

The  
Church of England  
Pensions Board

Annual Report 2015

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## **Report of the trustees for the year ended 31 December 2015**

The trustees present their annual report and financial statements of the charity for the year ended 31 December 2015. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the Charities Act 2011, FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and “Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Finance Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)” (“the SORP”) published on 16 July 2014.

### **Structure and history**

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

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

In its current form, the Board is a body corporate, a registered charity, and is governed by the Clergy Pensions Measure 1961 (as amended from time to time). It is the corporate trustee of four pension schemes:

- The Church of England Funded Pensions Scheme;
- Clergy (Widows and Dependants) Pension Fund;
- The Church Workers Pension Fund;
- The Church Administrators Pension Fund.

The financial statements of the four pension schemes are not included in this report. The pension schemes themselves are members of a common investment fund, The Church of England Investment Fund for Pensions which is not a pension scheme nor a corporate body in its own right.

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

## **Public benefit**

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

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

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

Retired clergy and their dependants often play a role in these projects. Through the provision of retirement accommodation and, where applicable, direct grants to supplement their income, we assist clergy in retirement to continue to play a full role in the community.

## **Charitable activities**

At least one in four clergy retiring from the stipendiary ministry seek our assistance. Retirement is a difficult process for the majority of people, but made more difficult for the Church of England clergy who have lived the majority of their working lives in tied accommodation.

We aim to ensure that we are able to provide an appropriate level of service over the long term, and that our retirement housing is well maintained and suits its purpose.

In 2016, we will continue to provide these services within the resources available to us. We continue to shape and refine the services that we offer to ensure that they are sustainable in the future.

Our charitable activities are financed by grants, gifts, legacies and investment income. All donations are placed in our General Purposes Fund unless otherwise specified.

## **CHARM**

The CHARM scheme is the main housing provision made by the Church of England Pensions Board. It is designed to assist retiring clergy leaving tied accommodation and who have not been able to make their own provision for somewhere to live in retirement.

Under CHARM there are several options, some of which have now been closed and are no longer available. Through the various options around 2,500 retired clergy and their dependants receive assistance.

The provision of housing through CHARM is a discretionary facility with the Board specifying various parameters relating to the size and type of property available. The parameters are regularly reviewed.

Information on the CHARM scheme, eligibility and access to the various options is available on [www.cepb.org.uk](http://www.cepb.org.uk) or from [housing@churchofengland.org](mailto:housing@churchofengland.org).

### ***Rental Property***

The rental option is our core product, with around 1,200 retired clergy and their dependants in this section of the scheme. Customers can choose from a portfolio of properties across the country that become vacant during the five years before they intend to retire and “reserve” it for their retirement. The Board is building up a portfolio of suitable properties and bought 60 properties in 2015.

The Board ensures that all properties are in a good state of repair. It uses stock condition surveys carried out by Sanctuary Housing Association, our maintenance service provider, to plan and carry out maintenance.

Tenants who moved into their properties after 1 April 2015 pay a “target rent” based on a social housing model; tenants who already lived in a property prior to this date pay a rent which was based on their (joint) income and are now making a very slow transition to a target rent.

The CHARM scheme is subsidised by the wider Church of England through Vote 5 of the Archbishops’ Council’s budget. The total grant for 2015 was £4.3m (2014: £4.0m).

### ***Shared Ownership***

The Shared Ownership option assists around 120 households. Properties are bought in partnership with the customer who contributes a minimum of 25% of the property cost. The Board’s maximum contribution is £150,000. Additional shares of the property can be bought by the customer who can buy outright ownership if they wish.

Customers pay a rent, based on the Board’s capital share of the property, and a service charge which reflects the likely cost of maintaining and insuring the property. The rent is increased in line with the weighted increase in the full Church and State pension for a married couple.

### ***Mortgage Schemes***

The mortgage schemes are closed to new applicants.

A fixed-interest mortgage option was in operation until 31 December 1982. Mortgagors had the option to pay interest on the amount loaned during the life of the loan and then on redemption repay the nominal amount of the loan, or pay one-half of the interest due during the life of the loan and on redemption repay the nominal amount of the loan together with the unpaid interest. 6 loans were outstanding at the end of the year, 3 of which the mortgagor is paying the full interest amount on the mortgage advanced, and 3 of which the mortgagor is paying one-half of the interest due.

A value-linked mortgage option closed on 31 March 2008. Mortgagors pay an interest-only element on the advanced sum, with the rate of interest being subject to an annual uplift in line with increases in Church and State pensions. When the property is sold or the mortgage redeemed, the sale proceeds are divided between the mortgagor and the Board in the same proportions as when the loan was advanced. At the end of the year 842 mortgages were outstanding (759 loans from the Charity and 83 from the subsidiary company CEPB Mortgages Ltd).

### ***Supported Housing and Nursing Care***

We have been providing supported housing for those retired clergy and their dependants who wish to live as independently as possible in a caring Christian community, with access to a range of comprehensive support services for over sixty years. Some retired clergy, or their surviving spouses or civil partners, no longer feel comfortable living by themselves or find it increasingly difficult to maintain and manage a home of their own. Equally, some wish to continue living within a community where the liturgical and spiritual life of the Church of England is central.

Our seven supported housing communities not only provide residents with a self-contained flat but also include dining facilities, meeting spaces, libraries, a chapel and communal grounds. We also operate a nursing home, including two dementia care units.

Residents may receive a subsidy from the Board's charitable funds to help them pay the charges; this is dependent on their income and capital resources. Residents who are eligible are also encouraged to seek state benefits.

