincoln, London, Liverpool and Winchester. Proposals for a revised Mission and Pastoral Measure will be developed and presented to General Synod during 2023, to be followed by draft legislation in 2024, if approved by Synod.

TRAINING

The team provided a new training programme to diocesan teams in 2022, which included training on MPM processes, parish governance and joint councils.

CHURCHES CONSERVATION TRUST (CCT)

The MPCPC is also responsible for overseeing our relationship with the Churches Conservation Trust (CCT), which is jointly funded by the Commissioners and the Department for Digital, Culture, Media & Sport. The CCT works in partnership with communities to conserve the most historically significant church buildings, and is currently responsible for more than 350 churches. During 2022, a new Chair was appointed to the CCT (Liz Peace) and the Commissioners supported the recruitment of new trustees and Chief Executive (Greg Pickup). There was also engagement with the CCT Board on the MPM review. The CCT Annual Report and Accounts for 2022 was laid before General Synod in February 2023.

MEETING OUR AIMS:
Supporting the Church's Vision and Strategy for the 2020s, through targeted funding, practical guidance and effective processes. **See more on pages 12–15.**

Providing support for the Church's mission and heritage is a critical part of the Church Commissioners' responsibilities. Through legislative change and sound governance frameworks we can enable parishes and dioceses to respond to changing contexts and support the sustainability and renewal of the Church in the communities we serve.

THE REVEREND CANON DR FLORA WINFIELD, THIRD CHURCH ESTATES COMMISSIONER

St Mary's, Warwick, Diocese of Coventry

INVESTING FOR THE FUTURE

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

INVESTING FOR THE FUTURE IN NUMBERS

£10.3bn
Assets under management

5%
Total net return

Leicester Cathedral

REVIEW OF INVESTMENTS

The Church Commissioners manage an investment fund of £10.3bn[1], in an ethical and responsible way. The fund has delivered an average return of 10.2% per annum over the last ten years.

OBJECTIVES

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

FUND STRATEGY AND PERFORMANCE

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

Our investment objective is to generate a return of CPIH+4.0% per annum, on average, over the long term, in order to support the work and mission of the Church of England today and for future generations. We have managed to match or exceed our target over 3, 5, 10, 20 and 30 years. Over the past ten years, the fund has achieved an average return of 10.2% per annum.

Meeting or exceeding our performance objective allows us to meet our pension obligations and to grow, in real terms, our support for the Church, balancing the needs of both current and future beneficiaries. Since 2005 we have managed to grow our (non-pensions) distributions at more than double the rate of inflation, thanks to strong investment performance. As we start a new triennium in 2023, we have announced our largest ever increase in our planned distributions. In the 2023–25 triennium we plan to increase support for the Church by 30%, compared to the previous triennium.

The Commissioners' investment policy is to hold a diversified portfolio of investments across a broad range of asset classes consistent with our ethical guidelines and our Responsible Investment Framework. The asset allocation chart (below) shows our asset weightings at the end of 2022.

Despite a very challenging environment for financial markets, 2022 marked the fourteenth year in a row the Church Commissioners delivered a positive return. The Church Commissioners also issued its inaugural bonds in July 2022, made up of a £250 million Sustainability Bond with a 10-year maturity and a £300 million conventional bond with a 30-year maturity. The money raised will be invested on a long-term basis, enhancing the fund's capital efficiency and offering the potential to generate additional value for our beneficiaries. The total assets figures quoted are net of the bond debt.

2022 was a memorable year for global economies and financial markets, characterised by high inflation, geopolitical turmoil, and a historically rapid central bank interest rate tightening cycle. Financial markets mostly did not see this environment coming and at the start of 2022 markets were still pricing in a return to the recent past, where easy monetary policy would produce low, stable inflation going forward with modest growth. Then, the Russia-Ukraine conflict added a commodity supply shock to the still present post-pandemic demand shock, which further fuelled inflationary pressures.

We saw some of the largest shifts in macro-economic conditions that developed world countries had experienced in decades. During 2022, central banks began to tighten aggressively in response to high and stubborn inflation, with many central banks raising interest rates in 75-100bp increments. Towards the end of the year, central banks began to slow their pace of tightening.

1.Net of bond debt

2022 was notable not only for the severity of losses in markets but also their breadth. Both equities and bonds fell sharply, which is rare in a historical context. This meant traditional portfolios, which invest mainly in liquid equity and bond markets, did poorly. Research showed 2022 was the fourth-worst year since 1926 for the typical 60/40 equity / fixed income portfolio. Sterling weakness had a big impact on returns in 2022, too.

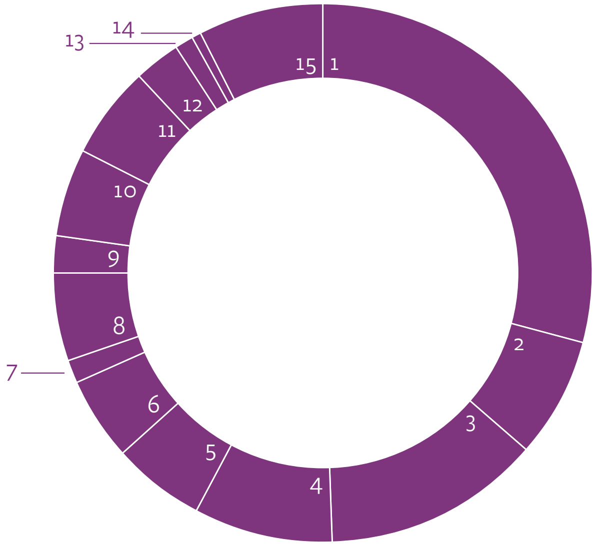
The historical anomaly highlights a broader theme: assets deemed to provide 'safety' varied significantly in 2022. Some asset classes that investors typically expect to offer protection in weak equity markets worked as expected. Others didn't. Some other asset classes typically labelled as 'higher risk' actually protected portfolios. If ever there was a year to highlight the challenges of traditional asset allocation / portfolio construction techniques and definitions of investment risk, 2022 was that year.

It was a good reminder that correlations between assets classes can change quickly. A common theme among the outliers was valuation, or the price the market wanted investors to pay for an asset, at the start of the year. For example, bonds, which did poorly, were at some of their most expensive valuation levels in centuries and as a result couldn't provide their usual defensive role. And some parts of the equity market that wouldn't typically outperform in a weak market did so because the market supported the valuations.

Despite challenging and volatile markets, the Church Commissioners' fund was able to deliver a positive return. The total net return was 5.0%, which compares favourably with other funds, although was behind our CPIH+4.0% per annum target as inflation rose to 40 year highs. As in most years, some asset classes in the portfolio delivered strong returns whereas others, like equities, did less well and delivered negative returns. The fund is well diversified across a broad range of asset classes, which helps to mitigate risk.

There were four main reasons the Church Commissioners were able to deliver a positive return despite the challenging market environment. Our dynamic investment risk management and hedging, across interest rate, equity risk and currency, added significant value during the year. Our absolute return managers had a very strong year, as detailed below. Our genuine diversification and high allocation to real assets also contributed positively. And our swift reduction of foreign exchange hedges in the first quarter of 2022 meant that we captured the majority of the gains as a result of sterling weakness.

COMMISSIONERS' ASSET ALLOCATION



1. Public Equities ... 28.9%
2. Defensive Equities ... 7.4%
3. Absolute Return ... 13.0%
4. Private Equity ... 8.2%
5. Venture Capital ... 5.8%
6. Timberland ... 4.9%
7. Infrastructure ... 1.5%
8. Credit Strategies ... 5.2%
9. Commercial ... 2.3%
10. Residential ... 5.1%
11. Rural ... 5.6%
12. Strategic Land ... 2.8%
13. Indirect Property ... 1.1%
14. Portfolio Hedges ... 0.6%
15. Cash, and Cash-Like Assets ... 7.6%

Our longer-term performance, which is important to determine our distributions to the Church, remained strong. Our 3, 5, 10, 20 and 30-year returns are either in line with or ahead of our target. Based on these returns, the value of the Church Commissioners' investment assets at 31 December 2022 stood at £10.3bn, net of the bond debt, compared with £10.1bn at the start of the year.

PUBLIC MARKETS

Global equities were down over the course of 2022. In the first half of the year, markets fell between 20 and 25%. This was primarily caused by the direct impact of rising interest rates and, to a lesser extent, the indirect impact on market participants' outlook for the economy and earnings.

In the second half of 2022, some of the more acute pressures on inflation began to fade while growth remained resilient. This led to significant volatility with some 'bear' market rallies as investors perceived that central banks wouldn't have to tighten as much as initially feared, and then subsequent reversals as inflation remained high and central banks continued to signal that they would tighten interest rates aggressively. The rallies in markets were exacerbated by the unwinding in very pessimistic positioning among participants in the equity markets.

Within equity markets the story was mixed. The US underperformed all other regions in local currency terms. The UK, which produced a positive return, and Japan were the best performing markets. There wasn't a significant difference between larger companies' share performance versus smaller companies over the year as a whole. There was significant divergence among sectors. Energy stocks were up strongly whereas technology companies' shares were down sharply. The spread between these two sectors for the global index was over 75% in 2022. For the second year in a row, value stocks outperformed growth stocks. However, in 2022 the margin was significant, which wasn't the case in 2021. Overall, 2022, like 2021, was a difficult environment for active managers, with the majority lagging the market. Overall, our public equity portfolio returned -11.3% versus the benchmark of -7.6%, and the defensive equities portfolio, which consists of allocations to managers who take long and short positions to equities, generated a small return of 0.4%.

Our absolute return portfolio, which represents around 13.0% of the fund, is designed to generate returns which are largely independent of the external environment. In 2022, it returned 32.0%, which provided significant benefit at a total portfolio level in difficult, and otherwise challenging markets. Our fixed income portfolio invests in credit strategies, both liquid and illiquid, but was a very small allocation within the fund at the start of the year. The liquid portfolio, which includes investments in emerging market debt and structured credit, delivered a positive return of 1.3%.

PRIVATE EQUITY AND VENTURE CAPITAL

The private equity and venture capital portfolios, which invest in unlisted companies, achieved total returns of 19.8% and 6.5% respectively in 2022. The portfolios continued to perform well despite the economic headwinds. The long-term and illiquid nature of these investments means the gains cannot be immediately realised, but they contribute to the strong full year out-turn for these portfolios. During the year, we agreed further commitments to the private equity portfolio totalling £234.4m and £87.4m to the venture capital portfolio. Over the long term, our private equity and venture portfolios have significantly outperformed public equity markets, returning 19.9% per annum over the past ten years.

REAL ASSETS

The Church Commissioners' real asset portfolios consist of a diverse range of property-related investments enabling us to take a long-term approach in line with good stewardship. In 2021, a natural capital and carbon baseline assessment was completed across our farmland, strategic land and timberland portfolios. Informed by that assessment, the development of a strategy for environmentally positive change commenced in 2022. The output will ensure that net zero ambitions and a desire for biodiversity improvement, as well as stakeholder collaboration, are integrated within future portfolio decisions.

The overall real assets portfolio delivered a return of 9.5% during 2022. Our infrastructure funds and forestry investments produced returns of 41.0% and 11.9% respectively, which were the best returns in the real assets portfolio. Farmland, strategic land and the residential portfolio performed well, each delivering returns of between 8.6% and 11.3% during the year. Commercial property returns fell -3.2%, however this was still better than that market which declined more than -7%, as measured by the MSCI UK Annual Property Index.

The strategic land (land for housing development) team has been implementing a set of recommendations developed by the Church Commissioners in response to the Archbishops' Commission on Housing, Church and Community's Coming Home report. This includes the progression of several 'rural exception sites', which are small-scale developments with higher levels of affordable housing. We sold the first of these sites, in Dover, for 13 homes including ten affordable homes and three market-price bungalows. We also developed and implemented an ESG Framework (environmental, social, governance) for the portfolio, which will focus on enhancing the social and environmental benefits derived from our developments.

Our farmland and forestry team continued to work with developers across several properties in the UK and the US to support renewable energy developments, as the portfolio executes its plans for a renewable energy transition.

The infrastructure portfolio had another active year. We continued our focus on energy efficiency and environmentally innovative infrastructure investments. Overall, the infrastructure portfolio is estimated to have reduced global greenhouse gas emissions by a net 18,500 tonnes of CO_2e during the year.

MEETING OUR AIMS:
Investing for Good. See more on pages 12–15.

Visiting Scottish timberland

The Church Commissioners has continued to be responsible stewards in a challenging year. The strong and resilient returns over the last decade have enabled us to increase our distributions to the highest level in our history for the triennium ahead. Our successful bond issuance, raising £550 million, will enable us to continue to pursue intergenerational equity and to maximise our support for the Church of England's mission and ministry over the long term.

ALAN SMITH,
FIRST CHURCH ESTATES COMMISSIONER

APPROACH TO RESPONSIBLE INVESTMENT

The Church Commissioners' ambition is to be at the forefront, globally, of responsible investment. The Church Commissioners' responsible investment approach seeks to address the complexity of the world in which we invest by taking a systemic approach to systemic issues.

Our responsible investment policy, published on the Church of England website, outlines our approach and the reasons behind why we take this approach. We believe that taking account of environmental, social and governance (ESG) issues is an intrinsic part of being a good investor. We hold this belief for both ethical and financial reasons. Our responsible investment framework is focused on the philosophies of Respect for the Planet and Respect for People.

Ethically, we think that investors who take account of ESG issues will be better aligned with the broader objectives of society and better corporate citizens. Moreover, an ethical approach to investments aligns our activities to the Five Marks of Mission.

We believe that a best-practice approach to responsible investment is one where the investor is comfortable operating in the complex, nuanced world we live in. This would be an approach where the aim is to increase positive outcomes, reduce negative outcomes and manage the exposure to risk, but where it is recognised that this may mean that we need to be invested in an area that carries a degree of both investment and reputational risk.

Financial, academic and industry studies, and our own experience, suggests that when ESG issues are well managed they can have a positive impact on the performance of investments, particularly over the longer term.

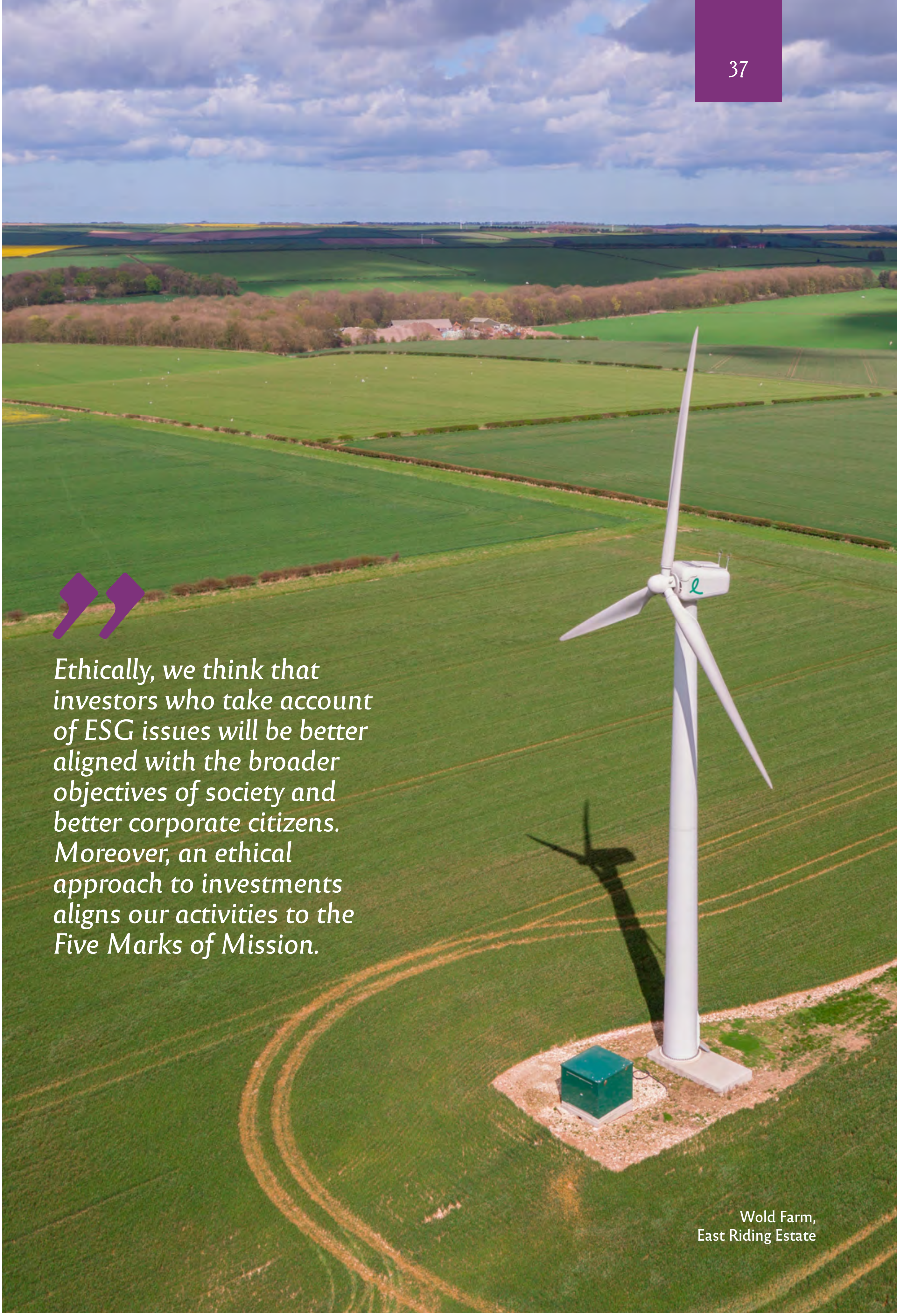
CASE STUDY

THE TROPICAL FOREST ALLIANCE

The Church Commissioners co-founded the Investor Policy Dialogue on Deforestation (IPDD) in 2020, and co-chair the Indonesia workstream. IPDD is a platform of institutional investors with 65 members from 19 countries representing assets under management of over $10 trillion.

In October 2022, the Church Commissioners represented IPDD in high-level engagements in Jakarta, together with representatives of Robeco and Sumitomo Asset Management, and joined colleagues from the Tropical Forest Alliance. The group met with key stakeholders to discuss how to advance sustainable finance in Indonesia and how institutional investors can support the country's efforts to reduce deforestation. The Tropical Forest Alliance signed an agreement with the Indonesia Stock Exchange and Indonesia Chamber of Commerce and Industry to support capacity development for ESG-related investment and reporting.

At the Conference of the Parties to the United Nations Convention on Biological Diversity (COP15) in December 2022, the IPDD released its two-year outcomes report, which was reported positively in trade and mainstream press (Investors Policy Dialogue on Deforestation (IPDD) Initiative » Tropical Forest Alliance).



Ethically, we think that investors who take account of ESG issues will be better aligned with the broader objectives of society and better corporate citizens. Moreover, an ethical approach to investments aligns our activities to the Five Marks of Mission.

Wold Farm,
East Riding Estate

Hyde Park Estate

TOP 20 HOLDINGS (as at 31 December 2022)

TOP 20 PROPERTY HOLDINGS	TOP 20 EQUITY HOLDINGS
19-26 Long Acre & 28-30 Floral Street (Commercial)	Alibaba Group
Arbol Tree (Timberland, USA South)	Alphabet
Ashford Estate (Rural)	Amazon
Brownhills Forest (Timberland, East Ayrshire)	Analog Devices
Carlisle Estate (Rural)	Apple
Cherry Tree (Timberland, Virginia USA)	Charles Schwab
Chichester Estate (Rural)	Equifax
Dykeraw Forest (Timberland, Scottish Borders)	HDFC Bank
Ely Estate (Rural)	Henry Schein
Midgehope Forest (Timberland, Scottish Borders)	MercadoLibre
Huntingdon Estate (Rural)	Merck
Hyde Park Estate (Residential)	Microsoft
MetroCentre (Commercial)	Salesforce
Millbank Estate (Rural)	Samsung Electronics
Rochester Estate (Rural)	Sanofi-Aventis
Royal Lancaster Hotel (Residential)	Siemens Ag
South Lincoln Estate (Rural)	Steris Limited
Strathwiggan & Deughwater Forest (Timberland, East Ayrshire and Dumfries & Galloway)	Trane Technologies PLC
West Buccleuch Forest (Timberland, Scottish Borders)	Vestas Wind Systems
Wycombe Retail Park (Commercial)	Visa

MEETING OUR AIMS: Investing for Good. **See more on pages 12–15.**

RESEARCH INTO LINKS TO TRANSATLANTIC SLAVERY

Research into historic transatlantic chattel slavery links

The Church Commissioners in 2019 decided to conduct research into the source of the endowment fund it manages to gain an improved understanding of its history, to understand better its present and to continue to support the Church of England's work and mission in the future as best it can. We worked with forensic accountants and academics to analyse early ledgers and other original documents from Queen Anne's Bounty, one of the Church Commissioners' predecessor funds, which was established in 1704.