The cost of running the supported housing operation is not met fully by the rent and service charges received and shortfalls are met from the charitable funds. In 2015 these amounted to £1.0m (2014: £1.3m).

### **Administration of pensions**

The Church of England Pensions Board is the trustee of four pension funds - the Church of England Funded Pension Scheme, the Clergy (Widows and Dependants) Pension Fund, the Church Workers Pension Fund and the Church Administrators Pension Fund. The administration of pensions for the clergy is one of the charitable objects of the Board; this is carried out at no cost to the charitable funds since the administration costs are charged to the relevant pension fund.

In total, the pensions for around 35,000 people, across more than 280 employers are administered by the Board. Separate reports and accounts are issued for the pension schemes and are available on the website [www.cepb.org.uk](http://www.cepb.org.uk).

### **Monitoring achievement**

The trustees receive regular performance reports on the charitable activities. These include monitoring customer satisfaction with the service offered, and with key areas such as ensuring that gas safety tests are carried out at all properties. Key financial information is also routinely examined.

### **Financial Review**

It is costly to maintain the level of services offered. The wider Church, through Vote 5 of the Archbishops' Council's budget, contributed £4.3m (2014: £4.0m) to the provision of retirement housing.

Donations received towards the Board's charitable works totalled £169,000 (2014: £164,000). Legacies received totalled £1,049,000 (2014: £506,000).

During 2014 we started to look at the long-term financing of CHARM. This reached a conclusion in 2015 with the Board issuing a £100m Bond, of which £70m was drawn down immediately. This gave the Board access to long-term finance to purchase additional retirement properties, which will secure the future of clergy housing in retirement. The Board used part of the proceeds to acquire the further economic interest in 196 CHARM rental properties which had been financed by the Church Commissioners and had previously been subject to significant restrictions. This is part of a long term strategy to keep or acquire properties that are most suitable for the rental scheme, replace others as they become vacant, and add further properties to give retiring clergy a wider choice as they approach retirement. The remaining proceeds were used to repay other existing, shorter-term, borrowings.

## Investments

The charity holds investments of £36.8m (2014: £36.7m), which generated income of £1.8m in the year (2014: £1.7m).

The majority of investments £36.1m (2014: £36.1m) are currently with the CBF Investment Fund (CBFIF, managed by CCLA Management Ltd), the Charities Property Fund (CPF, managed by Savills) and the Property Income Trust for Charities (PITCH, managed by Mayfair Capital). The CBFIF is a balanced fund that invests across a range of asset classes, including equities, bonds and property. The CPF and PITCH funds invest wholly in UK property, principally industrial, office and retail property. All three funds are structured as charity common investment funds, which allow investing charities to benefit from their statutory exemption from stamp duty on UK investments. The charity also holds £0.7m (2014: £0.6m) in investment properties, covering a portfolio of 6 (2014: 6) properties.

The amounts invested at the end of 2015 by the Board across the three funds are shown in the table below, along with the return generated by each investment for the Board over the year. The Board's returns may differ from the funds' own returns, because of disinvestment during the year by the Board, which will affect its returns.

|   | Value at<br>end 2015<br>£m | Allocation<br>% | 2015 Return for<br>the Board<br>% |
|---|----------------------------|-----------------|-----------------------------------|
| CBF Investment Fund                                 | <b>8.8</b>                 | <i>23.9</i>     | <b>5.9</b>                        |
| Investment Properties                               | <b>0.7</b>                 | <i>1.9</i>      | <b>11.8</b>                       |
| Savills Charities Property Fund                     | <b>19.1</b>                | <i>51.9</i>     | <b>11.9</b>                       |
| Mayfair Capital Property Income Trust for Charities | <b>8.2</b>                 | <i>22.3</i>     | <b>14.6</b>                       |
| <b>Total</b>  | <b>36.8</b>                | <i>100.0</i>    | <b>10.9</b>                       |

The charity also holds £0.8m (£0.7m) in short-term cash deposits with the CBF Deposit Fund (CBDFD, managed by CCLA Management Ltd).

2015 was a strong year for property returns, and the Board's decision to invest the bulk of its charitable funds' assets in property was vindicated. The funds listed above produced a good level of income over the year. Nearly £1.8m of cash came in from the investments in 2015, and that was helpful in supporting the day to day financial needs of the Board's charitable objectives.

The Board intends to maintain the charitable funds' high weighting to property in the future, believing the asset class to deliver good returns over time, with most of it coming from rental income, which tends to be very stable.

The recent returns of the three main funds, and their income yields and sizes, are shown below:

|   | Fund returns (net of fees) |                         |                         | Yield<br>End<br>2015<br>% | Fund<br>size<br>End<br>2015<br>£m |
|---|----------------------------|-------------------------|-------------------------|---------------------------|-----------------------------------|
|   | 2015<br>% p.a.             | 2013-<br>2015<br>% p.a. | 2011-<br>2015<br>% p.a. |                           |                                   |
| CBF Investment Fund                                 | 6.1                        | 11.1                    | 9.3                     | 3.8                       | 1,004                             |
| Savills Charities Property Fund                     | 12.3                       | 13.6                    | 10.2                    | 4.6                       | 1,053                             |
| Mayfair Capital Property Income Trust for Charities | 14.6                       | 13.4                    | 9.7                     | 5.9                       | 474                               |

## **Risk Management**

The Church of England Pensions Board's risk management process assists management by facilitating the identification and assessment of significant risks to the achievement of objectives. The process is supported by a risk management policy which outlines the roles and responsibilities of Trustees, management and staff.

The Board reviews the risk registers and risk management arrangements at least annually. The Board is supported by the Audit & Risk Committee, which regularly reviews the content of the risk registers and seeks assurance over the adequacy of arrangements in place to manage the risks.