Through that research, the Church Commissioners learned that its endowment had historic links to transatlantic chattel slavery. The Church Commissioners is deeply sorry for its predecessor fund's links with transatlantic chattel slavery.

WHAT WE KNOW

In the 18th century, Queen Anne's Bounty invested significant amounts of its funds in the South Sea Company, which traded in enslaved people. Queen Anne's Bounty also received numerous benefactions, many of which are likely to have come from individuals linked to, or who profited from, transatlantic chattel slavery and the plantation economy.

Queen Anne's Bounty was used to supplement the income of poor clergy. This was done either through buying land from which the clergy received the income or through an annuity stream paid by Queen Anne's Bounty.

Queen Anne's Bounty's funds were subsumed into the Church Commissioners' endowment when it was created in 1948, perpetuating the legacy of Queen Anne's Bounty's linkages to transatlantic chattel slavery.

Every human being is made in the image of God, and Jesus teaches us that he came so that we all may have life in all its fullness. Chattel slavery, where people made in the image of God have their freedom taken away to be owned and exploited for profit was, and continues to be, a shameful and horrific sin.

OUR RESPONSE

In response to the findings, the Church Commissioners' Board has committed itself to trying to address some of the past wrongs by investing in a better future. It will seek to do this through committing £100 million of funding, delivered over the nine years commencing in 2023, to a programme of investment, research and engagement.

A new oversight group will be formed during 2023 with significant membership from communities impacted by historic transatlantic chattel slavery. This group will work with the Church Commissioners on shaping and delivering the response, listening widely to ensure this work is done sensitively and with accountability.

The response will comprise:

- Establishing a new impact investment fund to invest for a better and fairer future for all, particularly for communities affected by historic slavery. It is hoped this fund will grow over time, reinvesting returns to enable it to have a positive legacy that will exist in perpetuity, and with the potential for other institutions to participate, further enabling growth in the size and impact of the fund.
- Growth in the impact fund will also enable grant funding for projects focused on improving opportunities for communities adversely impacted by historic slavery.
- Further research, including into the Church Commissioners' history, supporting dioceses, cathedrals and parishes to research and address their historic links with slavery, and sharing best practice with other organisations researching their slavery legacies. As an immediate action, in early 2023 Lambeth Palace Library hosted an exhibition with items from its archives that have links to historic transatlantic chattel slavery.
- The Church Commissioners will also continue to use its voice as a responsible investor to address and combat modern slavery and human rights violations, and to seek to address injustice and inequalities.

Queen Anne's
Bounty Charter

FINANCIAL REVIEW

Our financial activity in 2022 and the processes and structures that underpinned it.

Manor Farm,
Chichester

REVIEW OF FINANCIAL ACTIVITY

In what was another very difficult year – in the post-pandemic context with significant geopolitical uncertainty and the nation facing a cost-of-living crisis – the Church Commissioners were pleased to be able to distribute £186.8m in charitable expenditure (excluding pre-1998 clergy pensions), a year-on-year increase of £39.5m (26.8%).

The total return on the fund is derived from income from and gains on investments. Total income for the year was £148.4m (2021: £148.1m), £0.3m higher than the previous year. This reflects an increase in equity dividend income, partially offset by a reduction in income from Timberland investments. Total gains on investment assets, including movements on derivatives, foreign currencies and taxation, was £413.1m (2021: £1,142.5m). Investment performance is described earlier in this report.

Expenditure during 2022 totalled £176.9m (2021: £226.4m), a reduction of £49.5m on the previous year. Excluding pre-1998 clergy pensions expenditure, which for accounting purposes (not cash payments) reduced by £64.2m, there was an underlying increase in charitable expenditure of £39.5m (26.8%). The cost of raising funds decreased by £24.8m year on year to £59.4m (2021: £84.2m).

A summary of the expenditure in 2022 and 2021 and the difference between the two is shown below.

The amount spent on supporting dioceses and the local church was £117.2m (2021: £86.8m), an increase of £30.4m (35.0%). This reflects a number of new grant streams made available (in partnership with the Archbishops' Council) during the year to respond to the cost-of-living crisis (described earlier in this report), including £15.0m Energy Cost grants made to dioceses to enable them to support Parochial Church Councils and ministers with rising energy bills, along with £3.0m Clergy Hardship support grants to provide targeted hardship support to clergy in greatest need. In addition, £4.3m Sustainability Funding (2021: £9.3m) was provided to dioceses to help support them as they continue to face the challenge of loss of income following the pandemic.

CHARITABLE ACTIVITIES	2022 £M	2021 £M	DIFFERENCE £M
Supporting dioceses and the local church	117.2	86.8	30.4
Bishops' and Archbishops' ministry	44.9	42.2	2.7
Cathedrals' ministry	14.3	12.3	2.0
Other activities	10.4	6.0	4.4
Total charitable expenditure (excluding pre-1998 clergy pensions)	**186.8**	**147.3**	**39.5**
Pre-1998 clergy pensions	(69.3)	(5.1)	(64.2)
Total charitable expenditure	**117.5**	**142.2**	**(24.7)**
Raising Funds	59.4	84.2	(24.8)
Total expenditure	**176.9**	**226.4**	**(49.5)**

Continued support for vocations was provided through £1.9m funding for additional ordinands (2021: £3.2m), £10.4m support for curates through Strategic Ministry Funding (2021: £11.3m) and for the first time this year £4.3m funding for Posts of First Responsibility to enable finishing curates to move into roles of incumbent status.

Other key expenditure in this category included Strategic Development Funding grants which increased to £17.8m (2021: £14.1m) and £4.5m of Innovation Fund grants made for creative mission projects which seek to help the Church fully represent the communities we serve in age and diversity (2021: £0.3m); £11.1m of Strategic Transformation Funding grants (2021: £9.0m) were awarded to dioceses to help support them with restructuring programmes to better align with their strategic plans; and £28.3m was awarded in respect of Lowest Income Communities (2021: £27.5m).

Further details of expenditure in this category can be found in note 5 to the financial statements and are also discussed in an earlier section of this report.

Expenditure on Bishops' and Archbishops' ministry also increased during the year to £44.9m (2021: £42.2m), with the increase largely reflecting the commencement of a programme of major refurbishment and repair to Lambeth Palace for the first time in nearly a century.

Expenditure on Cathedrals' ministry increased in the year to £14.3m (2021: £12.3m). This increase largely reflected additional awards made under the Cathedral Sustainability Fund of £3.8m (2021: £1.9m) including supporting cathedrals with the implementation of the Cathedrals Measure 2021.

From an accounting perspective, the pre-1998 clergy pensions expenditure decreased by £64.2m to a net income of £69.3m (2021: net income of £5.1m) as a result of changes in actuarial assumptions. The Church Commissioners meet the cost of clergy pensions earned in service until the end of 1997 and have provided in full for forecast future payments. The most recent annual actuarial update has generated a net income of £70.7m, which is offset by scheme administration costs of £1.2m and support costs of £0.2m, resulting in overall net income of £69.3m. In 2022 the Commissioners' cash payments for clergy pensions were £117.1m (2021: £116.1m).

LONG-TERM FINANCIAL STRATEGY

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

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

The Commissioners account for and report returns (whether capital or income) on a total return basis under the terms of the Total Return Order obtained from the Charity Commission on 19 June 2012. This splits the fund into two components: the base level of the endowment and the unapplied total return. At 19 June 2012, the initial value of the base level of the endowment was £3bn and the initial value of the unapplied total return was £2.2bn. Further information on the Total Return Order is provided in note 18 to the financial statements.

In addition to being able to spend unapplied total return, the Commissioners have a time-limited power, which expires in December 2025, to spend endowment capital on its clergy pension obligations. In 2022, this resulted in £117.1m (2021: £116.1m) being charged to the base level of the endowment.

The total endowment fund of the Commissioners as at 31 December 2022 stood at £9.1bn (2021: £8.6bn), net of the provision for the pre-1998 clergy pension liability of £1.2bn (2021: £1.4bn) which is due for payment in future years. The base level of the endowment was valued at £2.6bn at 31 December 2022 (2021: £2.5bn), with the unapplied total return at the end of 2022 being £6.4bn (2021: £6.2bn). The trustees consider the level of unapplied total return to be sufficient, in light of their distribution policy, to meet their expenditure plans.

The total funds of the charity stood at £9.1bn (2021: £8.6bn) and reflect the value of the endowment fund described above, along with £0.3m (2021: £0.1m) restricted income funds.

SPENDING PLANS

The Church Commissioners and Archbishops' Council prepare joint three-year spending plans. A Triennium Funding Working Group (TFWG), with members from the House of Bishops, Archbishops' Council and Church Commissioners, advised on how our funds should be most effectively distributed in 2020–22, informed by three priorities agreed by the House of Bishops:

- Investment in recruiting and training new ministers, helping dioceses deliver the Church-wide goal of increasing the number of ordinands by 50%;
- Supporting dioceses in making strategic investment in change programmes designed to produce 'good growth';
- The continuation of specific funding to help dioceses to support mission in lowest income communities.

We continued to make funding available for these priorities in 2022, and no changes were made to the overall amount expected to be available for distribution in 2020–22. However, various reallocations of funding were undertaken during the triennium to support dioceses, cathedrals and the wider Church to respond to critical unforeseen events during the period including the impact of Covid-19, the energy crisis and the increase in cost of living.

The TFWG convened again for six months from October 2021 to consider funding priorities for the 2023 to 2025 triennium and beyond. Alongside the work of the TFWG, the Church Commissioners' Assets Committee worked with its actuarial advisers to determine the capacity for sustainable distributions.

The Spending Plans for 2023 to 2025 centred around the following priority areas:

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

An amount of £1.2 billion was made available for the 2023 to 2025 triennium, an increase of £0.3 billion on the previous triennium.


Winchester Cathedral

GOING CONCERN

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

In assessing the going concern status of the Church Commissioners, the trustees have considered the Church Commissioners' role in funding the Church's ministry, the spending strategy, the application of total return and the legislation to allow endowment to be spent for specific pension purposes. In addition, the trustees take account of independent actuarial advice provided by Hymans Robertson LLP on the affordability in perpetuity of their planned distributions. This advice is provided every three years when setting the spending plans for the next three-year period (the "triennium"), and is updated annually to ensure that the spending plans for the current and next triennium remain affordable. The approach adopted includes a smoothing mechanism which aims to give a full triennium's notice of any reduction in distributions unless there has been a significant deterioration in the balance between the Commissioners' assets and their spending plans. This means that while events such as Covid-19, the current geopolitical context and cost-of-living crisis, are factors for consideration, the Commissioners have a clear framework for assessing whether the events are sufficiently significant that they would change the amounts available for distribution to beneficiaries in the short term.

The annual actuarial update for the year ended 31 December 2022 was scrutinised by the Assets Committee, and includes stress testing scenario analysis which models the impact on distributions in the event of different levels of reduction in asset values. This includes consideration of the impact of changes in the performance of the asset portfolio, expected future returns or inflation, on the affordability of distributions. In light of this analysis, there is no reason to consider that any changes are required to the planned distributions for the 2023 to 2025 triennium and so the trustees have concluded that the Commissioners are able to sustainably meet both their legal obligations and planned discretionary funding for at least the period to 31 December 2025. In addition the trustees have given consideration to the availability of liquidity in light of market turbulence caused by ongoing geopolitical instability, a challenging economic environment, the post-pandemic context and other external factors. Under their Investment Risk Framework, the Commissioners seek to hold at least 18 months' planned expenditure in cash and near cash, and are satisfied that they have sufficient cash to meet their obligations in the short term. Therefore, the Commissioners continue to adopt the going concern basis of accounting in the preparation of these financial statements.

CARBON REPORTING

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

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

The Church Commissioners intend to monitor their emissions using an intensity ratio of tonnes of CO_2 equivalent per square metre of floor space or per headcount. However, the Church Commissioners have not yet made a decision concerning an appropriate base year for monitoring their emissions. As most energy usage relates to the use of offices, 2020 and 2021 were not suitable since most staff were working from home during these periods and during 2022 their use of Church House was significantly restricted by extensive refurbishment undertaken by The Corporation of the Church House (the owner of Church House) ("the Corporation"). The direct energy usage by the Church Commissioners is incurred as a result of staff travel and in the operation of offices at Church House, Lambeth Palace and Bishopthorpe Palace. The data available for energy costs incurred relating to staff travel in previous years is limited. However, in 2021 the NCIs entered into an arrangement with a travel management provider which now enables travel costs and energy usage to be monitored effectively. The NCIs have now formally introduced hybrid working for staff and, consequently, direct energy usage in the operation of their offices is anticipated to be lower than when staff were based in the office full time. However, we are unable to quantify whether the additional energy usage incurred as a result of staff working from home outweighs the savings on our buildings.

Energy usage in the office buildings our staff occupy principally consists of electricity and gas used in respect of heating and lighting. The refurbishment of Church House (see page 58) being undertaken by the Corporation is intended to improve energy efficiency with a commitment to move towards net zero carbon. The new Lambeth Palace Library is designed to use no gas and has solar panels that are anticipated to provide approximately half of the annual electricity use of the building. The current refurbishment programme at Lambeth Palace is intended to reduce its carbon footprint by half.
The total energy use by the Church Commissioners during 2022 at Church House, Lambeth Palace, and Bishopthorpe Palace was 1.8m kWh and the associated greenhouse gas emissions were 365.3 tonnes of carbon dioxide equivalent (CO_2e). This was calculated on the basis of energy usage as disclosed on utility bills and Government CO_2e conversion ratios. The total energy use in respect of travel booked through our travel management provider for Church Commissioners' staff and others who use the provider was 181.7 tonnes of CO_2e of which 174.8 tonnes related to air travel and 6.9 tonnes to train travel. These figures do not include energy use for travel booked independently or in respect of car usage.

RISK MANAGEMENT STATEMENT

The Church Commissioners' risk management process supports management by facilitating the identification and assessment of significant risks to the achievement of objectives.

The roles and responsibilities of trustees, management and staff are clearly outlined and defined in the Risk Management Policy.

Each individual risk has an assigned risk owner who is accountable for the identification, assessment and review of known risks. The risks are reviewed and scored by applying the methodology proposed by the Charity Commission. The management of key risks is subject to independent review and assurance through the internal audit process overseen by the Risk & Assurance Team, which reports to the Audit and Risk Committee.

A robust governance structure ensures that strategic risk management arrangements and strategic risk registers are reviewed at least annually. The Risk & Assurance team facilitate and monitor the risk management process and help develop the organisational risk culture. The Audit and Risk Committee provide an additional layer of support and oversight to ensure the continued adequacy of risk management arrangements.

As the global Covid-19 pandemic impact was reduced in 2022, other political and geo-political challenges rose to the surface. Cyber security concerns also increased over the course of the year, as did pressures on households and organisations in light of the higher cost of living, including the energy cost crisis due to the conflict in Ukraine.

The Church Commissioners have agreed that the strategic (principal) inherent risks below represent the main obstacles to the achievement of the key objectives, and the table below includes a summary of the key management actions.

PRINCIPAL RISK AREA	KEY MANAGEMENT ACTIONS AND PLANS
Investment Returns Failure to achieve investment returns (as per actuarial calculation) required to meet pensions obligations and distribution levels to grow and support the wider church.	• Effective and experienced Assets Committee oversight • Disciplined valuation-led Investment Strategy and Process • Genuinely diversified portfolio • Proactive monitoring of market and currency exposures, and use of Tactical Asset Allocation to manage exposures as required • Issuance of £550m of bonds during 2022, enhancing the fund's capital efficiency and giving the potential to generate additional value for the fund • Clearly articulated Investment Policy, including supporting frameworks and guidelines
Financial Controls Failure to control costs, liabilities and manage stakeholder expectations impacts the ability to provide sustainable support and assistance to the Dioceses.	• Working closely with the Archbishops' Council, dioceses and cathedrals to understand their priorities and manage their expectations • Regular review of financial situation of cathedrals to better assess financial strength • Assets Committee governance of money available for distribution, including independent actuarial review and advice –Regular engagement between actuaries, staff and Assets Committee • Triennium Funding Working Group (TFWG) recommended spending plans set for the next triennium (2023–25) – announced widely during 2022
Operational Effectiveness Lack of effective planning of operations, capacity challenges and/or ability to manage projects results in inefficient and ineffective working practices and a failure to achieve objectives to budget/time.	• Budgetary control of costs with regular meetings to review and check expenditure against budget • Project Management Framework in place for NCIs' projects • Project Review Board providing senior management oversight of the most complex or high-risk projects in the NCIs • Commissioners' management regularly reviews its portfolio of projects • Experienced project management team leading the Lambeth Palace refurbishment, overseen by a project oversight board under the Bishoprics & Cathedrals Committee • Review of use of Church House office space to deliver significant saving in rental cost
Effective use of Church Commissioners funding National Church funding does not achieve the outcomes desired/expected and there are ineffective review/monitoring controls in place.	• Strategic Investment Board (SIB) and Vision & Strategy teams give strong oversight of grant allocation and ongoing monitoring. Strategic Ministry Board (SMB) and Ministry team do likewise for Strategic Ministry Funding. These Boards will be superseded by the Strategic Mission & Ministry Investment Board (SMMIB) from 2023 • Recommendations from the Independent Review of SDF and LInC funding have been taken into account in the design of future funding streams by SIB/SMMIB • TFWG recommended funding proposals set for the next triennium (2023–25) • Annual review of SIB (and in future the SMMIB) reported to Commissioners' Board • Operation of a virement policy which allows the Commissioners (with the Archbishops' Council) to respond effectively to emerging needs as they arise

PRINCIPAL RISK AREA	KEY MANAGEMENT ACTIONS AND PLANS
Reputational Risks Reputational risks relating to the Church Commissioners, other NCIs or the wider Church, impact upon the Commissioners' ability to achieve their strategic objectives. Wider societal issues/concerns with reputational implications for Church of England/Church Commissioners. Long-established endowment funds may give rise to a reputational risk linked to the possibility of their original source, or early investment of funds, having slave-trade connections. This is the case for the original Queen Anne's Bounty and Ecclesiastical Commissioners' funds.	• Proactive and frequent engagement with key Church stakeholders on Commissioners' strategy and priorities • Financial Communications team proactively manages responses to media in relation to Investment Strategy • Experienced and effective governance and scrutiny applied by the Assets Committee, Audit and Risk Committee and Board of Governors • Regular analysis on financial performance of cathedrals to assess whether cathedrals are in a potentially challenging situation • Proactive engagement with local communities and churches regarding local housing schemes • Monitoring societal attitudes and proactive consideration of social justice issues with potential relevance to the Church Commissioners. Employment policies and Responsible Investment policies in place to ensure Church Commissioners are seen as attractive employers / partners • The Church Commissioners established a sub-group of the Board that analysed historical linkages to Transatlantic Chattel Slavery. A new oversight group is to be created to help the Board to shape and deliver its response, with the commitment of £100m to a programme of impact investment, research and engagement
Business Continuity Business continuity, IT resilience, cyber security, health and safety challenges etc. impact delivery of strategic objectives. Inability to deliver key services in the event of a major business continuity threat (e.g. Covid-19).	• Cyber Essentials Plus accreditation secured and key control measures are monitored on an ongoing basis by management • IT security training provided to all staff • Critical technology infrastructure housed in a remote location • Business Continuity Plan in place for the NCIs, including IT Disaster Recovery • Business critical systems securely available outside of network
People Inability to recruit and/or retain high-quality staff with the requisite skills. Poor diversity amongst leadership and trustees detracts from quality of decision making. Looking after physical and mental welfare of staff.	• Staff Engagement Survey completed November 2022. Action plan being developed and closely monitored by Chief Officers of the NCIs • Pay & Reward offer for 2023 implemented December 2022 • Belonging & Inclusion phase 2 action plan 2022–25 launched • Support offered to staff impacted by challenging and sensitive debates on matters of Church of England policy/doctrine • Continued focus on staff wellbeing with Employee Assistance programme introduced, NCI Mental Health 'first-aid' support and additional resilience and mental health training provided • All Managers given specific training and coaching in relation to managing organisational change and working in a hybrid environment

PRINCIPAL RISK AREA	KEY MANAGEMENT ACTIONS AND PLANS
Health and Safety Risk to staff, tenants, or general public on Commissioners' owned land.	**See houses** ❉ Smartlog system at all properties with quarterly reporting to the NCIs' Health and Safety Committee ❉ Statutory checks are completed by a third-party provider **Investment Assets** ❉ Robust contractual arrangements in place with third-party providers, including compliance with health and safety (H&S) legal requirements and insurance cover ❉ Quarterly reporting and monitoring of H&S actions, reviews and issues with agents ❉ Regular site visits to help identify H&S issues
Climate Change Failure to understand and respond to the paradigm shifts caused by climate change. Heightened exposure and cost in relation to the Church Commissioners' property portfolio, with assets potentially damaged as a result of a major weather event.	❉ Church Commissioners have agreed funding of £190m over the nine-year period 2023–31 in support of the Church of England's net zero carbon 2030 ambition ❉ Comprehensive Responsible Investment Framework in place Market-leading approach to climate change risks incorporating assertive engagement and assessment of companies through the Transition Pathway Initiative ❉ Assets Committee has a strong focus on Environmental, Social & Governance matters with periodic assessment of the investment portfolio's resilience to different climate scenarios ❉ Member of Asset Owner Alliance committed to net zero portfolio emissions, with a target for the investment portfolio to be net zero by 2050 ❉ Natural capital and carbon baseline assessment completed across farmland, strategic land and timberland portfolios. Development of a strategy for environmentally positive change commenced in 2022

EXTERNAL AUDITOR INDEPENDENCE AND PROVISION OF NON-AUDIT SERVICES

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

The Church Commissioners became a UK Public Interest Entity (PIE) in July 2022, as a result of issuing two listed bonds on the London Stock Exchange. As a result, the length of time that the Audit Engagement partner may serve in that capacity would be restricted to five years under paragraph 3.10 of the FRC Ethical Standard (2019). However, in line with paragraphs 3.14-15 of the Ethical Standard, the Audit and Risk Committee considered that, in order to safeguard the quality of the engagement, it was appropriate for the Audit Engagement partner to continue in the role for one final year in order to complete the external audit of the Annual Report & Accounts for the year ended 31 December 2022, taking his period of engagement to the maximum of seven years permitted. They are satisfied that appropriate safeguards have been applied by Grant Thornton to ensure that the integrity, objectivity and independence of the external audit are not compromised as a result.