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

## **Principal Strategic Risks**

The principal strategic risks which the Board considers most significant to its charitable activities and in its role as Trustee of the pension schemes, and are subject to management action and monitoring, are:

| Risk  | Key Management Actions  |
|---|---|
| Issue or occurrence which gives rise to significant reputational impact on the Pensions Board leading to loss of confidence/support on part of customers, sponsors or stakeholders. | <ul style="list-style-type: none"><li>• Robust policies and procedures and effective compliance monitoring and internal control evaluation arrangements.</li><li>• Externally contracted services subject to regular and detailed performance review and oversight.</li><li>• Effective staff and trustee recruitment, performance management and training processes and procedures.</li></ul>      |
| Significant legislative or legal/regulatory change means a scheme (pension or housing) may no longer be viable.   | <ul style="list-style-type: none"><li>• Horizon scanning, supported by professional advice from external advisors.</li><li>• Maintain good relationships with stakeholders, ensuring that they are up to date with developments, their impact and possible mitigations.</li><li>• Monitoring of the legal and regulatory environment.</li></ul>   |
| Failure to ensure adequate trustee capability, to provide the level of oversight required in an increasingly complex legal and regulatory environment                               | <ul style="list-style-type: none"><li>• Board Development Committee to review and enhance election, appointment and training processes.</li><li>• Proactive communication of trustee requirements to inform the election and appointment process.</li><li>• Use of experienced and appropriately qualified co-opted members for sub committees.</li><li>• Trustee induction and training.</li></ul> |

## **Going concern**

The trustees have reasonable expectation that the Church of England Pensions Board has adequate resources and cash flows to meet spending commitments for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts. The most significant assumptions that affect items in the accounts are to do with estimating the pension deficit liability (see Notes 1(h) and 8 for more details).



### **Reserves Policy**

The Board annually considers the level of reserves that should be maintained within the charitable funds, and takes account of the requirements of the Charities SORP and the guidance issued by the Charity Commission (Charities and reserves CC19).

### ***Unrestricted funds***

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

### ***Restricted funds***

All the net assets of the Board, which primarily represent the assets of the **General Purposes Fund (“GPF”)**, are technically restricted funds since the statutory objects of the Board are wider than those of the GPF and any other fund. The categorisation as restricted funds is a technical accounting categorisation as the objects of the GPF are the main charitable objects of the Board. The GPF is the largest charitable fund administered by the Board at £110.0m (2014: £107.0m), covering the provision, maintenance & management of homes of residence for retired clergy and church workers and their spouses/former spouses/dependants, etc.

Within the GPF, the Board has earmarked funds of £3.7m (2014: £2.4m) tied up in the provision for future property maintenance costs.

The designation of this fund merely expresses the current intentions of the Trustees and has no legal effect. Legally, the funds are available for spending on any of the objects of the GPF.

The **Clergy Retirement Housing Trust (“CRHT”)** is a registered charity and is a linked charity of the Board (Charity No. 236627-2). The charitable object of the CRHT is to use its property as residences for those persons who are qualified for such residence by virtue of the provisions of the Clergy Pensions Measure 1961 or any succeeding legislation. As a linked charity, it is accounted for as a separate restricted fund, which together with some smaller trusts is valued at £9.1m (2014: £8.6m).

## **Plans for the future**

In 2016, the Pensions Board will have been providing retirement services to the Church of England for 90 years. These services have changed over the years and will continue to change over the coming years.

We will continue to regularly review these services using the information obtained from an understanding of our customers' needs and expectations, to improve delivery, whilst demonstrating value for money to those who provide us with the resources to run our business. We will also continue to provide a working environment which motivates and develops our people to give of their best and take pride in working for the Church of England Pensions Board.

## **Structure, governance and management**

### **Governance**

There are 20 members of the Board representing a balance of skills and expertise who are drawn from a wide range of constituencies. In summary, eleven are elected by the various Houses of the General Synod and five by the members or the employers participating in the pension schemes for lay workers. One is appointed by the Church Commissioners and three are appointed by the Archbishops of Canterbury and York, including the Chairman whose appointment is approved by General Synod. A period of membership lasts for six years; retiring members may offer themselves for re-election or be reappointed.

The Board decides on the frequency of its meetings, which is typically five a year. If required, decisions are taken by a simple majority with the chairman having the casting vote. For Board meetings a quorum is present when six people are in attendance, including at least two persons elected by the members of the pension schemes administered by the Board.

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

The majority of members of the Board have completed either fully or partially the Pensions Regulator's Trustee Toolkit, or an equivalent qualification, and regular training sessions are provided at Board meetings on a range of subject areas.

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

The Board has also delegated some of the day-to-day management and operation of the Scheme's affairs to professional organisations as set out on page 13.

### **Ethical Investment**

The Board also manages the Secretariat to the Ethical Investment Advisory Group ("EIAG") on behalf of the Church of England's national investing bodies – the Church Commissioners, the Church of England Pensions Board and the CBF Church of England funds managed by CCLA Investment Management Ltd. The role of the EIAG supported by the Secretariat is to advise the national investing bodies on ethical investment policies. In addition the secretariat supports the Church Commissioners and the Church of England Pensions Board directly to:

- engage with companies on ethical issues; and
- oversee proxy voting at company general meetings.

## Trustees and advisors

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

### Board Members (1 January 2015 to 14 July 2016)

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

Dr Jonathan Spencer CB (Chairman)

#### ***Appointed by the Archbishops of Canterbury and York***

Roger Mountford

Appointed by the Archbishops of Canterbury and York after consultation with the representatives of the dioceses

Canon David Froude ACIB

#### ***Appointed by the Church Commissioners***

Jeremy Clack FIA

#### ***Elected by the Employers in the Church Workers Pension Fund and the Church Administrators Pension Fund***

Clive Hawkins (Deputy Vice Chairman) *(to December 2015)*

Richard Hubbard *(from January 2016)*

Canon Sandra Newton (Vice Chairman)

#### ***Elected by the House of Bishops of the General Synod***

The Rt Revd Richard Blackburn, Bishop of Warrington (to February 2015)

The Rt Revd Alan Wilson, Bishop of Buckingham (from June 2015)

#### ***Elected by the House of Clergy of the General Synod***

The Revd Fr Paul Benfield

The Revd Paul Boughton ACA

The Revd Nigel Bourne

The Revd Canon Ian Gooding *(to December 2015)*

The Revd Canon David Stanton *(from January 2016)*

#### ***Elected by the House of Laity of the General Synod***

Simon Baynes *(to December 2015)*

Jane Bisson

Roger Boulton *(from January 2016)*

Dr Graham Campbell FCA *(to December 2015)*

Canon Nicolette Fisher

Alan Fletcher FCII

Emma Osborne *(from January 2016)*

Brian Wilson FIA

#### ***Elected by the members of the Church Workers Pension Fund***

Ian Boothroyd

Ian Clark

#### ***Elected by the members of the Church Administrators Pension Fund***

John Ferguson (to December 2015)

Maggie Rodger (from January 2016)

## Trustees and advisors (continued)

Committee Members (1 January 2015 to 14 July 2016)

### Audit and Rick Committee

Canon David Froude ACIB (Chair)  
James Archer ACA (*to December 2015*)  
Jane Bisson  
Ian Boothroyd (*from January 2016*)  
Ian Clark (*to December 2015*)  
David Hunt FCA (co-opted)  
The Revd Paul Boughton ACA

### Board Development Committee

Canon Nicolete Fisher (Chair)  
Roger Boulton (*from January 2016*)  
Alan Fletcher FCII (Chairman)  
The Revd Nigel Bourne  
Canon Sandra Newton

### Pensions Committee

Roger Mountford (Chair)  
The Revd Fr Paul Benfield  
Ian Boothroyd  
Ian Clark (*to December 2015*)  
John Ferguson (*to December 2015*)  
Canon Sandra Newton  
Ben Preece-Smith (co-opted)  
Maggie Rodger (*from January 2016*)  
Brian Wilson FIA

### Housing Committee

Alan Fletcher FCII (Chair) (*to December 2015*)  
James Berrington (co-opted)  
The Revd Nigel Bourne  
Ian Clark (*from January 2016*)  
Canon Nicolete Fisher  
Jeremy Gray (co-opted)  
Canon Ian Gooding (*to December 2015*)  
Jon Head (co-opted)  
Canon Sandra Newton (Chair) (*from January 2016*)  
Henrietta Podd (co-opted)  
The Rt Revd Alan Wilson, Bishop of Buckingham  
(*from January 2016*)

### Investment Committee

Clive Hawkins (Chair) (*to December 2015*)  
Alan Fletcher FCII (Chair from January 2016)  
Simon Baynes  
Matthew Beesley (co-opted) (*from January 2016*)  
The Revd Paul Boughton ACA  
Roger Boulton (*from January 2016*)  
Jeremy Clack FIA  
Richard Hubbard (*from January 2016*)  
Roger Mountford  
Emma Osborne (*from January 2016*)  
Peter Parker TD DIA (co-opted)  
Jonathan Rodgers (co-opted) (*from June 2015*)

## Trustees and advisors (continued)

Reference and administrative information is shown below:

|                                    |  |
|------------------------------------|--|
| <b>Charity number</b>              | 236627   |
| <b>Principal office</b>            | Church House, London SW1P 3PS  |
| <b>Chief Executive</b>             | Bernadette Kenny   |
| <b>Actuary</b>                     | Aaron Punwani, Lane Clark and Peacock LLP  |
| <b>Independent auditors</b>        | PricewaterhouseCoopers LLP   |
| <b>Bankers</b>                     | National Westminster Bank plc  |
| <b>Corporate financial advisor</b> | Traderisks Ltd   |
| <b>Investment Advisers</b>         | Mercer Ltd   |
| <b>Investment Managers</b>         | CCLA Investment Management Ltd<br>Savills Investment Management Ltd<br>Mayfair Capital Investment Management Ltd |

### Enquiries

Enquiries should be addressed to:

Church of England Pensions Board  
29 Great Smith Street  
London  
SW1P 3PS

Alternatively, enquiries may be made by email to [pbhcustomerservices@churchofengland.org](mailto:pbhcustomerservices@churchofengland.org), or by telephone to 020 7898 1890.

## **Management**

### **Staff Remuneration and Executive Pay**

Other than staff employed to work in the supported housing schemes and nursing home, all staff in the Pensions Board, and those working for Church of England Central Services who provide support functions to the Board, are covered by a unified pay policy that operates across all the National Church Institutions. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value which is based on a comprehensive job evaluation scheme, with staff being placed in one of eight 'bands'. For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market related salaries and is subject to annual review. The NCIs retain the services of AON Hewitt to advise on market rates.

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

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

The amount paid to the highest member of staff is £150,000 (2014: £148,000), 10 (2014: 10) times the salary earned by the lowest paid member of staff and 5 (2014: 5) times the median salary.

### ***Pensions***

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

Staff employed by the Board directly to work in the supported housing schemes and nursing home are eligible to join the Church Workers Pension Fund.