GOVERNANCE

Working with the other National Church Institutions (NCIs), the Church Commissioners serve and support the wider Church, ensuring effective use of the Church's money.

HOW THE CHARITY IS CONSTITUTED

STRUCTURE AND SUBSIDIARIES

The Church Commissioners for England ("the Church Commissioners") are a statutory body created by the Church Commissioners Measure 1947 and a registered charity (number 1140097) under the Charities Act 2011.

The Church Commissioners have a number of subsidiaries for investment purposes and the principal subsidiaries are set out in note 2 to the financial statements. A number of joint ventures are also held as part of their investment portfolio. The Church Commissioners, together with the Archbishops' Council and the Church of England Pensions Board, are equal partners in Church of England Central Services (ChECS), a joint venture providing cost-effective shared financial, legal and other services.

PUBLIC BENEFIT

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

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

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

ORGANISATIONAL STRUCTURE AND STAFFING

Working with the other National Church Institutions (NCIs), the Church Commissioners serve and support the wider Church, ensuring effective use of the Church's resources. We are proud of our excellent staff, and their expertise and commitment in enabling the support given to the Church.

OUR PEOPLE

The day-to-day management of the Church Commissioners is delegated to Gareth Mostyn. He is supported in his role by a senior management group and the wider staff team:

Chief Executive and Secretary:
Gareth Mostyn

Chief Investment Officer:
Tom Joy

Chief Operating Officer (Investments):
Nicola Dymond

Head of Bishoprics and Cathedrals:
Michael Minta

Head of Mission, Pastoral and Church Property:
Wendy Matthews

Director of Churches and Cathedrals:
Becky Clark (left 22 July 2022)

Director for Planning and Engagement:
Georgia Boon (joined 12 December 2022)

Chief Operating Officer:
Rosie Slater-Carr

Director of Finance:
Joanna Woolcock

People Director:
Christine Hewitt-Dyer

Head of Financial Communications:
Juliana Wheeler

Official Solicitor:
Alexander McGregor

Deputy Official Solicitor:
Paul Stevenson

During 2022 we have worked hard to align our staff resources to key areas underpinning the Church's priorities. Our people have continued to seek to build an affirming, high performing culture, through work on our NCI values, our Belonging and Inclusion strategy, our rhythm of communication, our training and leadership support, and a continued focus on wellbeing.

A PLACE WHERE EVERYONE FEELS THEY BELONG

Our second Belonging and Inclusion action plan was launched in July 2022 following extensive consultation with staff, rigorous evaluation of our first programme, and key learnings from the Covid-19 pandemic. The new plan outlines the actions we are taking to become a workforce which represents the diversity of the communities we serve at all levels and enable everyone in the NCIs to feel valued in their roles and be supported to develop and flourish. We believe that a good balance of diversity in its broadest sense will result in better problem-solving, decision making, governance and creativity; and that it creates a virtuous circle of attracting and retaining the most talented people from all walks of life.

As part of our 'Mentoring and Learning' action theme, refreshed inclusion training is being rolled out to all staff, line managers, and senior leaders. A total of 55 people took part in our third round of mentoring.

Our Coffee Connect initiative helps new staff – of whom there are many – and longer-standing staff to develop professional and personal relationships across the NCIs with a particular emphasis on helping younger people and new colleagues. Over 90 people participated in events during 2022, with the programme set to continue into 2023 with a new format.

"Coffee Connect has helped me to get to know colleagues in parts of the NCIs that I wouldn't normally have any contact with, and to understand what they do. As someone who works away from Church House, Westminster, it really helps me to feel much more connected to the NCIs and build relationships for the future." Feedback from one participant

Management team meeting at Missenden Abbey

Our staff-led support networks continued to grow and engage people across the NCIs – both online and in-person. Networks and trade unions were also consulted on various policies and communications affecting all staff. As part of our 'Celebration and Stories' theme, a regular programme of webinars and events, personal stories and reflections, blogs, podcasts, and interviews – linked to national and international initiatives – ran throughout the year, enabling colleagues to share their perspectives and experiences.

In 2022 we revised our Dignity at Work and Whistleblowing policies and introduced a new NCI Safeguarding policy. We also produced a detailed diversity data report which included a focus on our gender and ethnicity pay gaps.

A recently appointed member of our NCIs shared HR team provides additional capacity to manage projects which will help us to meet recommendations in the *From Lament to Action* report, including an end-to-end review of our recruitment processes, and establishing a targeted programme that offers career development opportunities to UKME and disabled colleagues.

LEARNING AND WELLBEING

We are focusing attention on strengthening both management and leadership capability and have now piloted and launched a Confident Manager development programme. This includes modules based around our management framework including building a high performing team, coaching, managing a hybrid team, and leading change. We are currently piloting a Confident Leadership programme in partnership with Windsor Leadership. There is also a range of NCI 'basics' training for all staff, including safeguarding, project management, and IT skills. In 2022, we also raised awareness of key issues such as whistleblowing and fraud and hosted a number of training webinars on topics such as good performance management and wellbeing.

EMPLOYEE ENGAGEMENT

We continued to hold virtual town hall meetings and single-topic webinars to keep staff up to date on news from across the NCIs and the wider Church, including the report into historic links to transatlantic chattel slavery and the Church Commissioners' Bond Issue.

Our latest in-depth employee engagement survey in Autumn 2022 was the largest survey of staff opinion carried out by the NCIs (545 responses). Our engagement score – five questions measuring motivation, advocacy, and commitment – came in at a high 80% favourability (the percentage of people who responded positively), on par with our previous survey in March 2021.

Overall, the NCIs compare favourably to the benchmark for the UK not-for-profit sector for questions about engagement, purpose, values, an individual's role, teamwork, senior leaders, line managers and wellbeing.

Teamwork and collaboration, trust in and support for one another, and the positive impact of line managers continue to be highly valued and our highest scoring themes. Teams have adapted well to hybrid working, and on an individual basis people understand how their work supports the Church of England. Partnership working across the NCIs remains an area of focus, and whilst scores for questions about inclusion improved overall, this theme is lower than the not-for-profit benchmark.

The senior management team for the Church Commissioners will work together and with their teams to build on the positive results from the survey and address areas where there is room for improvement.

HYBRID WORKING

The adoption of hybrid working post pandemic has enabled more roles to be offered on a national basis (i.e., not required to be in London). This has enabled a near 50% reduction in office space leased by the NCIs at Church House, Westminster, targeting savings of around £1m per annum in accommodation costs. This also released space for The Corporation of Church House to let to other tenants, bringing in income to support its charitable donations, potentially further benefitting the whole Church economy. Recent staff survey responses (see above) demonstrate the positive impact of hybrid working, with 84% of respondents reporting their teams have adapted effectively.

TRANSFORMING OUR EFFECTIVENESS

Preparatory work ahead of moving the payroll for Clergy and the NCIs' staff to the new People System continued throughout the year. This project is part of a bigger piece of work to establish a common approach to how the Church of England holds, and enables access to, people data for stipendiary clergy, other ministers, and staff of the NCIs.

CONTRIBUTING TO THE CHURCH'S GOAL OF NET CARBON ZERO

Church House Westminster has been awarded an Eco Church Bronze Award for steps taken to help achieve net zero carbon. Staff working for the NCIs at Church House played their part in securing the award for the building which is owned and managed by the Corporation of Church House, with environmental themes forming part of the regular pattern of prayer and worship, and eco-news updates included in staff newsletters and webinars.

SUMMARY OF OUR PEOPLE

At the end of 2022, a total of 152 staff were employed or funded directly by the Commissioners, a 7% increase from 2021 (141 staff). As with many employers, the NCIs have seen significant recruitment activity coming out of the pandemic, as turnover rose and some restructuring took place. The Commissioners make up 22% of the overall staff at the NCIs. The Church Commissioners made a number of key senior appointments during 2022 including new Directors for Cathedral and Church Buildings, the Net Zero Programme, and Planning and Engagement.

The Church Commissioners is a joint employer with the other NCIs. It receives services from Church of England Central Services (ChECS), which is also a joint employer.

The NCIs ended 2022 with 679 employed staff, an increase of 11% in the headcount compared to 2021. This includes 18 additional staff in the education team (due to the expansion of leadership training provision through government contracts) and 15 additional staff in the safeguarding team, as well as the impact of a lower vacancy rate following the conclusion of the Transforming Effectiveness programme during which there had been a recruitment freeze in place for many functions.

Overall turnover in 2022 was 19% compared to 16% in 2021, however this was still slightly below the average prior to the pandemic (2019: 19%).

Across the NCIs, the ratio of female to male employees increased from 56% : 44% respectively in 2021, to 58% : 42% respectively in 2022. The percentage of women in senior positions fell by one percentage point to 41% in 2022.

The percentage of people who classed themselves as black or minority ethnic within the Commissioners was 13.2% (2021: 11.2%) compared with overall representation of 18.3% (2021: 15.6%) across the NCIs.

The percentage of people who classed themselves as having a disability within the Commissioners was 6.5% compared to 4.1% for the NCIs overall.

STAFF REMUNERATION AND EXECUTIVE PAY

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

For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to benchmarks for the lower quartile and median of market-related salaries and is subject to annual review.

In response to the cost-of-living crisis, and following discussions with trustees, we carried out a 'deep dive' into our approach to pay and reward alongside in-depth research into how other organisations were responding. The outcome of this work was the development of some broad reward principles based on our NCI Values of excellence, respect, integrity, compassion, and collaboration. This project led to a move to a single national pay scale, irrespective of work location; a pay award weighted towards our lower paid colleagues; a one-off scheme to allow our people to sell some of their accrued leave (which had built up during the pandemic) and the simplification of our pay scales. Some of these changes will help us address our gender pay gap. The annual pay negotiations were brought forward to enable the pay award to be applied earlier than usual – with effect from 1 October 2022.

The NCIs are an accredited Living Wage employer and ensure all staff – including apprentices, interns and those on training schemes – receive the appropriate living wage for their location.

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

ASSET MANAGEMENT STAFF

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

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

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

Amounts payable under the incentive scheme are spread over up to five years, and the full amounts are only payable if the recipient remains in post during that time. By this method the Commissioners ensure incentives are directly aligned with their objectives and are also long term in nature. In the year to 31 December 2022, payments under the scheme, including deferred payments that became due, totalled £2,297,338 (2021: £2,050,400). The highest paid member of staff received a payment of £318,916 (2021: £301,130). The Secretary to the Church Commissioners does not participate in the scheme. During 2022 the total remuneration (salary and incentive payment) for the highest paid member of Commissioners' staff was 20.5 times (2021: 24.3) the total remuneration received by the lowest paid member of Commissioners' staff and 10.0 times (2021: 13.7) the median total remuneration.

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

STAFF PENSIONS

The staff of the Church Commissioners are either members of the Church Administrators Pension Fund defined benefit section (if employed before July 2006), or a separate defined contribution arrangement if employed subsequently. Employer contribution rates range from 8% to 18% depending on age and additional voluntary contributions made. As part of the pay project, we agreed to encourage new staff to take advantage of our matched additional voluntary contributions scheme and to offer further ethical pension scheme choices in 2023.

Some members of our Board of Governors

TRUSTEES AND THE BOARD OF GOVERNORS

There are 33 Church Commissioners and six of these hold offices of State while the other 27 constitute the Board of Governors and have trustee responsibility.

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

Since the publication of the 2021 Annual Report, we have said farewell to Poppy Allonby (who stepped down on 30 September 2022), Duncan Owen (31 December 2022), Mark Woolley (31 March 2023) and the Rt Revd David Urquhart (who ceased to be a Commissioner when he retired as Bishop of Birmingham on 18 October 2022). All four served with distinction on the Board and the Assets Committee and we express our deep gratitude to them as well as wishing them well for the future. In addition, the former Dean of Gloucester Stephen Lake ceased to be a Commissioner on becoming the Bishop of Salisbury on 1 April 2022 and the Deans elected the Very Revd Rogers Govender, Dean of Manchester, to succeed him from 1 May 2022. Stephen was then re-elected as a Commissioner by the House of Bishops to fill the aforementioned vacancy left by Bishop David Urquhart from 19 October 2022.

While we were sad to say farewell to such highly experienced and knowledgeable trustees, we were delighted to welcome to the Board and Assets Committee: Remi Olu-Pitan (from 1 October 2022), Jenny Buck and Kif Hancock (both from 1 January 2023) and Kate Barker (1 April 2023). Along with Bishop Stephen and Dean Rogers, they are already bringing their outstanding expertise to bear on our work and we are excited about working with them in the years ahead.

The last year has also seen some change in non-Commissioner committee members. We welcomed George Stylianides and Dave Jennings to the Audit and Risk Committee from 28 April 2022 and Kathryn Blacker stepped down as the Cathedral Administrators' representative on our Bishoprics and Cathedrals Committee, with Anna Pitt appointed to be her successor from 1 January 2023. We extend our sincere thanks to Kathryn for her excellent contribution and, again, we are deeply grateful for the insights of our new members, Anna, Dave and George.

The Commissioners take trustee recruitment very seriously and invest time and resources in finding, inducting and developing the highest calibre people. Vacancies are advertised in a range of publications depending on the specialisms of the roles and search consultants are often employed to assist us. We place particular emphasis on diversity and inclusion, at trustee and staff level.

SECOND CHURCH ESTATES COMMISSIONER

The Second Church Estates Commissioner, Andrew Selous MP, maintains the statutory accountability of the Church Commissioners to Parliament, including engaging with the Government, answering parliamentary questions and managing the passage of Church Measures through the House of Commons.

THE CHURCH COMMISSIONERS AND BOARD OF GOVERNORS AT APRIL 2023

The Board of Governors transacts the functions and business of the Commissioners except where, by statute or through delegation by the Board, these are exercised by committees. Except State office-holders, all Church Commissioners are members of the Board of Governors.

Archbishop of Canterbury, Justin Welby, Chair
Archbishop of York, Stephen Cottrell

CHURCH ESTATES COMMISSIONERS APPOINTED BY HIS MAJESTY

Alan Smith, First Church Estates Commissioner
Andrew Selous MP, Second Church Estates Commissioner

CHURCH ESTATES COMMISSIONER APPOINTED BY THE ARCHBISHOP OF CANTERBURY

The Revd Canon Dr Flora Winfield, Third Church Estates Commissioner

ELECTED BY THE GENERAL SYNOD

HOUSE OF BISHOPS

Bishop of Manchester, David Walker, Deputy Chair
Bishop of Birmingham, David Urquhart (to 18 October 2022)
Bishop of Bristol, Vivienne Faull
Bishop of Norwich, Graham Usher
Bishop of Salisbury, Stephen Lake (from 19 October 2022)

HOUSE OF CLERGY

The Revd Anne Stevens
The Revd Christopher Smith
The Revd Stephen Trott

HOUSE OF LAITY

Canon Peter Bruinvels
Jay Greene
Canon Elizabeth (Betty) Renshaw MBE
Jacob Vince

ELECTED BY THE DEANS

Dean of Ely, Mark Bonney
Dean of Gloucester, Stephen Lake (up to 31 March 2022)
Dean of Manchester, Rogers Govender (from 1 May 2022)

NOMINATED BY HIS MAJESTY

Duncan Owen(up to 31 December 2022)
Kif Hancock (from 1 January 2023)
Suzanne Avery
Nigel Timmins

NOMINATED BY THE ARCHBISHOPS OF CANTERBURY AND YORK

Morag Ellis KC
Busola Sodeinde
Mark Woolley (up to 31 March 2023)
Dame Kate Barker (from 1 April 2023)

NOMINATED BY THE ARCHBISHOPS OF CANTERBURY AND YORK

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

Poppy Allonby (up to 30 September 2022)
Remi Olu-Pitan (from 1 October 2022)
Helen Steers
Jenny Buck (from 1 January 2023)

State office-holders

First Lord of the Treasury
Lord President of the Council
Lord Chancellor
Secretary of State for Digital, Culture, Media & Sport
Speaker of the House of Commons
Speaker of the House of Lords

Parliament remains highly engaged with the work of the Church of England. This year the areas relating to the Church Commissioners which Members of Parliament have most frequently asked questions about related to the stewardship of the rural estate, management of the strategic land portfolio, forestry management and the sustainability of parishes and Cathedrals.

ANDREW SELOUS MP, SECOND CHURCH ESTATES COMMISSIONER

Secretary to the Church Commissioners' Board of Governors:
Gareth Mostyn

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

Alan Smith, Chair
The Revd Christopher Smith
Bishop of Salisbury, Stephen Lake (from 24 November 2022)
Canon Peter Bruinvels
Poppy Allonby (up to 30 September 2022)
Remi Olu-Pitan (from 1 October 2022)
Suzanne Avery
Helen Steers
Duncan Owen (up to 31 December 2022)
Kif Hanock (from 1 January 2023)
Mark Woolley (up to 31 March 2023)
Dame Kate Barker (from 1 April 2023)
Gareth Mostyn (Committee Secretary)

Audit and Risk Committee
Acts in matters relating to the external auditors, the annual accounts and internal control systems

Hilary Wild, Chair
Busola Sodeinde
George Stylianides (from 28 April 2022)
Dave Jennings (from 28 April 2022)
Jay Greene
Emma Upstone
Muir Laurie (Committee Secretary)

Bishoprics and Cathedrals Committee
Acts for the Board in matters relating to episcopal and cathedral support

The Revd Canon Flora Winfield, Chair
Bishop of Bristol, Vivienne Faull
Bishop of Manchester, David Walker
Dean of Ely, Mark Bonney*
Dean of Gloucester, Stephen Lake (up to 31 March 2022)
Dean of Manchester, Rogers Govender (from 1 May 2022)
Dean of Guernsey, Tim Barker
The Revd Canon Jennifer Thomas
Jacob Vince
Canon Elizabeth (Betty) Renshaw MBE
Ruth Mounstephen – Representative of Bishops' spouses
Kathryn Blacker – Representative for Association of English Cathedrals and Cathedral Administration and Finance Association (up to 31 December 2022)
Anna Pitt – Representative for Association of English Cathedrals and Cathedrals Administration and Finance Association (from 1 January 2023)
Michael Minta (Committee Secretary)
* Deputy Chair

Mission, Pastoral and Church Property Committee
Acts for the Board in matters relating to pastoral reorganisation, parsonages and diocesan glebe, and matters relating to the future of church buildings closed for regular public worship

The Revd Canon Dr Flora Winfield, Chair
Bishop of Jarrow, Sarah Clark (from 20 September 2022)
Bishop of Norwich, Graham Usher
The Ven Simon Fisher
The Revd Canon Clare MacLaren
The Revd Christopher Smith
The Revd Anne Stevens
The Ven Amatu Christian-Iwuagwu
The Revd Stephen Trott
Canon Peter Bruinvels*
Morag Ellis KC
Jay Greene
Canon Shane Waddle
Garth Watkins
Mark Beard
Wendy Matthews (Committee Secretary)
* Deputy Chair

PROFESSIONAL ADVISERS

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

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

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

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

ATTENDANCE AT MEETINGS

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

	BOARD	ASSETS	AUDIT AND RISK	BISHOPRICS AND CATHEDRALS	MISSION, PASTORAL AND CHURCH PROPERTY
Number of Meetings	5	5	4	7	8
Archbishop of Canterbury, **Justin Welby**	The Archbishop of Canterbury chairs the Annual General Meeting. By arrangement he does not typically attend meetings of the Board of Governors. The Bishop of Manchester is the Archbishop's appointed deputy				
Archbishop of York, **Stephen Cottrell**	3				
First Church Estates Commissioner, **Alan Smith**	5	5			
Second Church Estates Commissioner, **Andrew Selous**	5	3			
Third Church Estates Commissioner, **Flora Winfield**	5			6	6
Bishop of Birmingham, **David Urquhart** (Until 18 October 2022)	4	4			
Bishop of Bristol, **Vivienne Faull**	3			6	
Bishop of Liverpool, **Paul Bayes**					1
Bishop of Manchester, **David Walker**	4			5	
Bishop of Norwich, **Graham Usher**	5				5
Dean of Gloucester, **Stephen Lake** (up to 31 March 2022)	1				
Dean of Ely, **Mark Bonney**	4			7	
Dean of Guernsey, **Tim Barker**				7	
Dean of Manchester, **Rogers Govender** (from 1 May 2022)	2			4	

	BOARD	ASSETS	AUDIT AND RISK	BISHOPRICS AND CATHEDRALS	MISSION, PASTORAL AND CHURCH PROPERTY
The Revd **Christopher Smith**	5	5			8
The Revd **Stephen Trott**	4				5
Canon **Peter Bruinvels**	5	5			7
Canon **Elizabeth (Betty) Renshaw**	3			5	
Poppy Allonby (Until 30 September 2022)	4	3			
Suzanne Avery	5	3			
Kathryn Blacker				6	
Mark Beard					7
Morag Ellis KC	3				5
Jay Greene	5		4		6
Canon **Amatu Christian-Iwuagwu**					5
Dave Jennings			3		
The Revd Canon **Clare MacLaren**					4
Ruth Mounstephen	5			6	
Remi Olu-Pitan (from 1 October 2022)	1	1			
Duncan Owen	5	4			
Busola Sodeinde	4		4		
Helen Steers	4	4			
The Revd Anne Stevens	3				8
George Stylianides			3		
Jennifer Thomas				7	
Nigel Timmins	5				
Emma Upstone			4		
Jacob Vince	3			6	
Canon Shane Waddle					7
Garth Watkins					8
Hilary Wild*	5		4		
Mark Woolley	5	5			

**Chair of Audit and Risk Committee; attends Board meetings but is not a member of the Board.*
A member of the Audit Committee attends every Assets Committee as an observer.

TRUSTEE RESPONSIBILITIES

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

TRUSTEE RESPONSIBILITY STATEMENT

The Charities Act 2011 requires the trustees to prepare financial statements for each financial year. The trustees have to prepare the financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and the group and of the incoming resources and application of resources, including the income and expenditure, of the group for that period. In preparing these financial statements, the trustees are required to:

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

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity and the group's transactions and disclose with reasonable accuracy at any time the financial position of the charity and the group; and enable them to ensure that the financial statements comply with the Charities Act 2011, the Church Commissioners Measure 1947, and the Charity (Accounts and Reports) Regulations 2008. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board by:

Alan Smith

Alan Smith
First Church Estates Commissioner
28 April 2023

MONEY AVAILABLE RESOLUTION

Money available resolution and summary of the independent actuaries' report

INTRODUCTION

As required by the Church Commissioners Measure 1947 (as amended), at the 2023 Annual General Meeting of the Commissioners, the Board of Governors will recommend that the meeting: (i) receives the Annual Report and Financial Statements; (ii) considers a revised recommendation on the planned allocation of money available for distribution in 2023–25, based on the forecast of sums that can be made available for distribution in each year of that triennium; and (iii) provides a forecast of the sums that it is hoped can be made available in each year of the following two triennia 2026–31, subject to the outcome of future triennial reviews.

MONEY AVAILABLE RESOLUTION

At its meeting on 23 March 2023 the Assets Committee, having received updated advice from its actuarial advisors Hymans Robertson LLP (as required by the Church of England Pensions Measure 2018) which is summarised below, resolved to inform the Board that the Commissioners' expenditure plans can be made on the assumption that the following revised sums can be made available for distribution in total across 2023–25:

- Up to £440m for historical distributions.
- Up to £426m for core (in-perpetuity) distributions.
- Up to £177m for transformational time limited distributions.
- Up to £226m for strategic on-going distributions.

SUMMARY OF THE REPORT FROM THE INDEPENDENT ACTUARIES

The Commissioners hold assets ("the assets") from which they pay pensions to retired clergy and other licensed ministers ("the pensions obligation") and staff ("the pensions liability"), and provide money to support the mission and ministry of bishops, cathedrals and parishes and for other purposes ("the distribution").

The distribution is affected by the extent of the pensions obligation and pensions liability. In order to assist the Commissioners in formulating the distribution policy, we carry out a detailed review from time to time.

Our most recent detailed review was carried out as at 31 December 2021 and we carried out an annual update of this review as at 31 December 2022. The review involved calculating the capital value (also known as the present value) of the following areas of future expenditure from the assets, according to their term:

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

Having calculated the capital values of the areas of expenditure, we compare the total with the value of the assets held, to assess if the planned distributions are sustainable. If the assets exceed the aggregate of the above distributions, as they did in our most recent full review, we also calculate the level of on-going distributions that could be afforded in perpetuity on our central assumptions. This is reflected in the numbers set out above.

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

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

In summary, the overall conclusion of our calculations was that the package of distributions proposed for the 2023-25 triennium are deemed affordable on our best estimate assumptions. The affordability of this package of distributions should be re-examined in detail at the next triennial review as at 31 December 2024 and also on an approximate basis at the interim assessment as at 31 December 2023.

Recognising the high level of volatility in the sum available for strategic ongoing distributions, we continue to advise that the Commissioners should pay a significant proportion of such distributions in a form that will automatically cease, or can be stopped within a reasonably short timescale, if any future actuarial review determines that such distributions are no longer affordable.

Alec Day FIA
Peter Carver FIA CERA
For and on behalf of Hymans Robertson LLP
April 2023

INDEPENDENT AUDITOR'S REPORT

St Hubert's, Finchdean, Diocese of Portsmouth

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

OPINION

Our opinion on the financial statements is unmodified

We have audited the financial statements of The Church Commissioners for England (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2022, which comprise the consolidated and Commissioners statements of financial activities, the consolidated and Commissioners balance sheets, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent charity's affairs as at 31 December 2022 and of the group's and the parent charity's incoming resources and application of resources, including the group's and the parent charity's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

- Evaluation and challenge of the independent actuarial report provided by Hymans Robertson LLP on the affordability in perpetuity of the parent charity's planned distributions. The report covers the spending plans for the next three-year period (the "triennium") and updated annually to ensure that the spending plans for the current and next triennium remain affordable;
- Evaluation of the liquidity of the parent charity and the group by assessing the cash and liquid assets held by and the group to meet obligations in the 12 months from the date of signing of the report;
- Assessment of management's outlook of the business in light of the current economic climate;
- Assessment of the associated sensitivity analysis (including stress and scenario testing);
- Assessment of the accuracy of management forecasts prepared for prior periods against actual results.

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

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

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

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

OUR APPROACH TO THE AUDIT

Overview of our audit approach

Overall materiality:

Group: £135.8 million, which represents 1.5% of the group's net assets.

Parent Charity: £135.7 million, which represents 1.5% of the parent charity's net assets.

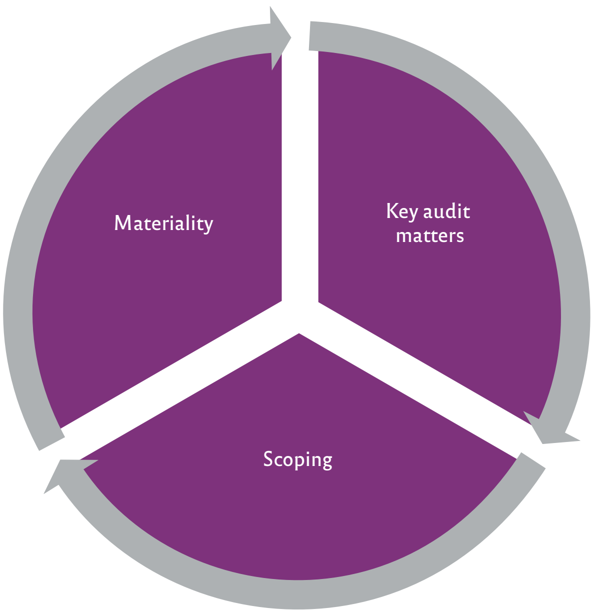
Key audit matters for the parent charity and group were identified as:

- Valuation and existence of unlisted Investment Securities (same as previous year); and
- Valuation and existence of Investment Properties (same as previous year).

We performed an audit of the financial information of the component using component materiality of the financial statements of the parent charity and all non-dormant UK subsidiaries.

Changes were made to the scope of the audit in the current year following a change in risk factors associated with each financial statement line item. The engagement team increased the inherent risk of the following line items from normal, in the prior year, to elevated with significant risk of material misstatement due to error in the current year:

- Valuation of Investments – Timberland investment;
- Completeness, Accuracy and Valuation of Defined benefit pension schemes; and
- Completeness, Accuracy and Valuation of Clergy pension obligation.

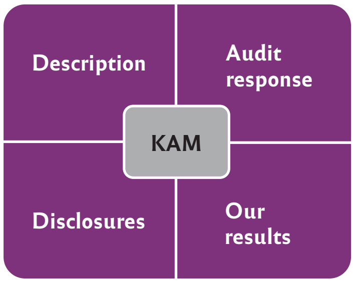


INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE CHURCH COMMISSIONERS FOR ENGLAND

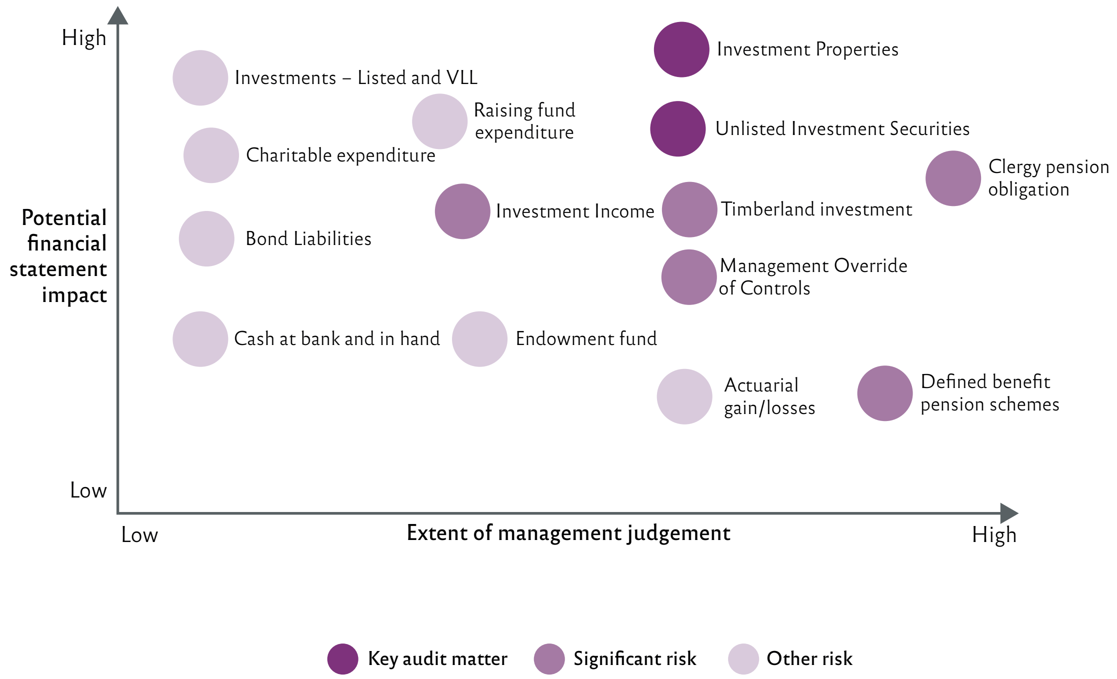
continued

KEY AUDIT MATTERS

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



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter	How our scope addressed the matter

Valuation and existence of unlisted Investment Securities
 	
We identified valuation and existence of unlisted Investment Securities as one of the most significant assessed risks of material misstatement due to error.
 	
The investment security portfolio consists of different types of securities, including listed and unlisted investments.
 	
The Group has a number of unlisted securities which include private equity, private credit and venture capital, whereby management rely on valuations by third-party investment managers. There is a risk that these valuations may be materially misstated given these funds are valued by reference to the estimated net asset values or final net asset values received from the fund managers at year end.
 	
Unlisted investments including unlisted securities at £4,343.9 million (2021: £3,803.5 million), indirect property at £123.5 million (2021: £110.7 million), indirect timberland at £67.4 million (2021: £54.1 million), and infrastructure at £167 million (2021: £130.9 million).
	In responding to the key audit matter, we performed the following audit procedures:
	
	- Performed enquiries of management to understand the controls and procedures in place to ensure appropriate recording and valuation of unlisted investments, indirect property and indirect timberland.
	- Evaluated the design and implementation of relevant controls and identified any significant control deficiencies that came to our attention during the review.
	- Understood management's procedures for recording transactions relating to the unlisted investment and indirect property by:
	  – Obtaining the latest available audited financial statements for a sample of investment holdings and reviewing for any information which may affect the fair value.
	  – On a sample basis, assessed the appropriateness and completeness of valuation overrides.
	  – Establishing how management determines the relevance and accuracy of the statements.
	  – For the samples selected, we agreed the amounts recorded to the corresponding distribution notices.
	- On a sample basis, obtained independent confirmations from the investment managers for investment holdings at the year end to confirm existence.
	- On a sample basis, obtained direct confirmation of the year-end valuation from the investment manager and corroborated this to available financial information such as latest audited financial statements, adjusted for any cashflows, to assess the reasonableness of the year-end valuation.
	- In the absence of a year-end valuation for a selected sample, we obtained the latest valuation and cash-flow movements since the last valuation date to the year-end date to establish an estimated valuation as at year end.
	- Obtained the latest set of audited financial statements to verify the accuracy of the estimates by comparing the net asset value ('NAV') on the unaudited capital/valuation statements to the audited financial statements net assets.
	- Obtained capital valuation statements as at the time of the last financial statements.
	- Obtained the outstanding commitments at year end and compared to the latest capital statement available.
	- To ensure the appropriate classification of distribution as either income or capital, we have obtained confirmation on a sample basis. For the samples selected, we agreed the amount and the classification of the distribution from the investment confirmation to the recorded amounts and classifications.

Relevant disclosures in the Trustees' Annual Report and Accounts 2022 Financial statements: note 1, Accounting policies and note 2, Investments	**Our results** Our testing did not identify material misstatements in the valuation and existence of unlisted Investment Securities as at the year-end date.

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

continued

Key Audit Matter	How our scope addressed the matter
Valuation and existence of Investment Properties We identified valuation and existence of Investment Properties as one of the most significant assessed risks of material misstatement due to error. The Investment Property portfolio consists of different types of property, including direct and indirect investment property. The investment property portfolio (including strategic land, residential, commercial and rural) requires significant judgements applied in selecting appropriate valuation methods for the assets of the Commissioners which increases the risk that the valuation may be materially misstated. Direct investment property amounts to £1,636.7 million (2021: £1,574.8 million)	**In responding to the key audit matter, we performed the following audit procedures:** • Performed enquiries of management to understand the controls and procedures in place to ensure appropriate recording and valuation of investment properties. • Evaluated the design and implementation of relevant controls and identified any significant control deficiencies that came to our attention during the review. • We attended the investment properties valuation meetings to assess the operating effectiveness of management control and challenge of the valuation process. We placed reliance on the operating effectiveness of this control in our substantive testing • Documented the attendance at property valuation meetings between the Commissioners and the valuation experts to ensure appropriate management challenge on the valuation of the properties. Judgements included in the valuations such as yields, projected income flows and hope value were challenged by management. • Inspected either the external valuation reports or the cost model used in determining the valuation. We corroborated that the valuations had been prepared in line with the Royal Institution of Chartered Surveyors (RICS) guidelines. • Assessed the external valuation experts' objectivity, competence and capability as management experts. • Met with the external valuation experts to understand their methodologies and, where necessary, challenged their assumptions. • Tested input data used in the valuations – for example, by reference to rental agreements (note this was separate to our rental income testing). • Tested the mathematical accuracy of the valuations by performing a recalculation. • Used the expertise of our internal valuation experts to assess the valuation methodologies used and the reasonableness of the assumed yields. • Tested existence by obtaining trust deed confirmations. • Where necessary obtained further comfort by comparing property sales prices against previous values reported by management valuation experts.
Relevant disclosures in the Trustees' Annual Report Financial statements: Note 1, Accounting policies and Note 2, Investments	**Our results** Our testing did not identify material misstatements in the valuation and existence of Investment Properties as at the year-end date.

OUR APPLICATION OF MATERIALITY

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

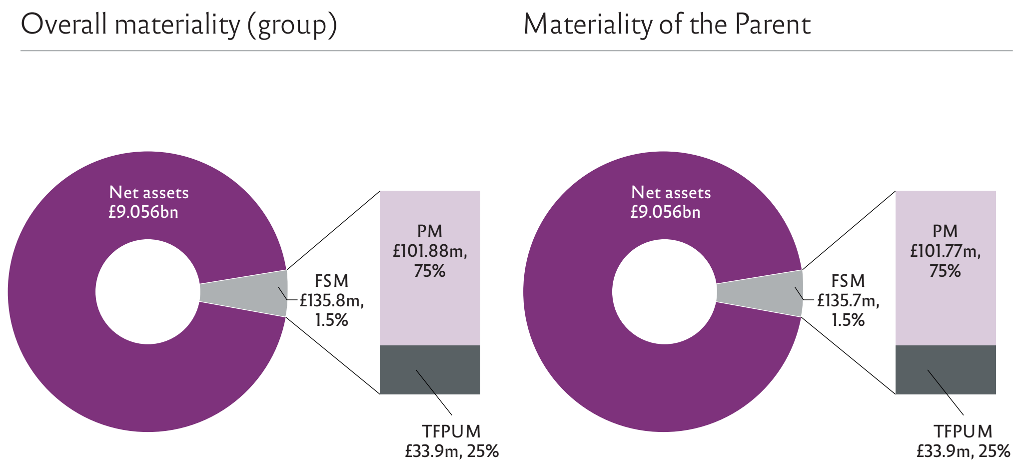
Materiality was determined as follows:

Materiality measure	Parent charity and group
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	Group: £135.8 million, which represents 1.5% of the group's net assets. Parent charity: £135.7 million which represents 1.5% of the parent charity's net assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: Net assets are considered to be the key driver for the parent charity's and the group's performance; specifically, in terms of the need to maintain a critical mass for the charity to continue to meet its ongoing obligations. We consider that a misstatement of 1.5% of the value of the parent charity's and group's NAV would have an impact on the investment and other decisions of management and Trustees and therefore using the same percentage for determining materiality is considered appropriate. Parent charity and group materiality at 1.5% of net assets for the current year is lower than the 2% of net assets we determined for the year ended 31 December 2021. During the current year, the Church Commissioners became a public interest entity (PIE) following a bond issue on the London Stock Exchange and the reduction in determined materiality responds to the higher risk associated with the new PIE status.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Performance materiality threshold	Group: £101.88 million, which is 75% of financial statement materiality for the group. Parent charity: £101.77 million which is 75% of financial statement materiality for the parent charity.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: We consider a threshold of 75% for performance materiality to be appropriate due to the low volume of unadjusted misstatements identified in the prior period audit, and the year-on-year consistency as regards the accounting system and associated controls.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
Specific materiality	We determined a lower level of specific materiality for the following areas: - Charitable expenditure - Raising funds expenditure - Investment Income - Related party transactions
Communication of misstatements to the audit and risk committee	We determine a threshold for reporting unadjusted differences to the audit and risk committee.
Threshold for communication	£6.8 million (group), £6.7 million (parent charity) and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

continued

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



FSM: Financial statements materiality
PM: Performance materiality
TFPUM: Tolerance for potential uncorrected misstatements

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

Understanding the group, its components, and their environments, including group-wide controls

- Discussions held with management to understand key changes to the business and reinforce our understanding of the group's control environment and key risk areas;
- Obtaining an understanding of the design effectiveness of relevant controls related to the investment accounting and administration services by performing a review of the type I service auditor's report;
- Obtaining an understanding of relevant internal controls linked to the investment property valuation, including assessment of the design and operating effectiveness of one identified control;
- Obtaining an understanding of relevant controls associated with the listed/ unlisted investment securities, charitable expenditure, raising funds expenditure, cash at bank, related party transactions, journal entries and bond liabilities, including assessing the design effectiveness of identified relevant controls for each business process; and
- Obtaining an understanding of and evaluating controls concerning the day-to-day management of the group's investment portfolio and the custody of its investments, including where relevant the outsourced third-party service providers. This included performing walkthrough tests of each investment stream and, where appropriate, obtaining and reviewing internal controls reports prepared by third-party auditors.