### Attendance by Trustees at meetings of the Board and its Committees

The table below sets out the attendance of trustees at meetings of the Board and its Committees during 2015. Where a member only served for part of the year, the number of meetings that they could have attended is shown in brackets.

| Trustee                          | Board<br>(6) | Audit and<br>Risk (4) | Housing<br>(4) | Investment<br>(5) | Pensions<br>(5) |
|----------------------------------|--------------|-----------------------|----------------|-------------------|-----------------|
| Dr Jonathan Spencer              | 6            |                       |                |                   |                 |
| Canon Sandra Newton              | 5            |                       | 4              |                   | 5               |
| Clive Hawkins                    | 5            |                       |                | 5                 | 2 (2)           |
| Simon Baynes                     | 5            |                       |                | 5                 |                 |
| The Revd Fr Paul Benfield        | 6            |                       |                |                   | 5               |
| Jane Bisson                      | 5            | 4                     |                |                   |                 |
| The Rt Revd Richard<br>Blackburn | 0 (1)        |                       |                |                   |                 |
| Ian Boothroyd                    | 6            |                       |                |                   | 5               |
| The Revd Paul Boughton           | 6            | 3                     |                | 5                 |                 |
| The Revd Nigel Bourne            | 5            |                       | 2              |                   |                 |
| Dr Graham Campbell               | 6            |                       |                |                   |                 |
| Jeremy Clack                     | 4            |                       |                | 4                 |                 |
| Ian Clark                        | 5            | 4                     |                |                   | 5               |
| John Ferguson                    | 6            |                       |                |                   | 5               |
| Canon Nicolete Fisher            | 6            |                       | 3              |                   |                 |
| Alan Fletcher                    | 6            |                       | 4              | 5                 |                 |
| Canon David Froude               | 5            | 4                     |                |                   |                 |
| The Revd Canon Ian Gooding       | 5            |                       | 3              |                   |                 |
| Roger Mountford                  | 4            |                       |                | 5                 | 5               |
| The Rt Revd Alan Wilson          | 2 (3)        |                       |                |                   |                 |
| Brian Wilson                     | 5            |                       |                |                   | 4               |

### Approval

The Trustees Report was approved by the Trustees on 14 July 2016 and signed on its behalf by:

Jonathan Spencer  
Chairman

## **Statement of Trustees' responsibilities in relation to the financial statements**

The charity trustees are responsible for preparing a trustees' annual report and financial statements in accordance with United Kingdom Accounting Standards , comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the charity trustees to prepare financial statements for each year. Under that law the trustees must not approve the financial statements unless they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, of the charity for that period. In preparing the financial statements, the trustees are required to:

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

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

The trustees are responsible for the maintenance and integrity of the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements.



# Independent auditor's report to the Church of England Pensions Board and the General Synod of the Church of England

## **Report on the financial statements**

### **Our opinion**

In our opinion, the Church of England Pensions Board's consolidated financial statements and charity financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 December 2015 and of the group's incoming resources and application of resources and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of section 144 of the Charities Act 2011 and Regulation 15 of The Charities (Accounts and Reports) Regulations 2008.

### **What we have audited**

The financial statements, included within the Annual Report, comprise:

- the consolidated and charity only balance sheets as at 31 December 2015;
- the consolidated statement of financial activities for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## **Other matters on which we are required to report by exception**

### **Sufficiency of accounting records and information and explanations received**

Under the Charities Act 2011 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

### **Other information in the Annual Report**

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

## **Responsibilities for the financial statements and the audit**

### **Our responsibilities and those of the trustees**

As explained more fully in the statement of Trustees' responsibilities set out on page 16, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the charity's trustees as a body in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 30 of The Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **What an audit of financial statements involves**

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

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

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

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

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

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
July 2016

PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 144(2) of the Charities Act 2011.

## Consolidated statement of financial activities of the Church of England Pensions Board for the year ended 31 December 2015