Identifying significant components
The group audit team evaluated the identified components to assess their significance and determined the planned audit response based on a measure of materiality. Significance was determined as a percentage of the group's total assets and revenue.

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

- For each significant component of the audit, (the parent charity and its significant subsidiaries) the following approach was undertaken:
  - Performing substantive audit procedures on specific transactions, which included the existence and valuation of the unlisted investment securities and investment properties as described in the key audit matters section above, journal entries and individual material balances and disclosures. The extent of this was based on various factors such as our overall assessment of the control environment and our evaluation of the design and implementation of controls that address significant risk.
- For non-significant components, analytical procedures were performed at group level.

Performance of our audit

- We performed an audit of the financial information of the component using component materiality ('full-scope audit') for the parent charity and six subsidiaries, and analytical procedures for eleven subsidiaries with a percentage coverage of total net assets of 99%, as set out below.

Audit approach	No. of components	% coverage Total assets	% coverage Total net assets
Full-scope audit	7	100%	99%
Analytical procedures	11	0%	1%

- All the UK subsidiaries are in the same location as the parent charity, and we visited that location as part of our audit. Overseas subsidiaries are in USA and Australia and no visits were deemed necessary given no full scope audit performed.

Changes in approach from previous period

- Key significant changes were made to the scope of the audit in the current year following a change in risk factors associated with each financial statement line item. The engagement team increased the inherent risk of the following line items from normal, in the prior year, to elevated with significant risk of material misstatement due to error in the current year:
  - Valuation and existence of Timberland Investment – the inherent risk factors observed increased the risk due to the level of estimation uncertainty arising from the judgemental element of the valuation of the Investment in Timberland
  - Completeness, Accuracy and Valuation of Defined benefit pension schemes and the Completeness, Accuracy and Valuation of Clergy pension obligation – the inherent risk factors observed increased the risk due to the level of estimation uncertainty arising from the judgemental element of the measurement of the pension liabilities.
  - Completeness and accuracy of the bond liabilities, which was a new significant class of transactions in the year following the listing of bonds on the London Stock Exchange. This was not considered a significant risk.

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

continued

OTHER INFORMATION

The other information comprises the information included in the Trustees' Annual Report and Accounts 2022 as set out on pages 1-66, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained with the Trustees' Annual Report and Accounts 2022. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- the information given in the Trustees' Annual Report and Accounts 2022 is inconsistent in any material respect with the financial statements; or
- the parent charity has not kept sufficient accounting records; or
- the parent charity's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Trustee Responsibilities Statement on page 66, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent charity and group and industry in which it operates. We determined that the following laws and regulations were the most significant: the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008, 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland' (Charities SORP (FRS 102) (second edition – October 2019)), and Financial Reporting Standard 102.
- We enquired of management and the Audit and Risk Committee, concerning the Group's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit and Risk Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We corroborated the results of our enquiries to relevant supporting documentation such as minutes of the Audit and Risk committee and board meetings.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the group's operations, including the nature of its revenue sources, and of its objective and strategy to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
  - the group's control environment, including the policies and procedures implemented to comply with annual and financial reporting requirements.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the group engagement team included:
  - Determining completeness of journal entries and identifying and testing high-risk journal entries, in particular manual journal entries processed at the year end for financial statements preparation;
  - As per our risk assessment we maintained the presumed fraudulent revenue recognition risk defined by International Standard on Auditing (UK) 240 "The auditor's responsibilities relating to fraud in an audit of financial statements", because it is a significant balance in the financial statements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the group and parent charity operates; and
  - understanding of the legal and regulatory requirements specific to the parent charity and group including:
    - the provisions of the applicable legislation;
    - the regulators' rules and related guidance, including guidance issued by relevant authorities that interprets those rules;
    - the applicable statutory provisions.

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

continued

- The engagement team was not made aware of potential non-compliance with laws and regulations and fraud during internal meetings, which included the potential for fraud in revenue recognition, comprising the potential for fraud in charitable expenditure where grant making is incorrectly captured and the potential for the endowment fund recalculation not complying with the Order of Total Return.

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

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the Audit and Risk committee, we were appointed by the trustees on 4 November 2022 to audit the financial statements for the year ending 31 December 2022. Our total uninterrupted period of engagement is 7 years, covering the years ending 31 December 2016 to 31 December 2022.

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

We have been engaged by the parent charity to perform non-audit transaction related services in relation to the International Capital Market Association (ICMA) comfort letter on the two bonds issued in July 2022.

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

USE OF OUR REPORT

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Senior Statutory Auditor
Statutory Auditor, Chartered Accountants
London
28 April 2023

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

Leicester Cathedral

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2022

		2022			2021		
	Notes	Other funds £m	Endowment £m	Total £m	Other funds £m	Endowment £m	Total £m
Income from:							
Donations and legacies		1.2	–	1.2	1.2	–	1.2
Investments	2	–	143.3	143.3	–	144.8	144.8
Other income		3.9	–	3.9	2.1	–	2.1
Transfer to income	18	185.5	(185.5)	–	145.8	(145.8)	–
Total income		190.6	(42.2)	148.4	149.1	(1.0)	148.1
Expenditure on:							
Raising funds	3	(2.2)	(57.2)	(59.4)	(0.5)	(83.7)	(84.2)
Charitable activities							
Supporting dioceses and the local church	4	(117.2)	–	(117.2)	(86.8)	–	(86.8)
Bishops' and archbishops' ministry	4	(44.9)	–	(44.9)	(42.2)	–	(42.2)
Cathedrals' ministry	4	(14.3)	–	(14.3)	(12.3)	–	(12.3)
Other activities	4	(10.4)	–	(10.4)	(6.0)	–	(6.0)
Pre-1998 clergy pensions	4, 16	(1.4)	70.7	69.3	(1.3)	6.4	5.1
Total charitable expenditure		(188.2)	70.7	(117.5)	(148.6)	6.4	(142.2)
Total expenditure		(190.4)	13.5	(176.9)	(149.1)	(77.3)	(226.4)
Total net income (expenditure) before investment gains		0.2	(28.7)	(28.5)	–	(78.3)	(78.3)
Gains on investment assets	2(a)	–	249.4	249.4	–	1,144.6	1,144.6
Gains / (losses) on derivatives		–	139.2	139.2	–	(1.9)	(1.9)
Gains / (losses) on foreign currency		–	24.5	24.5	–	(0.2)	(0.2)
Total net income before taxation		0.2	384.4	384.6	–	1,064.2	1,064.2
Current taxation	10	–	(2.8)	(2.8)	–	–	–
Deferred taxation	10	–	(0.7)	(0.7)	–	(0.5)	(0.5)
Total net income after taxation		0.2	380.9	381.1	–	1,063.7	1,063.7
Other recognised gains and losses							
Actuarial gains on defined benefit pension schemes (staff pre 2000)	17	–	30.0	30.0	–	9.4	9.4
Total other recognised gains and losses		–	30.0	30.0	–	9.4	9.4
Net movement in funds		0.2	410.9	411.1	–	1,073.1	1,073.1
Reconciliation of funds:							
Total funds brought forward		0.1	8,645.6	8,645.7	0.1	7,572.5	7,572.6
Total funds carried forward		0.3	9,056.5	9,056.8	0.1	8,645.6	8,645.7

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

The breakdown of other funds are shown in note 18.

COMMISSIONERS' STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2022

	Notes	2022 Other funds £m	2022 Endowment £m	2022 Total £m	2021 Other funds £m	2021 Endowment £m	2021 Total £m
Income from:							
Donations and legacies		1.2	118.1	119.3	1.2	84.1	85.3
Investments		–	110.0	110.0	–	130.2	130.2
Other income		1.7	–	1.7	1.6	–	1.6
Transfer to income	18	185.5	(185.5)	–	145.8	(145.8)	–
Total income		188.4	42.6	231.0	148.6	68.5	217.1
Expenditure on:							
Raising funds		–	(54.0)	(54.0)	–	(81.0)	(81.0)
Charitable activities							
Supporting dioceses and the local church	4	(117.2)	–	(117.2)	(86.8)	–	(86.8)
Bishops' and archbishops' ministry	4	(44.9)	–	(44.9)	(42.2)	–	(42.2)
Cathedrals' ministry	4	(14.3)	–	(14.3)	(12.3)	–	(12.3)
Other activities	4	(10.4)	–	(10.4)	(6.0)	–	(6.0)
Pre-1998 clergy pensions	4, 16	(1.4)	70.7	69.3	(1.3)	6.4	5.1
Total charitable expenditure		(188.2)	70.7	(117.5)	(148.6)	6.4	(142.2)
Total expenditure		(188.2)	16.7	(171.5)	(148.6)	(74.6)	(223.2)
Total net income (expenditure) before investment gains		0.2	59.3	59.5	–	(6.1)	(6.1)
Gains on investment assets	2(a)	–	147.5	147.5	–	1,075.3	1,075.3
Gains / (losses) on derivatives	10	–	139.2	139.2	–	(1.9)	(1.9)
Gains / (losses) on foreign currency	10	–	35.3	35.3	–	(3.1)	(3.1)
Total net income before taxation		0.2	381.3	381.5	–	1,064.2	1,064.2
Current taxation		–	0.2	0.2	–	–	–
Deferred taxation		–	(0.6)	(0.6)	–	(0.5)	(0.5)
Total net income after taxation		0.2	380.9	381.1	–	1,063.7	1,063.7
Other recognised gains and losses							
Actuarial gains on defined benefit pension schemes (staff pre 2000)	17	–	30.0	30.0	–	9.4	9.4
Total other recognised gains and losses		–	30.0	30.0	–	9.4	9.4
Net movement in funds		0.2	410.9	411.1	–	1,073.1	1,073.1
Reconciliation of funds:							
Total funds brought forward		0.1	8,645.6	8,645.7	0.1	7,572.5	7,572.6
Total funds carried forward		0.3	9,056.5	9,056.8	0.1	8,645.6	8,645.7

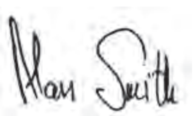
The income, expenditure and other recognised gains and losses all relate to continuing operations, none of which were acquired during the year.

The breakdown of other funds are shown in note 18.

BALANCE SHEETS
As at 31 December 2022

	Notes	Consolidated 2022 £m	Consolidated 2021 £m	Commissioners 2022 £m	Commissioners 2021 £m
Fixed assets					
Tangible assets	11	120.5	121.6	119.8	120.9
Heritage assets	12	3.5	3.5	3.5	3.5
Investments	2	9,671.9	9,152.4	8,950.0	8,541.2
Total fixed assets		9,795.9	9,277.5	9,073.3	8,665.6
Current assets					
Debtors	13	264.1	84.0	1,007.7	714.3
Current asset investments		590.3	307.5	590.3	307.5
Cash and cash equivalents		422.2	683.4	418.3	679.3
Total current assets		1,276.6	1,074.9	2,016.3	1,701.1
Liabilities					
Creditors: amounts falling due within one year	14	(132.7)	(132.7)	(149.8)	(147.0)
Net current assets		1,143.9	942.2	1,866.5	1,554.1
Total assets less current liabilities		10,939.8	10,219.7	10,939.8	10,219.7
Creditors: amounts falling due after one year	15	(629.5)	(98.5)	(629.5)	(98.5)
Provisions					
Deferred tax liability		(2.7)	(2.0)	(2.7)	(2.0)
Clergy pre-1998 pension obligation:					
Expected to fall due within one year		(83.9)	(118.4)	(83.9)	(118.4)
Expected to fall due after one year		(1,083.0)	(1,236.3)	(1,083.0)	(1,236.3)
Total clergy pre-1998 pension obligation	16	(1,166.9)	(1,354.7)	(1,166.9)	(1,354.7)
Net assets excluding pension scheme liabilities		9,140.7	8,764.5	9,140.7	8,764.5
Defined benefit pension scheme liabilities	17	(83.9)	(118.8)	(83.9)	(118.8)
Total net assets		9,056.8	8,645.7	9,056.8	8,645.7
Funds of the charity					
Endowment funds		9,140.4	8,764.4	9,140.4	8,764.4
Pension reserves	17	(83.9)	(118.8)	(83.9)	(118.8)
Unrestricted funds:					
Designated funds		–	–	–	–
General funds		–	–	–	–
Restricted funds		0.3	0.1	0.3	0.1
Total charity funds	18	9,056.8	8,645.7	9,056.8	8,645.7

By order of the Board



Alan Smith
First Church Estates Commissioner

28 April 2023

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

Cash flow statement

	Notes	2022 £m	2021 £m
Cash flows from operating activities		(526.9)	(271.0)
Cash paid from endowment capital for pre-1998 clergy pensions	16	(117.1)	(116.1)
Net cash used in operating activities		(644.0)	(387.1)
Cash flows from investing activities			
Income from investments		144.3	139.6
Expenditure on raising funds paid from endowment capital	3	(57.2)	(83.7)
Tangible assets: proceeds from sale	11	0.2	0.4
Investments: additions	2	(3,673.8)	(3,790.5)
Investments: sale proceeds	2	3,403.7	3,809.9
Net cash used in investing activities		(182.8)	75.7
Cash flows from financing activities			
3.250% Sustainability Bonds (2032) – proceeds from issue		249.2	–
3.250% Sustainability Bonds (2032) – Bond Issue costs		(1.3)	–
3.625% Bonds (2052) – proceeds from issue		295.0	–
3.625% Bonds (2052) – Bond Issue costs		(1.8)	–
Net cash provided by financing activities		541.1	–
Change in cash and cash equivalents in the year		(285.7)	(311.4)
Reconciliation of cash and cash equivalents			
Cash and cash equivalents at the start of the year		683.4	995.0
Change in cash and cash equivalents in the year		(285.7)	(311.4)
Change in cash due to exchange rate movements		24.5	(0.2)
Cash and cash equivalents at the end of the year		422.2	683.4
Cash and cash equivalents consist of:			
Cash at bank		98.2	65.9
Money Market Funds		324.0	617.5
Cash and cash equivalents at the end of the year		422.2	683.4

Analysis of changes in net debt

	At 1 January £m	Cashflows £m	Non-cash changes £m	At 31 December £m
Cash and cash equivalents	683.4	(261.2)	–	422.2
Total cash and cash equivalents	683.4	(261.2)	–	422.2
3.250% Sustainability Bonds (2032)	–	(247.9)	(0.1)	(248.0)
3.625% Bonds (2052)	–	(293.2)	(0.1)	(293.3)
Total net debt	–	(802.3)	(0.2)	(119.1)

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

CONSOLIDATED CASH FLOW STATEMENT continued

For the year ended 31 December 2022

Reconciliation of net income to net cash flows from operating activities

	Notes	2022 £m	2021 £m
Net income for the year		381.1	1,063.7
Adjustments for:			
Depreciation	11	0.9	0.9
Expenditure on raising funds paid from endowment capital	3	57.2	83.7
Expenditure on charitable activities paid from endowment capital	6	(70.7)	(6.4)
Income from investments	2	(143.3)	(144.8)
Gains on investments	2	(249.4)	(1,144.6)
(Gains) / losses on foreign currency		(24.5)	0.2
Amortisation of bond issue costs	15	0.2	–
Movement in current asset investments		(282.8)	(181.2)
Movement in debtors, excluding accrued investment income	13	(181.1)	58.9
Movement in creditors	14,15	(10.3)	3.7
Movement in deferred tax provision		0.7	0.5
Pension reserve adjustment to net income	17	(4.9)	(5.6)
Net cash used in operating activities		(526.9)	(271.0)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

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

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

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

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

(c) Significant judgements and estimates
Key judgements in applying the accounting policies

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

			Consolidated		Commissioners	
	Accounting policy	Further details	2022 £m	2021 £m	2022 £m	2021 £m
Fixed assets						
Tangible assets	1(j)	11	120.5	121.6	119.8	120.9
Heritage assets	1(k)	12	3.5	3.5	3.5	3.5
Investments	1(l)	2	9,671.9	9,152.4	8,950.0	8,541.2
Total fixed assets			9,795.9	9,277.5	9,073.3	8,665.6

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

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

Key judgements in applying the accounting policies continued

- **Value of creditors due after more than one year** – a judgement is made in respect of the appropriate discount rate to use when discounting long-term grant creditor balances to present value. The discount rate used is derived from the Bank of England's base rate spot curve data over the forecast maturity profile of the grants. The rates applied at the end of 2022 were between 4.0% and 4.4%, compared to 0.787% and 1.1% at the end of 2021. The resulting carrying values are set out below. If the discount rate were to increase by 0.25%, the value of creditors would decrease by £708,000.

	Accounting policy	Further details	Consolidated 2022 £m	Consolidated 2021 £m	Commissioners 2022 £m	Commissioners 2021 £m
Grants payable	1(g)	15	**99.5**	101.7	**99.5**	101.7
Discounting adjustment	1(g)	15	**(11.3)**	(3.2)	**(11.3)**	(3.2)
Total Grants payable			**88.2**	98.5	**88.2**	98.5

Key accounting estimates and assumptions

The preparation of the financial statements includes the use of estimates and assumptions. The accounting estimates which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:

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

	Accounting policy	Further details	Consolidated and Commissioners 2022 £m	Consolidated and Commissioners 2021 £m
Expected to fall due within one year	1(h)	16	**(83.9)**	(118.4)
Expected to fall due after one year	1(h)	16	**(1,083.0)**	(1,236.3)
Clergy pre-1998 pension obligation:			**1,166.9**	1,354.7

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

	Accounting policy	Further details	Consolidated and Commissioners 2022 £m	Consolidated and Commissioners 2021 £m
Defined benefit pension scheme liabilities	1(i)	17	**(83.9)**	(118.8)
Defined benefit pension scheme liabilities			**(83.9)**	(118.8)

(d) Going concern

The Commissioners' role in funding the Church's ministry comprises certain legal obligations and discretionary funding. In assessing the going concern status of the Commissioners, the trustees have considered the Commissioners' role in funding the Church's ministry, the spending strategy, the application of total return and the legislation to allow endowment to be spent for specific pension purposes. In addition, the trustees take account of independent actuarial advice provided by Hymans Robertson LLP on the affordability in perpetuity of their planned distributions. This advice is provided every three years when setting the spending plans for the next three-year period (the "triennium"), and this is updated annually to ensure that the spending plans for the current and next triennium remain affordable. The approach adopted includes a smoothing mechanism which aims to give a full triennium's notice of any reduction in distributions unless there has been a significant deterioration in the balance between the Commissioners' assets and their spending plans. This means that while events such as Covid-19 and the current geopolitical context are factors for consideration, the Commissioners have a clear framework for assessing whether the events are sufficiently significant that they would change the amounts available for distribution to beneficiaries in the short term.

The annual actuarial update for the year ended 31 December 2022 includes stress testing scenario analysis which models the impact on distributions in the event of different levels of reduction in asset values. This includes consideration of the impact of changes in the performance of the asset portfolio, expected future returns or inflation on the affordability of distributions. In light of this analysis there was no reason to consider that any changes were required to the planned distributions for the 2023 to 2025 triennium and so the trustees have concluded that the Commissioners are able to sustainably meet both their legal obligations and planned discretionary funding for at least the period to 31 December 2025. In addition the trustees have given consideration to the availability of liquidity in light of market turbulence arising from continuing geopolitical instability and a challenging economic environment, the post-pandemic context and other external factors. Under the Investment Risk Framework the Commissioners seek to hold at least 18 months' planned expenditure in cash and near cash, and are satisfied that they have sufficient cash to meet their obligations in the short term. Therefore, the Commissioners continue to adopt the going concern basis of accounting in the preparation of these financial statements.