|   | Notes | 2015               |                  |                 | 2014 (Restated)    |                  |                 |
|---|-------|--------------------|------------------|-----------------|--------------------|------------------|-----------------|
|   |       | Unrestricted funds | Restricted funds | Total           | Unrestricted funds | Restricted funds | Total           |
|   |       | £'000              | £'000            | £'000           | £'000              | £'000            | £'000           |
| <b>Income from:</b>   |       |                    |                  |                 |                    |                  |                 |
| Grants, donations and legacies                                  | 2     | -                  | 5,380            | <b>5,380</b>    | -                  | 4,643            | <b>4,643</b>    |
| Investment income   | 3     | -                  | 1,810            | <b>1,810</b>    | -                  | 1,746            | <b>1,746</b>    |
| Charitable activities   | 4     | 4,319              | 14,742           | <b>19,061</b>   | 4,533              | 14,855           | <b>19,388</b>   |
| Other income: gain on sale of fixed assets                      |       | -                  | 633              | <b>633</b>      | -                  | 2,287            | <b>2,287</b>    |
| <b>Total income</b>   |       | <b>4,319</b>       | <b>22,565</b>    | <b>26,884</b>   | <b>4,533</b>       | <b>23,531</b>    | <b>28,064</b>   |
| <b>Expenditure on:</b>  |       |                    |                  |                 |                    |                  |                 |
| Charitable activities   | 4     | (4,319)            | (20,931)         | <b>(25,250)</b> | (4,533)            | (21,635)         | <b>(26,168)</b> |
| Raising funds   | 5     | -                  | (16)             | <b>(16)</b>     | -                  | (70)             | <b>(70)</b>     |
| <b>Total expenditure</b>  |       | <b>(4,319)</b>     | <b>(20,947)</b>  | <b>(25,266)</b> | <b>(4,533)</b>     | <b>(21,705)</b>  | <b>(26,238)</b> |
| <b>Total income less expenditure before gain on investments</b> |       | <b>-</b>           | <b>1,618</b>     | <b>1,618</b>    | <b>-</b>           | <b>1,826</b>     | <b>1,826</b>    |
| Net gain on investments   | 9     | -                  | 2,097            | <b>2,097</b>    | -                  | 1,124            | <b>1,124</b>    |
| <b>Net income</b>   |       | <b>-</b>           | <b>3,715</b>     | <b>3,715</b>    | <b>-</b>           | <b>2,950</b>     | <b>2,950</b>    |
| <b>Other recognised gains</b>                                   |       |                    |                  |                 |                    |                  |                 |
| Other gains: transfer from other charity                        |       | -                  | -                | -               | -                  | 393              | <b>393</b>      |
| Other gains/(losses): adjustment to pension provision           | 8     | -                  | 396              | <b>396</b>      | -                  | (810)            | <b>(810)</b>    |
| <b>Total other gains and (losses)</b>                           |       | <b>-</b>           | <b>396</b>       | <b>396</b>      | <b>-</b>           | <b>(417)</b>     | <b>(417)</b>    |
| <b>Net movement in funds</b>                                    |       | <b>-</b>           | <b>4,111</b>     | <b>4,111</b>    | <b>-</b>           | <b>2,533</b>     | <b>2,533</b>    |
| <b>RECONCILIATION OF FUNDS</b>                                  |       |                    |                  |                 |                    |                  |                 |
| Total funds brought forward at 1 January (restated)             |       | -                  | 112,949          | <b>112,949</b>  | -                  | 110,416          | <b>110,416</b>  |
| Net movement in funds in year                                   |       | -                  | 4,111            | <b>4,111</b>    | -                  | 2,533            | <b>2,533</b>    |
| <b>Total funds carried forward at 31 December</b>               |       | <b>-</b>           | <b>117,060</b>   | <b>117,060</b>  | <b>-</b>           | <b>112,949</b>   | <b>112,949</b>  |

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

## Consolidated balance sheet of the Church of England Pensions Board as at 31 December 2015

|   | Notes | 2015             |                     |                 | 2014             |                     |                  |
|---|-------|------------------|---------------------|-----------------|------------------|---------------------|------------------|
|   |       | Consolidated     |                     |                 | Consolidated     |                     |                  |
|   |       | £'000            | £'000               | £'000           | £'000            | £'000               | £'000            |
|   |       | Funded by<br>CC* | Funded by<br>CEPB** | Total           | Funded by<br>CC* | Funded by<br>CEPB** | Total            |
| <b>FIXED ASSETS</b>                                       |       |                  |                     |                 |                  |                     |                  |
| Investment assets   | 9     | -                | 36,788              | <b>36,788</b>   | -                | 36,699              | <b>36,699</b>    |
| Fixed assets - supported housing and IT                   | 10    | -                | 27,300              | <b>27,300</b>   | -                | 27,822              | <b>27,822</b>    |
| Fixed assets - CHARM                                      | 11    | 83,308           | 133,959             | <b>217,267</b>  | 106,632          | 80,727              | <b>187,359</b>   |
| <b>Total fixed assets</b>                                 |       | <b>83,308</b>    | <b>198,047</b>      | <b>281,355</b>  | <b>106,632</b>   | <b>145,248</b>      | <b>251,880</b>   |
| <b>CURRENT ASSETS</b>                                     |       |                  |                     |                 |                  |                     |                  |
| Debtors   | 12    | -                | 1,841               | <b>1,841</b>    | -                | 1,769               | <b>1,769</b>     |
| Short term deposits                                       |       | -                | 821                 | <b>821</b>      | -                | 698                 | <b>698</b>       |
| Cash at bank and in hand                                  |       | -                | 3,814               | <b>3,814</b>    | -                | 1,436               | <b>1,436</b>     |
| <b>Total current assets</b>                               |       | <b>-</b>         | <b>6,476</b>        | <b>6,476</b>    | <b>-</b>         | <b>3,903</b>        | <b>3,903</b>     |
| <b>CURRENT LIABILITIES</b>                                |       |                  |                     |                 |                  |                     |                  |
| Creditors: amounts falling due within one year            | 13    | -                | (5,384)             | <b>(5,384)</b>  | -                | (4,317)             | <b>(4,317)</b>   |
| Loans repayable on sale of fixed assets                   | 13    | (83,308)         | (1,142)             | <b>(84,450)</b> | (106,632)        | (1,171)             | <b>(107,803)</b> |
| <b>Total current liabilities</b>                          |       | <b>(83,308)</b>  | <b>(6,526)</b>      | <b>(89,834)</b> | <b>(106,632)</b> | <b>(5,488)</b>      | <b>(112,120)</b> |
| <b>Net current liabilities</b>                            |       | <b>(83,308)</b>  | <b>(50)</b>         | <b>(83,358)</b> | <b>(106,632)</b> | <b>(1,585)</b>      | <b>(108,217)</b> |
| <b>Total assets less current liabilities</b>              |       | <b>-</b>         | <b>197,997</b>      | <b>197,997</b>  | <b>-</b>         | <b>143,663</b>      | <b>143,663</b>   |
| <b>NON-CURRENT LIABILITIES</b>                            |       |                  |                     |                 |                  |                     |                  |
|   | 13    | -                | (78,931)            | <b>(78,931)</b> | -                | (28,150)            | <b>(28,150)</b>  |
| <b>Net assets excluding pension provision</b>             |       | <b>-</b>         | <b>119,066</b>      | <b>119,066</b>  | <b>-</b>         | <b>115,513</b>      | <b>115,513</b>   |
| Defined benefit pension scheme liability                  | 8     | -                | (2,006)             | <b>(2,006)</b>  | -                | (2,564)             | <b>(2,564)</b>   |
| <b>NET ASSETS</b>   |       | <b>-</b>         | <b>117,060</b>      | <b>117,060</b>  | <b>-</b>         | <b>112,949</b>      | <b>112,949</b>   |
| <b>FUNDS OF THE CHARITY</b>                               |       |                  |                     |                 |                  |                     |                  |
| Total unrestricted funds                                  |       | -                | -                   | -               | -                | -                   | -                |
| Restricted funds (excl. pension reserve)                  | 14    | -                | 119,066             | 119,066         | -                | 115,513             | 115,513          |
| Pension reserve   | 14    | -                | (2,006)             | (2,006)         | -                | (2,564)             | (2,564)          |
| Total restricted funds                                    | 14    | -                | 117,060             | 117,060         | -                | 112,949             | 112,949          |
| <b>TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER</b> |       | <b>-</b>         | <b>117,060</b>      | <b>117,060</b>  | <b>-</b>         | <b>112,949</b>      | <b>112,949</b>   |

\*Funded by the Church Commissioners

\*\*Funded by the Church of England Pensions Board

(See Note 11 for more details)

These financial statements were approved by the trustees on 14 July 2016 and signed on their behalf by:

Dr Jonathan Spencer  
Chairman

## Charity only balance sheet of the Church of England Pensions Board as at 31 December 2015

|   | Notes | 2015             |                     |                 | 2014             |                     |                  |
|---|-------|------------------|---------------------|-----------------|------------------|---------------------|------------------|
|   |       | £'000            | £'000               | £'000           | £'000            | £'000               | £'000            |
|   |       | Funded by<br>CC* | Funded by<br>CEPB** | Total           | Funded by<br>CC* | Funded by<br>CEPB** | Total            |
| <b>FIXED ASSETS</b>                                       |       |                  |                     |                 |                  |                     |                  |
| Investment assets   | 9     | -                | 36,801              | <b>36,801</b>   | -                | 36,699              | <b>36,699</b>    |
| Fixed assets - supported housing and IT                   | 10    | -                | 27,300              | <b>27,300</b>   | -                | 27,822              | <b>27,822</b>    |
| Fixed assets - CHARM                                      | 11    | 83,308           | 126,128             | <b>209,436</b>  | 106,632          | 72,658              | <b>179,290</b>   |
| <b>Total fixed assets</b>                                 |       | <b>83,308</b>    | <b>190,229</b>      | <b>273,537</b>  | <b>106,632</b>   | <b>137,179</b>      | <b>243,811</b>   |
| <b>CURRENT ASSETS</b>                                     |       |                  |                     |                 |                  |                     |                  |
| Debtors   | 12    | -                | 9,645               | <b>9,645</b>    | -                | 9,837               | <b>9,837</b>     |
| Short term deposits                                       |       | -                | 821                 | <b>821</b>      | -                | 698                 | <b>698</b>       |
| Cash at bank and in hand                                  |       | -                | 3,801               | <b>3,801</b>    | -                | 1,437               | <b>1,437</b>     |
| <b>Total current assets</b>                               |       | <b>-</b>         | <b>14,267</b>       | <b>14,267</b>   | <b>-</b>         | <b>11,972</b>       | <b>11,972</b>    |
| <b>CURRENT LIABILITIES</b>                                |       |                  |                     |                 |                  |                     |                  |
| Creditors: amounts falling due within one year            | 13    | -                | (5,357)             | <b>(5,357)</b>  | -                | (4,317)             | <b>(4,317)</b>   |
| Loans repayable on sale of fixed assets                   | 13    | (83,308)         | (1,142)             | <b>(84,450)</b> | (106,632)        | (1,171)             | <b>(107,803)</b> |
| <b>Total current liabilities</b>                          |       | <b>(83,308)</b>  | <b>(6,499)</b>      | <b>(89,807)</b> | <b>(106,632)</b> | <b>(5,488)</b>      | <b>(112,120)</b> |
| <b>Net current assets/(liabilities)</b>                   |       | <b>(83,308)</b>  | <b>7,768</b>        | <b>(75,540)</b> | <b>(106,632)</b> | <b>6,484</b>        | <b>(100,148)</b> |
| <b>Total assets less current liabilities</b>              |       | <b>-</b>         | <b>199,997</b>      | <b>199,997</b>  | <b>-</b>         | <b>143,663</b>      | <b>143,663</b>   |
| <b>NON-CURRENT LIABILITIES</b>                            |       |                  |                     |                 |                  |                     |                  |
|   | 13    | -                | (78,931)            | <b>(78,931)</b> | -                | (28,150)            | <b>(28,150)</b>  |
| <b>Net assets excluding pension provision</b>             |       | <b>-</b>         | <b>119,066</b>      | <b>119,066</b>  | <b>-</b>         | <b>115,513</b>      | <b>115,513</b>   |
| Defined benefit pension scheme liability                  | 8     | -                | (2,006)             | <b>(2,006)</b>  | -                | (2,564)             | <b>(2,564)</b>   |
| <b>NET ASSETS</b>   |       | <b>-</b>         | <b>117,060</b>      | <b>117,060</b>  | <b>-</b>         | <b>112,949</b>      | <b>112,949</b>   |
| <b>FUNDS OF THE CHARITY</b>                               |       |                  |                     |                 |                  |                     |                  |
| Total unrestricted funds                                  |       | -                | -                   | -               | -                | -                   | -                |
| Restricted funds (excl. pension reserve)                  | 14    | -                | 119,066             | 119,066         | -                | 115,513             | <b>115,513</b>   |
| Pension reserve   | 14    | -                | (2,006)             | (2,006)         | -                | (2,564)             | <b>(2,564)</b>   |
| Total restricted funds                                    | 14    | -                | 117,060             | 117,060         | -                | 112,949             | <b>112,949</b>   |
| <b>TOTAL CHARITY FUNDS CARRIED FORWARD AT 31 DECEMBER</b> |       | <b>-</b>         | <b>117,060</b>      | <b>117,060</b>  | <b>-</b>         | <b>112,949</b>      | <b>112,949</b>   |