(e) Basis of consolidation and subsidiary undertakings

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

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

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

(f) Income

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

Donations and legacies

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

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

Investment income

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

(g) Expenditure

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

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

1. ACCOUNTING POLICIES continued

(g) Expenditure continued

Direct costs and grants are allocated directly to activities and are described in more detail in notes 5 and 6. Grants are recognised when a firm commitment to provide funding is made and there is evidence of a constructive obligation to the beneficiary. Support costs are apportioned to the activity to which they relate as shown in note 7. The long-term debtor and creditor balances are discounted to present value, where material. The discount rate used is based on the expected future yield on the assets earmarked for making these grant payments.

Cars for the use of bishops are normally obtained under four-year operating leases, the full cost of which is paid at commencement. The cost of such leases is spread on a straight line basis over the period of the lease. The balance of the lease payments not yet charged to expenditure is included in prepayments.

(h) Provisions

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

(i) Pensions

Pensions are described in note 17.

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

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

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

(j) Fixed assets: tangible assets

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

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

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

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

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

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

(k) Fixed assets: heritage assets
The Commissioners own a number of assets that they consider to be heritage assets, which are held on an ongoing basis for their contribution to knowledge and culture, in particular relating to the history of the wider Church of England. The Commissioners' heritage assets have been grouped together in the following categories:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

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

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

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

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

Timberland (including biological assets)
Timberland includes land, its standing timber and other assets. Land is measured as investment property. Standing timber is measured as a biological asset. The Commissioners do not hold any timber as stock as they only sell standing timber.

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

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

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

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

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

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

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

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

Basic financial instruments
Basic financial assets, including **cash at bank** and **trade and other receivables** are recognised and held at transaction price. They are de-recognised when the rights to the cash flows from the financial assets expire or are settled.

Cash at bank and in hand includes cash at bank and cash equivalents. Cash equivalents include money market funds which are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2022

1. ACCOUNTING POLICIES continued

(m) Financial Instruments continued

Indirect property, Timberland and Infrastructure funds

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

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

Stock lending programme

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

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

Where securities are loaned at the balance sheet date, the securities loaned are included in the balance sheet as the Commissioners retain the risks and rewards of ownership of the securities and also retain the contractual rights to any cash flows relating to the securities. The market value of listed investments includes stock on loan of £74.2m (2021: £93.5m).

Derivatives

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

Derivatives are initially recognised at their fair value, which is equivalent to any transaction price paid. Derivative contracts outstanding at the balance sheet date are stated at fair value at the balance sheet date, which is derived from exchange prices if the derivative is listed or from third party valuations if unlisted. If the fair value of the derivative is in a gain position, the contract is shown within debtors. If the fair value of the contract is in a loss position, it is shown within creditors. Hedge accounting is not applied by the Commissioners. Realised and unrealised gains and losses arising from these contracts are charged to the endowment fund in the SOFA. Cash delivered as collateral for derivative contracts continue to be reflected as an asset within cash at bank and in hand. At 31 December 2022, £nil cash was delivered as collateral (2021: £nil).

(n) Foreign currencies

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

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

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

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

(o) Taxation

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

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

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

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

(p) Related parties

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

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

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

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

2. INVESTMENTS
(a) Summary of movement on investments

Consolidated

	At 1 January 2022 £m	Additions £m	Sale proceeds £m	Change in market value £m	At 31 December 2022 £m	2022 investment income £m
Securities portfolio:						
Listed securities*	2,899.7	2,637.6	(2,303.7)	(441.1)	2,792.5	63.9
Unlisted securities	3,803.5	858.3	(812.7)	494.8	4,343.9	16.6
Total securities	6,703.2	3,495.9	(3,116.4)	53.7	7,136.4	80.5
Properties:						
Direct property	1,574.9	84.2	(121.4)	99.0	1,636.7	40.9
Indirect property	110.7	33.8	(24.9)	3.9	123.5	0.5
Total properties	1,685.6	118.0	(146.3)	102.9	1,760.2	41.4
Value linked loans	89.5	0.5	(5.7)	(10.4)	73.9	3.0
Timberland:						
Land	132.2	–	(17.2)	35.9	150.9	–
Standing timber**	356.9	4.6	(49.5)	4.1	316.1	7.8
Indirect timberland	54.1	–	–	13.3	67.4	4.9
Total timberland	543.2	4.6	(66.7)	53.3	534.4	12.7
Infrastructure	130.9	54.8	(68.6)	49.9	167.0	5.7
Total	9,152.4	3,673.8	(3,403.7)	249.4	9,671.9	143.3

	At 1 January 2021 £m	Additions £m	Sale proceeds £m	Change in market value £m	At 31 December 2021 £m	2021 investment income £m
Securities portfolio:						
Listed securities*	2,739.3	2,512.9	(2,776.7)	424.2	2,899.7	45.1
Unlisted securities	2,964.7	1,111.3	(769.1)	496.6	3,803.5	23.2
Total securities	5,704.0	3,624.2	(3,545.8)	920.8	6,703.2	68.3
Properties:						
Direct property	1,609.3	59.8	(180.5)	86.2	1,574.8	40.3
Indirect property	105.9	28.5	(17.4)	(6.2)	110.8	3.8
Total properties	1,715.2	88.3	(197.9)	80.0	1,685.6	44.1
Value linked loans	85.6	–	(8.1)	12.0	89.5	2.9
Timberland:						
Land	95.5	9.4	(10.3)	37.6	132.2	–
Standing timber**	285.1	14.3	(31.2)	88.7	356.9	20.4
Indirect timberland	55.1	–	–	(1.0)	54.1	4.3
Total timberland	435.7	23.7	(41.5)	125.3	543.2	24.7
Infrastructure	86.7	54.3	(16.6)	6.5	130.9	4.8
Total	8,027.2	3,790.5	(3,809.9)	1,144.6	9,152.4	144.8

*Investment income includes £3.2m (2021: £2.2m) of income relating to interest on cash and interest on current asset investments, and £0.4m (2021: £0.4m) stock lending income.

**Change in market value of standing timber mainly comprises revaluation gains of £9.3m (2021: gains of £99.8m) and a reduction of £5.2m (2021: £11.1m) due to sale of standing timber. Standing timber represents the biological assets held by the Commissioners.

Commissioners

	At 1 January 2022 £m	Additions £m	Sale proceeds £m	Change in market value £m	At 31 December 2022 £m
Securities portfolio:					
Listed securities	2,899.7	2,637.4	(2,303.6)	(441.0)	**2,792.5**
Unlisted securities	3,315.6	753.7	(711.2)	403.1	**3,761.2**
Total securities	6,215.3	3,391.1	(3,014.8)	(37.9)	**6,553.7**
Properties:					
Direct property	1,422.8	38.0	(98.6)	100.6	**1,462.8**
Indirect property	81.4	33.8	(24.9)	6.0	**96.3**
Total properties	1,504.2	71.8	(123.5)	106.6	**1,559.1**
Value linked loans	89.5	0.5	(5.7)	(10.4)	**73.9**
Timberland:					
Land	84.5	–	(14.0)	20.2	**90.7**
Standing timber*	295.8	2.1	(48.7)	(4.7)	**244.5**
Total timberland	380.3	2.1	(62.7)	15.5	**335.2**
Infrastructure	24.4	27.9	(27.0)	23.7	**49.0**
Subsidiaries	327.5	1.6	–	50.0	**379.1**
Total	8,541.2	3,495.0	(3,233.7)	147.5	**8,950.0**

	At 1 January 2021 £m	Additions £m	Sale proceeds £m	Change in market value £m	At 31 December 2021 £m
Securities portfolio:					
Listed securities	2,739.3	2,510.6	(2,774.7)	424.4	2,899.6
Unlisted securities	2,594.8	974.8	(684.8)	430.9	3,315.7
Total securities	5,334.1	3,485.4	(3,459.5)	855.3	6,215.3
Properties:					
Direct property	1,458.6	48.6	(146.1)	61.7	1,422.8
Indirect property	75.8	28.5	(17.4)	(5.5)	81.4
Total properties	1,534.4	77.1	(163.5)	56.2	1,504.2
Value linked loans	85.6	–	(8.1)	12.0	89.5
Timberland:					
Land	59.9	0.9	(6.6)	30.3	84.5
Standing timber*	229.1	2.0	(30.0)	94.7	295.8
Total timberland	289.0	2.9	(36.6)	125.0	380.3
Infrastructure	6.4	17.5	–	0.5	24.4
Subsidiaries	298.8	2.4	–	26.3	327.5
Total	7,548.3	3,585.3	(3,667.7)	1,075.3	8,541.2

* Change in market value mainly comprises revaluation losses of £0.4m (2021: gain of £103.6m) and a reduction of £4.3m (2021: £8.9m) due to sale of standing timber. Standing timber represents the biological assets held by the Commissioners.

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

2. INVESTMENTS continued
(a) Summary of movement on investments continued
The original cost of investments is not disclosed given the historic nature of many of the property investments.

FRS 102 requires investments values to be shown for the Charity as well as consolidated. There is no similar requirement for income and expenditure.

Unlisted securities includes £0.2m (2021: £0.2m) invested in shares in the Churches Mutual Credit Union Limited, which is a mixed motive investment.

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

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

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

The Commissioners have investments denominated in foreign currencies and are impacted by changes in foreign currency exchange rates. Non-sterling assets exposed to currency risk represented 46.5 % (2021: 52.3%) of the investment portfolio. A currency overlay programme is used to hedge back into sterling a proportion of foreign currency exposure. At 31 December 2022, 31.2% (2021: 18.7%) of non-sterling assets were hedged to sterling. The net loss from operating the currency overlay programme was £68.1m before deducting fees of £1.2m (2021: loss of £12.2m before deducting fees of £1.9m). Net additions and sale proceeds during the year exclude the purchase and sale of foreign currency for the purposes of conversion and currency hedging. In addition, some fund managers may enter into foreign currency contracts to hedge the non-sterling assets they manage. The loss on these contracts was £2.9m (2021: loss £0.5m).

The Commissioners also hold equity and interest rate derivatives to manage equity market risk and for efficient portfolio management. The net profit from operating this programme was £204.8m (2021: profit of £10.8m).

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

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

* Unlimited companies.

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

	CC Licensing		CC Projects		CC Trading Ltd		Cedarvale		Quivercourt	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Revenue	127.3	101.6	27.4	20.7	0.9	11.9	0.7	5.7	–	–
Expenditure*	(106.4)	(81.5)	(19.9)	(16.7)	(0.3)	(11.9)	–	–	(1.5)	(0.6)
Profit/(loss)	20.9	20.1	7.5	4.0	0.6	–	0.7	5.7	(1.5)	(0.6)
Assets	767.8	648.5	103.7	65.7	6.7	6.1	39.2	38.6	27.2	29.3
Liabilities	(543.2)	(474.6)	(57.8)	(27.3)	–	–	–	–	(10.7)	(10.9)
Net funds	224.6	173.9	45.9	38.4	6.7	6.1	39.2	38.6	16.5	18.4

* Includes Gift Aid payments to the Commissioners.

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

(c) Joint ventures

Church of England Central Services (ChECS) is a charitable company limited by guarantee and is a joint venture between the Commissioners, the Archbishops' Council and the Church of England Pensions Board, who are equal partners. The purpose of ChECS is to enhance the efficiency and effectiveness of the charitable national and diocesan institutions of the Church of England and of other charities with a church ethos, by facilitating the provision of cost-effective shared financial, legal and other services. The Commissioners' share of net assets of ChECS was £nil (2021: £nil). As at 31 December 2022, other than the amounts disclosed in debtors in note 13, £46,000 was owed by the Commissioners to ChECS (2021: £37,000).

The Commissioners have no associated undertakings.

(d) Future commitments

The Commissioners have outstanding commitments to invest in private equity, private credit, venture capital, indirect property and infrastructure funds totalling £1.5bn as at 31 December 2022 (see table below). The drawdown and cashflow impact of these commitments will be over several years and is dependent on the fund managers acquiring underlying assets during the investment periods of the funds. The commitments are offset against distributions received from funds and other cashflows, and are managed as a whole within the total liquidity requirements of the Commissioners' fund.

	Consolidated		Commissioners	
	2022 £m	2021 £m	2022 £m	2021 £m
Securities portfolio	1,240.3	1,057.7	778.5	597.2
Indirect property	70.9	122.8	68.9	120.7
Infrastructure	152.8	129.5	89.0	60.2
Total capital commitments	1,464.0	1,310.0	936.4	778.1

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2022

3. EXPENDITURE ON RAISING FUNDS

	Direct costs £m	Internal management costs £m	Support costs (note 7) £m	2022 Total £m	Direct costs £m	Internal management costs £m	Support costs (note 7) £m	2021 Total £m
Securities	7.7	9.1	3.9	20.7	46.5	9.2	4.0	59.7
Properties	18.3	3.5	0.9	22.7	13.6	3.0	0.9	17.5
Indirect property	–	0.3	0.1	0.4	–	0.2	0.1	0.3
Value linked loans	–	0.2	–	0.2	–	0.2	0.1	0.3
Timberland	3.3	0.3	0.1	3.7	4.4	1.0	0.3	5.7
Infrastructure	-	0.5	0.3	0.8	–	0.1	0.1	0.2
Total investment management costs	29.3	13.9	5.3	48.5	64.5	13.7	5.5	83.7
Bond interest costs	8.7	–	–	8.7	–	–	–	–
Costs of managing events at Lambeth Palace	2.2	–	–	2.2	0.5	–	–	0.5
Total cost of raising funds	40.2	13.9	5.3	59.4	65.0	13.7	5.5	84.2

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

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

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

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

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

4. EXPENDITURE ON CHARITABLE ACTIVITIES

	Grant funding £m Note 5	Direct funding £m Note 6	Support costs £m Note 7	2022 Total £m	Grant funding £m Note 5	Direct funding £m Note 6	Support costs £m Note 7	2021 Total £m
Supporting dioceses and the local church	115.0	1.3	0.9	117.2	85.6	–	1.2	86.8
Bishops' and archbishops' ministry	19.2	22.7	3.0	44.9	21.5	18.7	2.0	42.2
Cathedrals' ministry	13.8	0.2	0.3	14.3	11.8	0.2	0.3	12.3
Other activities	6.6	2.6	1.2	10.4	2.2	2.4	1.4	6.0
Total charitable expenditure excluding clergy pensions obligation	154.6	26.8	5.4	186.8	121.1	21.3	4.9	147.3
Pre-1998 clergy pensions	–	(69.5)	0.2	(69.3)	–	(5.2)	0.1	(5.1)
Total costs of charitable activities	154.6	(42.7)	5.6	117.5	121.1	16.1	5.0	142.2

Supporting dioceses and the local church

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

- **Strategic development funding** is for new growth opportunities which aim to support major change projects which fit with dioceses' strategic plans.
- **Lowest income communities funding** and **Transition funding** are to provide funding for mission in communities with the lowest incomes.
- **Sustainability Funding** provides extra help to dioceses in the face of loss of income caused by the Covid-19 pandemic.
- **Strategic Transformation Funding** is for those dioceses wishing to undertake major restructuring programmes in order to better align with their strategic plans and make a significant difference to their mission and financial strength, in turn supporting the Church's sustainable growth.
- **Strategic Ministry Funding** provides financial support for growth in the number of clergy, including support for pensions and housing, in a tailored manner so that it is proportionately higher for those dioceses that need it most.
- **Additional Ordinands Funding** is intended to meet costs of training the incremental increase in ordinands, supporting dioceses to deliver the Church-wide goal of providing for future ordained ministry through increasing the number of ordinands by 50%.
- **National Giving Strategy Funding** is provided to support a new strategy over five years to encourage giving and generosity in churches. This includes grants to dioceses to help them implement this strategy.
- **Innovation Funding** is aimed at helping parishes explore new ways of sharing the Christian message, alongside tried and tested approaches. It supports limited-scale projects which will innovate and generate learning about growth which increases the number of new disciples, strengthens discipleship, grows social engagement or increases or diversifies leaders in the Church.
- **Energy Cost Grants** are awarded to dioceses to enable them to help Parochial Church Councils (PCCs) cover the increased cost of heating and lighting church buildings; and to provide targeted hardship support to clergy and other employed ministers to contribute towards household bills, in particular energy costs.
- **Funding for Posts of First Responsibility** is given to dioceses to support them in funding posts of first responsibility to enable finishing curates to move into roles of incumbent status.
- **Clergy Hardship Support Grants** are given to dioceses to enable them to provide targeted hardship support to clergy in greatest need, in light of significantly increased costs of living.
- **Growing Faith Foundation Funding** supports an initiative which aims to put children and young people at the heart of the mission and ministry of the Church, by getting churches, schools and households to work together.
- P**eople & Partnerships Funding** supplements the direct investment provided to dioceses by funding the pipelines of people (lay and ordained), the capacity and research which will be needed to deliver the Church of England Vision and Strategy across the whole country.
- **Theological Education Institutions Fee Support** is provided to support TEIs through a period of low ordination candidate numbers. It is envisaged as a one-off arrangement required pending the implementation of new Resourcing Ministerial Formation funding arrangements.
- Funding for **National services and support provided by the Council** enables the Council to undertake its work in a range of areas including Ministry, Faith & Public Life, Digital Communications, etc.
- **Safeguarding** funding provides financial support for the core work of the National Safeguarding Team and the Safeguarding Programme, through which a range of improvement initiatives are being implemented in response to the Independent Inquiry into Child Sexual Abuse (IICSA).

Bishops' and archbishops' ministry

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

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

4. EXPENDITURE ON CHARITABLE ACTIVITIES continued

Cathedrals' ministry

The Cathedrals Measure 1999 enables the Commissioners to make grants to cathedrals: section 21 and 22 grants are made towards the stipend and other costs of a dean and two residentiary canons of each cathedral; section 23 grants are made towards the stipend of any other clerk or salary of any lay person employed in connection with the cathedral; section 25 grants are made towards the repair of any chancel, other than that of the cathedral, which the cathedral is liable to repair.

Cathedrals Sustainability Funding enables the Commissioners to give discretionary section 23 grants to cathedrals to provide seed funding for projects aiming to help them become more financially sustainable.

Pre-1998 clergy pensions

The Commissioners meet the costs of clergy pensions for service up to 31 December 1997. This amount is the movement in the provision for clergy pensions until 31 December 1997 in the year to 31 December 2022 (with associated administration costs). The cash paid under the pre-1998 scheme was £117.1m (2021: £116.1m). Further details are provided in note 16.

Other activities

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

The Commissioners makes a grant to the Churches Conservation Trust to support its work in preserving church buildings closed for regular worship which are of historic and archaeological interest and architectural quality. During the year, the Commissioners paid the statutory grant to the Churches Conservation Trust of £1.4m (2021: £1.6m). The Commissioners also applied income of £0.7m (2021: £0.4m) from its share of proceeds on the sale of closed churches to these grants. Therefore, net expenditure on the annual grant to the Churches Conservation Trust was £0.7m (2021: £1.1m).

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

5. GRANT MAKING

All grants are made to institutions.

	2022 £m	2021 £m
Supporting dioceses and the local church		
Grants to the Archbishops' Council for:		
Strategic Development Funding	17.8	14.1
Lowest Income Communities Funding	28.3	27.5
Transition Funding	5.3	6.7
Sustainability Funding	4.3	9.3
Strategic Transformation Funding	11.1	9.0
Strategic Ministry Funding	10.4	11.3
Additional Ordinands Funding	1.9	3.2
National Giving Strategy	1.5	2.5
Innovation Funding	4.5	0.3
Energy Costs Grants	15.0	–
Funding for posts of first responsibility	4.3	–
Clergy Hardship Support	3.0	–
Growing Faith Foundation Funding	1.3	–
People and Partnerships Funding	1.5	–
Theological Educational Institutions Fee Support	1.2	–
National services and support provided by the Council	8.5	4.0
Safeguarding	3.1	0.8
Discounting adjustment (see note 15)	(8.0)	(3.1)
Total grants to support dioceses and the local church	115.0	85.6
Bishops' and archbishops' ministry		
114 (2021: 114) grants to bishops in 42 (2021: 42) dioceses	21.8	21.5
Return of unspent grants from bishops	(2.6)	-
Total grants for bishops' and archbishops' ministry	19.2	21.5
Cathedrals' ministry		
49 (2021: 13) grants to 33(2021: 11) cathedrals – Cathedral Sustainability Fund	3.8	1.9
84 (2021: 83) grants to 42 (2021: 42) cathedrals – other grants	10.1	9.9
Discounting adjustment (see note 15)	(0.1)	–
Total grants to pay for cathedrals' ministry	13.8	11.8
Other activities		
Statutory grant to Churches Conservation Trust	1.4	1.6
Social Impact Investment Funding	5.2	0.6
Total grants for other activities	6.6	2.2
Total grant funding	154.6	121.1

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

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

6. DIRECT FUNDING

	2022 £m	2021 £m
Supporting dioceses and the local church		
Cathedrals and Church Buildings Team	1.3	–
Total supporting dioceses and the local church	1.3	–
Bishops' and archbishops' ministry		
Bishops' and archbishops' housing and office premises	4.7	3.5
Lambeth Palace major refurbishment	6.1	2.2
Lambeth Palace Library depreciation	0.9	0.9
Lambeth Palace Library running costs	2.2	1.8
Lambeth Palace Library project costs	0.2	1.2
Archbishops' office and working costs and stipends	6.9	5.9
Other national costs	0.9	2.3
Archbishops' advisers	0.4	0.5
Direct costs of administering bishops' and archbishops' ministry	0.4	0.4
Total bishops' and archbishops' ministry costs	22.7	18.7
Cathedrals' ministry		
Direct costs of administering cathedrals' ministry	0.2	0.2
Total cathedrals' ministry	0.2	0.2
Pre-1998 clergy pensions		
Payments made to clergy	117.1	116.1
Actuarial adjustments	(187.8)	(122.5)
Other pre-1998 clergy pensions expenditure	1.2	1.2
Total clergy pension obligation	(69.5)	(5.2)
Other activities		
National payroll for clergy	0.5	0.6
Chancel repair liability	0.6	0.5
Managing pastoral reorganisations and closed church buildings	1.5	1.3
Total other activities	2.6	2.4
Total direct costs	(42.7)	16.1

7. SUPPORT COSTS

	Raising funds £m Note 3	Charitable activities £m Note 4	2022 Total £m	Raising funds £m Note 3	Charitable activities £m Note 4	2021 Total £m
Shared services	3.2	3.3	6.5	3.1	2.7	5.8
Accommodation costs	0.3	0.2	0.5	0.5	0.7	1.2
Governance costs	0.9	0.9	1.8	0.9	0.9	1.8
Total support costs before staff pension costs	4.4	4.4	8.8	4.5	4.3	8.8
Staff pension costs (note 17):						
Interest on staff pension scheme liabilities	0.9	1.2	2.1	1.0	0.7	1.7
Total support costs	5.3	5.6	10.9	5.5	5.0	10.5

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

Allocation of costs

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

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

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

	2022 £000	2021 £000
Audit of Church Commissioners:		
Current year	231	185
Audit of subsidiary undertakings	44	44
Total audit fees	275	229
Non-audit fees	168	210
Total fees paid to Grant Thornton UK LLP	443	439

Non-audit fees include fees of £97,500 (2021: £210,000) relating to forensic accounting services provided to support a research project into the fund of Queen Anne's Bounty , one of the Commissioners' predecessor bodies, and fees of £70,000 (2021: £nil) for work associated with a Bond issue carried out by Church Commissioners in 2022 – a £250 million sustainability Bond with a 10-year maturity (2032) and a £300 million conventional bond with a 30-year maturity (2052).

8. STAFF NUMBERS AND REMUNERATION

The Secretary and staff employed to manage the Commissioners' investment assets and other functions are employed directly by the Commissioners.

In addition to staff employed directly, the work of the Commissioners is supported by staff in shared service departments provided by Church of England Central Services (ChECS) which provides finance, HR, technology, communications, legal, internal audit and other services to the NCIs. The costs of all ChECS staff are shown in aggregate in the tables below – the Commissioners' share of which was £4,586,000 (2021: £5,068,000).

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

	Commissioners' own staff				ChECS	
	Asset management		Church functions and secretariat		Shared services	
	2022 Number	2021 Number	2022 Number	2021 Number	2022 Number	2021 Number
Average number employed	62	56	51	32	157	177

	£m	£m	£m	£m	£m	£m
Salaries	8.7	7.9	2.5	1.6	7.6	8.5
National Insurance costs	0.7	0.6	0.3	0.2	0.9	0.9
Pension contributions	0.8	0.7	0.4	0.3	1.5	1.1
Total cost of staff	10.2	9.2	3.2	2.1	10.0	10.5

Salaries of the Commissioners' own staff include £48,000 (2021: £3,000) paid by way of termination costs to one person due to redundancy of a post (2021: one person).

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

Pension benefits earned on or after 1 January 2000 are provided by the Church Administrators Pension Fund ("CAPF"), administered by the Church of England Pensions Board. The Pensions Board publishes the Scheme's financial statements, and is its custodian trustee. From 1 April 2019, defined contribution pension arrangements for some staff transferred from the CAPF to a separate pension arrangement on the same terms.

Pensions are described in more detail in note 17.

Average number of employed in Church functions and secretariat increased by 19, largely driven by the transfer in of the Cathedrals and Church Buildings division, previously employed by the Archbishops' Council.

Asset management and national Church functions

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

Staff emoluments

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

	Commissioners' own staff				ChECS	
	Asset management		Church functions and secretariat		Shared services	
	2022 Number	2021 Number	2022 Number	2021 Number	2022 Number	2021 Number
£60,001 to £70,000	4	5	8	–	13	17
£70,001 to £80,000	3	9	–	1	6	4
£80,001 to £90,000	7	1	3	3	3	3
£90,001 to £100,000	2	4	1	–	2	2
£100,001 to £110,000	2	3	–	–	5	7
£110,001 to £120,000	1	2	–	–	1	–
£120,001 to £130,000	6	–	–	–	2	1
£130,001 to £140,000	1	–	–	–	–	1
£140,001 to £150,000	1	1	–	–	–	–
£150,001 to £160,000	1*	1*	–	–	–	–
£160,001 to £170,000	–	–	–	–	–	–
£170,001 to £180,000	1	1	–	1**	–	–
£180,001 to £190,000	1*	1*	1**	–	–	–
£190,001 to £200,000	–	1	–	–	–	–
£200,001 to £210,000	1*	2*	–	–	–	–
£210,001 to £220,000	1*	1*	–	–	–	–
£220,001 to £230,000	2*	1*	–	–	–	–
£230,001 to £240,000	2*	3*	–	–	–	–
£240,001 to £250,000	1*	–	–	–	–	–
£250,001 to £260,000	1*	–	–	–	–	–
£270,001 to £280,000	–	1*	–	–	–	–
£280,001 to £290,000	1*	–	–	–	–	–
£320,001 to £330,000	–	1*	–	–	–	–
£330,001 to £340,000	–	1*	–	–	–	–
£350,001 to £360,000	1*	–	–	–	–	–
£360,001 to £370,000	1*	–	–	–	–	–
£480,001 to £490,000	–	1*	–	–	–	
£540,001 to £550,000	1*	–	–	–	–	
£600,001 to £610,000	–	1*	–	–	–	
£640,001 to £650,000	1*	–	–	–	–	

* Including LTIP payment

** Secretary to the Church Commissioners (Chief Executive)

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

Of those staff managed directly by the Commissioners, 47 (2021: 40) accrue benefits under a defined contribution scheme for which contributions for the year were £592,000 (2021: £510,000). The remaining 9 (2021: 5) staff accrue benefits under a defined benefit scheme. Of those managed by ChECS, 29 (2021: 30) accrue benefits under a defined contribution scheme for which contributions for the year were £328,000 (2021: £330,000). The remaining 3 (2021: 5) staff accrue benefits under a defined benefit scheme.

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

8. STAFF NUMBERS AND REMUNERATION continued

Staff emoluments continued

The highest paid member of staff was the Chief Investment Officer who earned £323,000 (2021: £305,000) and a Long Term Incentive Payment (LTIP) of £319,000 (2021: £301,000) based on the long-term performance of the fund. Including the Chief Investment Officer, 15 (2021: 15) members of staff received LTIPs in the year totalling £1,823,000 (2021: £1,673,000). Further details of the Commissioners' remuneration policy are included in the Governance Section of the Board's report on page 58.

The Commissioners' senior executive leadership team comprise five posts, four of whom are employed directly by the Commissioners and one by ChECS. Their aggregate remuneration, including LTIPs, national insurance and pension contributions, is £1,390,000 (2021: £1,433,000).

9. TRUSTEES' EMOLUMENTS AND EXPENSES

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

	2022 £000	2021 £000
First Church Estates Commissioner		
Salary	122	118
National Insurance costs	16	15
Pension	16	8
Third Church Estates Commissioner		
Salary	74	73
National Insurance costs	10	8
Pension	3	5
Total Church Estates Commissioners' costs	241	227

Alan Smith was appointed First Church Estates Commissioner on 1 October 2021 but waived his remuneration for 2021.

Pensions paid to former First and Third Church Estates Commissioners of £28,000 (2021: £27,000) were charged to the staff pension provision.

The Commissioners meet the expenses incurred by the trustees in carrying out their duties. During the year, 17 (2021: 11) trustees claimed expenses or had their expenses met by the Charity totalling £13,098 (2021: £2,702) in respect of travel and subsistence. The Commissioners meet the expenses of Committee members in carrying out their duties. During the year, 4 (2021: 1) Committee members claimed expenses or had their expenses met by the Charity totalling £1,059 (2021: £272) in respect of their travel and subsistence.

10. TAXATION

	Overseas (including Australian) Withholding Tax £m	2022 £m	Overseas (including Australian) Withholding Tax £m	2021 £m
Consolidated				
Current tax	2.8	2.8	–	–
Deferred tax	0.7	0.7	0.5	0.5
Total taxation charge	3.5	3.5	0.5	0.5
Commissioners				
Current tax	(0.2)	(0.2)	–	–
Deferred tax	0.6	0.6	0.5	0.5
Total taxation charge	0.4	0.4	0.5	0.5

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

11. TANGIBLE ASSETS

Consolidated

	Freehold buildings	Green energy generation £m	IT systems £m	Leasehold improvements £m	Operational properties and contents £m	Total £m
Cost or valuation						
Balance at 1 January	30.5	0.7	1.9	2.1	91.3	126.5
Additions	–	–	–	–	–	–
Transfers/disposal	–	–	–	–	(0.2)	(0.2)
Balance at 31 December	30.5	0.7	1.9	2.1	91.1	126.3
Accumulated depreciation						
Balance at 1 January	(0.9)	–	(1.9)	(2.1)	–	(4.9)
Charge for the year	(0.9)	–	–	–	–	(0.9)
Balance at 31 December	(1.8)	–	(1.9)	(2.1)	–	(5.8)
Net book value						
Balance at 1 January	29.6	0.7	–	–	91.3	121.6
Balance at 31 December	28.7	0.7	–	–	91.1	120.5

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

11. TANGIBLE ASSETS continued
Commissioners

	Freehold buildings	IT systems £m	Leasehold improvements £m	Operational properties and contents £m	Total £m
Cost or valuation					
Balance at 1 January	30.5	1.9	2.1	91.3	**125.8**
Additions	–	–	–	–	–
Transfers/disposal	–	–	–	(0.2)	**(0.2)**
Balance at 31 December	30.5	1.9	2.1	91.1	**125.6**
Accumulated depreciation					
Balance at 1 January	(0.9)	(1.9)	(2.1)	–	**(4.9)**
Charge for the year	(0.9)	–	–	–	**(0.9)**
Balance at 31 December	(1.8)	(1.9)	(2.1)	–	**(5.8)**
Net book value					
Balance at 1 January	29.6	–	–	91.3	**120.9**
Balance at 31 December	28.7	–	–	91.1	**119.8**

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

The deemed cost of operational see house properties was the valuation at the FRS 102 transition date. This valuation was carried out by Knight Frank LLP as at 31 December 2013.

Operational properties includes the contents of see houses, which were valued by Gurr Johns as at 31 December 2007.

All tangible fixed assets are located in the United Kingdom.

12. HERITAGE ASSETS
Analysis of heritage assets

	Lambeth Palace £m	Contents of Lambeth Palace Library £m	Historic contents of Lambeth Palace £m	Historic contents of former see houses £m	Total £m
Balance at 1 January	–	0.3	1.0	2.2	**3.5**
Balance at 31 December	–	0.3	1.0	2.2	**3.5**

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

Contents of Lambeth Palace Library

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

Historic contents of Lambeth Palace

Included within heritage assets are the historical contents of Lambeth Palace. These items are held primarily for their historical and artistic value. The contents' fair value has been calculated based on the market value last calculated at 31 December 2007. The Commissioners have performed a review of the historic contents of Lambeth Palace, which includes works of art, and are satisfied that there is no material difference between the fair value at 31 December 2022 and the full professional valuation obtained as at 31 December 2007.

Historic contents of former see houses

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

The contents' fair value has been calculated based on the market value last calculated at 31 December 2007. The Commissioners have performed a review of the historic contents, which includes works of art, and are satisfied that there is no material difference between the fair value at 31 December 2022 and the full professional valuation obtained as at 31 December 2007. There have been no additions since 2017.

13. DEBTORS

	Consolidated		Commissioners	
	2022 £m	2021 £m	2022 £m	2021 £m
Trade debtors	23.5	19.7	3.4	6.3
Subsidiary undertakings	–	–	737.6	630.2
Joint venture (ChECS)	1.1	1.7	1.1	1.7
Dioceses (Clergy Stipends and Diocesan Debtors Accounts)	2.0	0.3	2.0	0.3
Loans	2.2	2.7	2.2	2.7
Other debtors	0.9	1.1	0.7	1.0
Prepayments	2.5	2.5	2.2	2.2
Taxation and National Insurance contributions	3.9	–	3.9	–
Accrued income	11.0	12.0	37.6	25.9
Outstanding investment trades	142.9	9.1	142.9	9.1
Derivative open contracts	74.1	34.9	74.1	34.9
Total debtors	264.1	84.0	1,007.7	714.3

Balances with subsidiaries are included in Note 21.

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

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

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

14. CREDITORS FALLING DUE WITHIN ONE YEAR

	Consolidated		Commissioners	
	2022 £m	2021 £m	2022 £m	2021 £m
Trade creditors	5.8	4.7	5.4	4.5
Subsidiary undertakings	–	–	25.0	26.2
Dioceses and other Church bodies	7.5	4.9	7.5	4.9
Other creditors	3.7	4.8	3.3	4.3
Taxation and National Insurance contributions	8.6	10.3	3.9	7.5
Accruals and deferred income	22.9	49.0	20.5	40.6
Grants payable	67.0	43.3	67.0	43.3
Outstanding trades payable	9.8	4.8	9.8	4.8
Derivative open contracts	7.4	10.9	7.4	10.9
Total creditors: amounts falling due within one year	132.7	132.7	149.8	147.0

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

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

15. CREDITORS FALLING DUE AFTER ONE YEAR

	Consolidated		Commissioners	
	2022 £m	2021 £m	2022 £m	2021 £m
Grants payable	99.5	101.7	99.5	101.7
Discounting adjustment	(11.3)	(3.2)	(11.3)	(3.2)
Total Grants payable	88.2	98.5	88.2	98.5
3.250% Sustainability Bonds due 2032	250.0	–	250.0	–
3.250% Sustainability Bonds – Bond issue costs	(1.2)	–	(1.2)	–
3.250% Sustainability Bonds – discount on issuance	(0.8)	–	(0.8)	–
3.625% Bonds (2052)	300.0	–	300.0	–
3.625% Bonds (2052) – Bond issue costs	(1.7)	–	(1.7)	–
3.625% Bonds (2052) – discount on issuance	(5.0)	–	(5.0)	–
Total Bond Liabilities	541.3	–	541.3	–
Total creditors: amounts falling due after one year	629.5	98.5	629.5	98.5

Grants Payable

Grant making creditors can be analysed as follows:

	Consolidated and Commissioners	
	2022 £m	2021 £m
As at 1 January	141.8	137.3
Changes in liability due to:		
New grant commitments in the year	165.3	124.2
Return of unspent grants	(2.6)	–
Grant payments in the year	(141.2)	(116.6)
Changes in discounting adjustment	(8.1)	(3.1)
As at 31 December	155.2	141.8
Grants payable falling due within one year	67.0	43.3
Grants payable falling due after one year	88.2	98.5
As at 31 December	155.2	148.1

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

Grant stream	2024	2025	2026	2027	2028	2029 and beyond	Total
Strategic Development Funding	27.3	20.1	10.6	4.5	0.6	0.2	63.3
Strategic Ministry Funding	6.2	2.7	–	–	–	–	8.9
Strategic Transformation Funding	6.9	5.9	3.3	1.8	0.3	0.1	18.3
Social Impact Investment Funding	0.7	0.6	–	–	–	–	1.3
Cathedral Sustainability Funding	1.3	–	–	–	–	–	1.3
Other Grant Streams	2.1	2.2	1.6	0.5	0.0	–	6.4
Total before discounting adjustment	44.5	31.5	15.5	6.8	0.9	0.3	99.5
Discounting adjustment	(3.7)	(3.7)	(2.3)	(1.2)	(0.2)	(0.2)	(11.3)
Total	40.8	27.8	13.2	5.6	0.7	0.1	88.2

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

At the balance sheet date the Archbishops' Council had made grant awards of £13.8m to five organisations, which did not meet the expenditure recognition criteria due to conditions attached to these awards. The Church Commissioners have therefore not recognised a corresponding grant to the Archbishops' Council in respect of these awards.

Bond Liabilities

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

Bond issue costs of £1.3m were incurred (predominantly legal and financial advice) in respect of the 2032 Sustainability Bond. At December 2022, the total of amortised bond issue costs and the amortised discount on issuance was £2.0m (2021: £nil). The applicable interest rate is 3.25%. Repayment of the bond is due on maturity in 2032.

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

15. CREDITORS FALLING DUE AFTER ONE YEAR continued
Bond Liabilities continued
Bond issue costs of £1.7m were incurred (predominantly legal and financial advice) in respect of the 2052 Bond. At December 2022, the total of the amortised bond issue costs and the amortised discount on issuance was £6.7m (2021: £nil). The applicable interest rate is 3.625%. Repayment of the bond is due on maturity in 2052.

The following table details the bond-related contractual payments as at 31 December 2022.

	Sustainability Bonds (2032)		Bond (2052)	
	Interest due £m	Capital repayment £m	Interest due £m	Capital repayment £m
Period				
Due to end December 2022	3.8	–	5.0	–
Due within one year	8.1	–	10.9	–
Due between one to five years	32.5	–	43.5	–
Due after five years	36.9	250	266.9	300
Total	81.3	250	326.3	300

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

	Notes	Consolidated and Commissioners 2022 £m	Consolidated and Commissioners 2021 £m
As at 1 January		**1,354.7**	1,477.2
Amounts charged against provision:			
Pensions to clergy for service prior to 1998		**(79.2)**	(79.4)
Lump sum payments on retirement for service prior to 1998		**(6.5)**	(6.2)
Pensions to clergy widows and children for service prior to 1998		**(30.7)**	(30.3)
Benefits under the Deaconesses and Lay Workers (Pensions) Measure 1980		**(0.1)**	(0.1)
Transfers out of scheme		**(0.6)**	(0.1)
		(117.1)	(116.1)
Changes in provision for:			
Interest on provision		**58.2**	57.0
Changes in assumptions and due to experience		**(128.9)**	(63.4)
	6	**(70.7)**	(6.4)
As at 31 December		**1,166.9**	1,354.7

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

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

Church of England Pensions Scheme

The Commissioners are obliged to pay pension benefits to clergy who accrued years of pensionable service until 31 December 1997 as members of the Church of England Pensions Scheme. The Scheme is administered by the Church of England Pensions Board on behalf of the Commissioners. The obligation is recognised in full using the actuarial valuation carried out by Hymans Robertson LLP, independent qualified actuaries. A full valuation is carried out every three years and it is rolled forward in other years. A full valuation was carried out as at 31 December 2021.

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

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

	2022 %	2021 %	2020 %	2019 %	2018 %
Prospective annual rate of return on investments	6.8	4.6	3.8	3.9	4.2
Rate of increase of future stipend and increases in the starting pension	2.3	2.9	3.3	3.2	3.2
Rate of post retirement pension increases	3.2	3.7	3.3	3.2	3.2
Retail price inflation	3.2	3.7	3.3	3.2	3.2

The assumptions were made on a best estimate basis over a time period reflecting the long-term nature of the fund and its objectives over 30 years. In their assessments of the pensions obligation, Hymans Robertson LLP have used bespoke Club Vita mortality tables. The life expectancy for beneficiaries aged 65 is 24.1 years (2018 valuation: 22.8 years) for men and 26.3 years (2018 valuation: 26.4 years) for women. In respect of future improvements in mortality rates, the projection model from the 2020 Continuous Mortality Investigation has been used.

17. PENSIONS

	Clergy	Staff			Clergy	Staff		
	Post-1997 service Note 17(a) £m	Pre-2000 service Note 17(b) £m	Post-1999 service Note 17(c) £m	2022 £m	Post-1997 service Note 17(a) £m	Pre-2000 service Note 17(b) £m	Post-1999 service Note 17(c) £m	2021 £m
Pension reserves at 1 January	0.5	115.5	2.8	118.8	1.1	128.6	4.1	133.8
Benefits/contributions paid	(0.3)	(5.4)	(1.4)	(7.1)	(0.6)	(5.2)	(1.5)	(7.3)
Interest on liability	–	2.1	–	2.1	–	1.5	–	1.5
Other movement	–	–	0.1	0.1	–	–	0.2	0.2
	(0.3)	(3.3)	(1.3)	(4.9)	(0.6)	(3.7)	(1.3)	(5.6)
Actuarial (Gain)/Losses	(0.2)	(29.8)	–	(30.0)	–	(9.4)	–	(9.4)
Pension reserves at 31 December	–	82.4	1.5	83.9	0.5	115.5	2.8	118.8

The reduction in pensions reserves due to cash paid is £7.1m (2021: £7.3m) and the total amount shown in expenditure is £2.1m (2021: £1.5m). Actuarial gains of £30.0m (2021: gains of £9.4m) have been recognised in other gains or losses.

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

17. PENSIONS continued
(a) Clergy pensions post-1997: Church of England Funded Pensions Scheme
Pensions in respect of the service of Church of England clergy from 1 January 1998 are provided by the Church of England Funded Pensions Scheme, administered by the Church of England Pensions Board. The Church of England Pensions Board publishes the Scheme's financial statements and is its custodian trustee.

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

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

A valuation of the Scheme was carried out by an independent qualified actuary using the projected unit method as at 31 December 2018. This revealed a deficit of £50 million, based on assets of £1,818 million and a funding target of £1,868 million.

Normal contributions relate to providing benefits in relation to ongoing pensionable service. Deficit contributions relate to recovery of the deficit until 31 December 2022. Following a review of the scheme's funding position a lower interim contribution rate was set with effect from 1 April 2022. The most recent full valuation of the scheme as at 31 December 2021 revealed a surplus of £560m, based on assets of £2,720m and a funding target of £2,160m. Administration expenses cover the day-to-day expenses of running the scheme.

The contribution rate of future pensionable stipends payable by the Commissioners is made up of the following components:

	From 1 January 2022 %	From 1 April 2022 %	From 1 January 2023 %
Normal contributions	31.3	31.3	26.5
Deficit contributions	7.1	3.2	–
Contributions towards administration expenses	1.2	1.2	1.2
Total contribution	39.6	35.7	27.7

The £nil reserve for 2022 (2021: liability of £0.5m) in the table above represents the present value of future deficit contributions and has been valued using assumptions set by reference to the duration of the deficit recovery payments (which ceased from 1 January 2023).

(b) Staff pensions pre-2000: Church Commissioners Superannuation Scheme
The Commissioners are obliged to pay pension benefits to staff, former First and Third Church Estates Commissioners, bishops' staff and staff of the Church of England Pensions Board who accrued years of pensionable service until 31 December 1999 as members of the Church Commissioners Superannuation Scheme ("CCSS").

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

Using the projected unit method, and assuming all benefits including post retirement increases in pensions continue to be paid in accordance with current practice, the provision of £82.4m (2021: £115.5m) shown in the table above represents the Commissioners' share of the deficit on the CCSS.

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

	2022 %	2021 %	2020 %	2019 %	2018 %
Discount rate (annual rate of return on AA rated corporate bonds)	**4.75**	1.85	1.20	1.95	2.75
Rate of salary increases	**3.95**	4.25	3.80	3.70	4.45
Rate of increase of pensions in payment:					
for service before 1 April 1997 (CPI)	**2.70**	3.00	2.50	2.35	2.50
for service since 1 April 1997 (RPI)	**3.25**	3.55	3.05	3.25	3.45

In their assessments of the pensions liability, Hymans Robertson LLP used bespoke Club Vita mortality tables. In respect of future improvements in mortality rates, the projection model from the 2020 Continuous Mortality Investigation has been used.

History of experience gains and losses:

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Actuarial loss (gain)	**(29.8)**	(9.4)	12.2	6.7	(18.3)

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

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

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

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

The most recent valuation of the Fund, completed on 29 January 2021, was carried out by an independent qualified actuary using the projected unit method at as 31 December 2019. This revealed a deficit of £9.1 million.

Following completion of the valuation in 2021, the employers have collectively entered into an agreement with CAPF to pay contributions of 27.6% of Pensionable Salaries. The employers have also agreed to make deficit payments of £2.4m per annum until December 2023 in respect of the shortfall in the Defined Benefit Section. In addition, the employers have agreed to pay £500,000 pa towards expenses, plus the full cost of any Pension Protection Fund levies. These contributions are made by each employer in proportion to Pensionable Salaries of those in the Defined Benefit Section. For comparison, the deficit recovery plan in force at 31 December 2020 was for deficit payments of £2.7m pa from 1 January 2018 until 30 June 2023 (increasing each 1 January by 3.3%). A full valuation as at 31 December 2022 is in progress.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 31 December 2022

18. FUNDS

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

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

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

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

	Notes	Base value of endowment £m	Unapplied total return £m	Total endowment fund £m	Other funds £m	Total funds £m
At 1 January 2022		2,468.2	6,177.4	8,645.6	0.1	8,645.7
Add investment return for the year:						
Income return – gross income		–	143.3	143.3	5.1	148.4
Income return – cost of raising funds	3	–	(57.2)	(57.2)	(2.2)	(59.4)
Capital return and foreign exchange		–	413.1	413.1	–	413.1
Taxation payable	10	–	(3.5)	(3.5)	–	(3.5)
Total investment return during the year		–	495.7	495.7	2.9	498.6
Less						
Clergy pensions paid	16	(117.1)	–	(117.1)	–	(117.1)
Release of clergy pensions paid		–	117.1	117.1	–	117.1
Movement on clergy pensions provision	16	–	70.7	70.7	–	70.7
Gain on defined benefit pension schemes	17	30.0	–	30.0	–	30.0
Charitable expenditure: non-pensions		–	–	–	(188.2)	(188.2)
Total other movements during the year		(87.1)	187.8	100.7	(188.2)	(87.5)
Add indexation on base value of endowment		227.1	(227.1)	–	–	–
Application of non-applied total return		–	(185.5)	(185.5)	185.5	–
At 31 December 2022		2,608.2	6,448.3	9,056.5	0.3	9,056.8

	Notes	Base value of endowment £m	Unapplied total return £m	Total endowment fund £m	Other funds £m	Total funds £m
At 1 January 2021		2,457.0	5,115.5	7,572.5	0.1	7,572.6
Add investment return for the year:						
Income return – gross income		–	144.8	144.8	3.3	148.1
Income return – cost of raising funds	3	–	(83.7)	(83.7)	(0.5)	(84.2)
Capital return and foreign exchange		–	1,142.5	1,142.5	–	1,142.7
Taxation payable	10	–	(0.5)	(0.5)	–	(0.5)
Total investment return during the year		–	1,203.1	1,203.1	2.8	1,205.9
Less						
Clergy pensions paid	15	(116.1)	–	(116.1)	–	(116.1)
Release of clergy pensions paid		–	116.1	116.1	–	116.1
Movement on clergy pensions provision	15	–	6.4	6.4	–	6.4
Gain on defined benefit pension schemes	16	9.4	–	9.4	–	9.4
Charitable expenditure: non-pensions		–	–	–	(148.6)	(148.6)
Total other movements during the year		(106.7)	122.5	15.8	(148.6)	(132.8)
Add indexation on base value of endowment		117.9	(117.9)	–	–	–
Application of non-applied total return		–	(145.8)	(145.8)	145.8	–
At 31 December 2021		2,468.2	6,177.4	8,645.6	0.1	8,645.7

Other funds comprise the following balances:

	At 1 January 2022 £m	Income £m	Expenditure £m	Transfers £m	At 31 December 2022 £m
Restricted funds					
Reconciliation	0.1	0.1	(0.1)	–	0.1
Closed churches	–	0.7	(0.7)	–	–
Centre for Cultural Witness	–	0.3	(0.1)	–	0.2
Other restricted funds individually below £0.1m	–	0.1	(0.1)	–	–
Total restricted funds	0.1	1.2	(1.0)	–	0.3
Unrestricted funds (general)					
General fund	–	3.9	(189.4)	185.5	–
Total unrestricted funds	–	3.9	(189.4)	185.5	–
Total other funds	0.1	5.1	(190.4)	185.5	0.3

	At 1 January 2021 £m	Income £m	Expenditure £m	Transfers £m	At 31 December 2021 £m
Restricted funds					
Reconciliation	–	0.2	(0.2)	–	–
Closed churches	–	0.4	(0.4)	–	–
Other restricted funds individually below £0.1m	0.1	0.2	(0.2)	–	0.1
Total restricted funds	0.1	0.8	(0.8)	–	0.1
Unrestricted funds (general)					
General fund	–	2.5	(148.3)	145.8	–
Total unrestricted funds	–	2.5	(148.3)	145.8	–
Total other funds	0.1	3.3	(149.1)	145.8	0.1

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

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

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

Closed churches
This fund represents the Commissioners' share of income received from the sale of closed churches. For further details, see note 4.

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

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

	General fund £m	Designated fund £m	Restricted £m	Pension reserve £m	Endowment fund £m	2022 £m
Fixed assets	28.7	–	–	–	9,767.2	9,795.9
Current assets	601.4	0.8	0.3	–	674.1	1,276.6
Creditors: amounts falling due within one year	(0.6)	(0.8)	–	–	(131.3)	(132.7)
Creditors: amounts falling due after one year	(629.5)	–	–	–	–	(629.5)
Provisions	–	–	–	–	(1,169.6)	(1,169.6)
Defined benefit pension scheme liabilities	–	–	–	(83.9)	–	(83.9)
Total funds	–	–	0.3	(83.9)	9,140.4	9,056.8

	General fund £m	Designated fund £m	Restricted £m	Pension reserve £m	Endowment fund £m	2021 £m
Fixed assets	29.6	–	–	–	9,247.9	9,277.5
Current assets	72.5	1.5	0.1	–	1,000.8	1,074.9
Creditors: amounts falling due within one year	(4.2)	(0.9)	–	–	(127.6)	(132.7)
Creditors: amounts falling due after one year	(97.9)	(0.6)	–	–	–	(98.5)
Provisions	–	–	–	–	(1,356.7)	(1,356.7)
Defined benefit pension scheme liabilities	–	–	–	(118.8)	–	(118.8)
Total funds	–	–	0.1	(118.8)	8,764.4	8,645.7

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

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

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

20. LEASES

The Commissioners have different types of leases in place for its investment properties, including:

Tenancy	Break terms
Residential	
Assured shorthold tenancies (ASTs)	Minimum 6 months then 2 months' notice
Assured tenancies	1 month's notice
Regulated tenancies	1 month's notice
Ground rents	No break terms
Licence agreement	1 month's notice by either party
Rural	
Farm business tenancies	In general, there are no breaks until lease end date
Agricultural Holdings Act	Minimum 12 months' notice period by the tenant
Licence agreement	Will range from 1 to 3 months' notice by either party
Commercial	
Full repair and insurance	No break term unless specifically requested
Internal repair and insurance	No break term unless specifically requested
Geared rents	No break terms
UK forestry	
Not applicable	

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

	2022 £m	2021 £m
Amounts due within one year	14.3	8.9
Amounts due after one year but not more than five years	47.2	28.5
Amounts due after five years	241.9	230.2
Total rents receivable under non-cancellable operating leases	303.4	267.6

21. RELATED PARTY TRANSACTIONS

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

As at 31 December 2022, other than the amounts disclosed in debtors in note 13, £0.1m was owed by the Commissioners to ChECS (2021: £0.1m). The Commissioners' share of net assets of ChECS was £nil (2021: £nil). In addition, the Church Commissioners charged ChECS a total of £0.1m during 2022 (2021: £0.2m) for staffing costs in respect of Information management and governance activities undertaken by staff at Lambeth Palace Library and (in 2021 only) to rent a building for use in ChECS' charitable activities.

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

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

21. RELATED PARTY TRANSACTIONS continued
If taxable profits are generated by the subsidiaries, these are paid to the Commissioners as donations made under gift aid. The Commissioners have recognised income relating to gift aid payments of £87.2m (2021: £84.1m) from its subsidiaries in the year.

During the year, 2 (2021: two) properties were sold; 0 from CC Trading to Commissioners (2021: one, £10.5m) and 2 from the Commissioners to CC Projects £44.3m (2021: one, £8.0m); a total of £44.3m (2021: £18.5m).

As disclosed in notes 13 and 14, the Commissioners maintain inter-company accounts between itself and its subsidiaries. The total debtors and creditors relating to subsidiary undertakings, excluding loan notes in Jahr Tree Co Pty Ltd, are debtors of £705.8m (2021: £601.2m) and creditors of £25.0m (2021: £26.2m). The Commissioners use these accounts for efficient cash management across the group and charge or pay interest at 1% above Bank of England Base Rate on these balances. The balances are unsecured with no fixed repayment date. During the year, the Commissioners received £14.0m (2021: £4.3m) and paid £0.5m (2021: £0.3m) interest in the year.

The Commissioners hold loan notes issued by its subsidiary Jahr Tree Co Pty in Australia totalling £31.8m (2021: £29.0m) at year end. The interest accrued on these loan notes in the year was £6.4m (2021: £5.2m). This transaction was made at open market value.

During the year, Palace Public Occasions Limited was charged less than £0.1m (2021: less than £0.1m) by the Commissioners for costs incurred by the Commissioners on behalf of the company. An additional amount of less than £0.1m (2021: less than £0.1m) was charged to the company by the Commissioners for the use of premises owned by the Commissioners.

22. FUNDS HELD ON BEHALF OF OTHERS

	2022 £m	2021 £m
Residential service charges, sinking funds and tenants' deposits	13.7	13.7
Trust funds	9.6	11.0
Total funds held on behalf of others	23.3	24.7

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

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

Trust funds
The Commissioners is trustee of 36 funds, mainly restricted permanent endowment funds. Their income, £0.3m (2021: £0.4m), is applied in accordance with the terms of the trusts.

Certain other trustees are directed to pay some or all of their income to the Commissioners for specified purposes. The total amount received in the year was £nil (2021: £0.2m).

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

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

Credit risk exposure
The Commissioners are subject to credit risk as they invest in fixed interest securities, Over The Counter (OTC) derivatives, have cash balances and undertake securities lending activities. Credit risk arising on derivatives depends on whether the derivative is listed on an exchange or is an OTC contract. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Commissioners are subject to risk of failure of the counterparty. The table below details the Commissioners' exposure to credit risk as at 31 December 2022.

	Consolidated	
	2022 £m	2021 £m
Trade debtors	23.5	19.7
Outstanding investment trades	142.9	9.1
Dioceses (Clergy Stipends and Diocesan Debtors Accounts)	2.0	0.3
Joint venture (ChECS)	1.1	1.7
Loans	2.2	2.7
Other debtors	0.9	1.1
Accrued income	11.0	12.0
OTC Derivatives contract – Debtors	44.9	4.2
Securities exposed to credit risk	173.5	37.8
Current Asset Investments	590.3	307.5
Cash at bank and in hand	422.2	683.4
Securities under Stock Lending programme	74.2	93.5
Total Credit risk exposure	1,488.7	1,173.0

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

Risk management policies and procedures
Credit risk arising on fixed interest securities included within current asset investment is mitigated by investing in high-quality government and supranational bonds where the credit risk is minimal. The Commissioners also invest in high yield and emerging market bonds, some of which are non-investment grade which are included in Securities exposed to credit risk. The Commissioners manage the associated credit risk by mandating the investment managers to diversify their portfolios to minimise the impact of default by any one issuer.

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

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

Cash is held with financial institutions which are at least investment grade credit rated, with the maximum deposit limit for any one counterparty set by reference to its credit rating. Credit default swaps (CDS) spreads and rating notifications are monitored to ensure exposures remain within the approved limits. Money market liquidity funds must have a AAA rating to be eligible for investment, and limits are in place on the maximum allowable exposure to any single fund.

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

23. FINANCIAL RISK MANAGEMENT continued
b) Liquidity Risk
Liquidity risk is the risk that the Commissioners will encounter difficulties raising cash to meet their obligations when they fall due.

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

The following table details the Commissioners' financial liabilities as at 31 December 2022:

	Consolidated	
	2022 £m	2021 £m
Creditors falling due within one year		
Trade creditors	9.7	4.7
Dioceses and other Church bodies	7.5	4.9
Other creditors	3.7	4.8
Taxation and National Insurance contributions	4.7	10.3
Accruals and deferred income	22.9	49.0
Grants payable	67.0	43.3
Outstanding investment trades	9.8	4.8
Derivative open contracts	7.4	11.0
Total Liquidity Risk Exposure within one year (Note 14)	132.7	132.8

	Consolidated	
	2022 £m	2021 £m
Creditors falling due after one year		
Grants Payable	88.2	98.5
Bond Liabilities	541.3	–
Total Liquidity Risk Exposure after one year (Note 15)	629.5	98.5

For private market commitments which are not part of the financial liabilities as of 31 December 2022, please refer to Note 2(d).

Risk management policies and procedures
The Commissioners forecast asset and liability cashflows across the portfolio, to ensure that there are no liquidity mismatches in terms of the size or timing of expected cashflows. In order to further mitigate liquidity risks, the Commissioners hold appropriate levels of liquid assets, including holding cash at bank and current asset investments sufficient to fund the next 18 months' planned expenditure.

c) Market Risk
This comprises currency risk, interest rate risk and other price risk.

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

Currency risk exposure
The functional currency and currency of the majority of the Commissioners' expenditure is Sterling. However, the Commissioners hold financial assets denominated in currencies other than sterling and are impacted in fluctuations by foreign currency exchange rates.

The following table details the asset value exposed to currency risk as at 31 December 2022:

	2022 £m	2021 £m
Investment Assets excluding foreign currency contracts		
USD	3,807.7	4002.6
EUR	629.0	563.5
CNY	173.5	217.6
Other Currencies	414.7	521.9
Foreign Currency Contracts		
USD	(1,614.5)	(989.8)
EUR	–	–
CNY	–	–
Other Currencies	–	–
Net Exposure		
USD	2,193.2	3,012.8
EUR	629.0	563.5
CNY	173.5	217.6
Other Currencies	414.7	521.9

	Impact on gain for the financial year 2022 £m	Impact on gain for the financial year 2021 £m
10% US dollar appreciation	219.32	301.28
10% Euro appreciation	62.90	56.35
10% CNY appreciation	17.35	21.76

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

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

NOTES TO THE FINANCIAL STATEMENTS continued
For the year ended 31 December 2022

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

Interest Rate risk exposure
The Commissioners' hold cash at bank which includes money market fund instruments as detailed on the Balance Sheet. These are floating rate interest bearing assets, so the future interest cash flows from these assets will fluctuate with changes in market interest rates. However, these are not a significant component of the overall return of the Investment Fund.

The Commissioners are also exposed to interest rate risk due to investments in public and private credit markets. These investment strategies are implemented by external investments managers, who consider the impact of changes in interest rates as part of their credit assessment. As at 31 December 2022, £563m was allocated to credit strategies.

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

Risk management policies and procedures
The Commissioners take into account the possible effects of a change in interest rates on the fair value and cash flows of the interest-bearing financial assets and liabilities when making investment decisions. The Commissioners have limited risk exposure to interest rates and there is regular monitoring of the allocations made to fixed interest.

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

This is a risk for the Commissioners because its ability to support the Church over the long term is dependent on maintaining in real terms the purchasing power of the asset base. The Commissioners' expenditure is predominantly discretionary and the Assets Committee monitors cash expenditure, commitments and the asset performance throughout the year to manage the balance between funding sustainable distributions and maintaining the purchase power of the asset base in order to provide ongoing financial distributions to the Church in the future.

Other price risk exposure

The following table details the asset value exposed to other price risk as at 31 December 2022:

	Consolidated	
	2022 £m	2021 £m
Listed Securities	2,792.5	2,899.7
Unlisted Securities	4,343.9	3,803.5
Direct Property	1,636.7	1,574.8
Indirect Property	123.5	110.8
Value Linked Loans	73.9	89.5
Timberland	150.9	132.2
Standing Timber	316.1	356.9
Indirect Timberland	67.4	54.1
Infrastructure	167.0	130.9
Total Investments (Note 2(a))	9,671.9	9,152.4
Derivatives open currency contracts debtors	44.9	4.2
Derivatives open currency contract creditors	7.4	10.6
Total Price risk exposure	9,724.2	9,167.2

ISBN 978-1-3999-5635-2