\*Funded by the Church Commissioners

\*\*Funded by the Church of England Pensions Board

## Consolidated cash flow statement of the Church of England Pensions Board for the year ended 31 December 2015

### Reconciliation of net income/(expenditure) before other gains and losses to net cash flow from operating activities

|  | Notes | 2015<br>£'000 | 2014<br>£'000  |
|--|-------|---------------|----------------|
| Net income for the year (as per the statement of financial activities) |       | 3,715         | 2,950          |
| Adjustments for:   |       |               |                |
| Depreciation – supported housing and IT systems                        | 10    | 666           | 665            |
| Amortisation – Santander arrangement fee                               | 13    | 33            | 33             |
| Amortisation – CHARM Finance PLC bond set-up costs                     | 13    | 7             | -              |
| Gains on investments   | 9     | (2,097)       | (1,124)        |
| Dividends, interest and rents from investments                         | 3     | (1,810)       | (1,746)        |
| Gains on disposal of fixed assets – CHARM                              | 11    | (633)         | (2,287)        |
| Transfer from other charity  |       | -             | 393            |
| Gain/(loss) on pension deficit movement                                | 8     | 396           | (810)          |
| Movement in debtors  | 12    | (72)          | (751)          |
| Movement in creditors: amounts due within less than one year           | 13    | 1,067         | (1,923)        |
| Movement in pension liability  | 8     | (558)         | 682            |
| <b>Net cash used in operating activities</b>                           |       | <b>714</b>    | <b>(3,918)</b> |

### Cash flow statement

|  | Notes | 2015<br>£'000   | 2014<br>£'000  |
|--|-------|-----------------|----------------|
| Net cash used in operating activities                        |       | 714             | (3,918)        |
| Cash flows from investing activities:                        |       |                 |                |
| Dividends, interest and rents from investments               | 3     | 1,810           | 1,746          |
| Proceeds from the sale of fixed assets – CHARM properties    | 11    | 5,972           | 12,280         |
| Purchase of fixed assets – CHARM properties                  | 11    | (35,247)        | (12,463)       |
| Purchase of fixed assets – supported housing                 | 10    | (144)           | (1,107)        |
| Purchase of fixed assets – IT systems                        | 10    | -               | (8)            |
| Proceeds from the sale of investments                        | 9     | 2,008           | 26,609         |
| Purchase of investments                                      | 9     | -               | (25,000)       |
| <b>Net cash (used in) / provided by investing activities</b> |       | <b>(25,601)</b> | <b>2,057</b>   |
| Cash flows from financing activities:                        |       |                 |                |
| Repayment of loans from Church Commissioners                 | 13    | (23,324)        | (6,989)        |
| Repayment of loans from Santander                            | 13    | (28,000)        | -              |
| Additional funding from Santander                            | 13    | 9,250           | -              |
| Repayment of dioceses' share of rental properties            | 13    | (29)            | (115)          |
| CHARM Finance Bond – loan from PIC                           | 13    | 70,000          | -              |
| CHARM Finance Bond – capitalised set-up costs                | 13    | (509)           | -              |
| <b>Net cash provided by / (used in) financing activities</b> |       | <b>27,388</b>   | <b>(7,104)</b> |
| <b>Change in cash and cash equivalents in the year</b>       |       | <b>2,501</b>    | <b>(8,965)</b> |
| Cash and cash equivalents at the beginning of the year       |       | 2,134           | 11,099         |
| <b>Cash and cash equivalents at the end of the year</b>      |       | <b>4,635</b>    | <b>2,134</b>   |
| <b>Analysis of cash and cash equivalents</b>                 |       |                 |                |
|  | Notes | 2015<br>£'000   | 2014<br>£'000  |
| Cash at bank and in hand                                     |       | 3,814           | 1,436          |
| Short term deposits  |       | 821             | 698            |
| <b>Total cash and cash equivalents</b>                       |       | <b>4,635</b>    | <b>2,134</b>   |

# Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2015

## 1. Accounting policies

### a) Legal status

The Church of England Pensions Board ("the Board") is a body corporate established in 1926 but now governed by the 1961 Clergy Pensions Measure and subsequent Measures. It is a registered charity in England and Wales (Charity No. 236627) and is regulated by the Charity Commission. The charity's address is: 29 Great Smith Street, London, SW1P 3PS.

### b) Basis of preparation

The consolidated and charity financial statements have been prepared in accordance with:

- Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102");
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their 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 financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The Board meets the definition of a Public Benefit Entity ("PBE") as set out in FRS 100, and therefore applies the PBE prefixed paragraphs in FRS 102. The date of transition to FRS 102 was 1 January 2014.

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

The 2015 financial statements (and restated 2014 statements) contain the financial information for the Church of England Pensions Board which is structured as follows:

- Unrestricted Funds - representing expenditure incurred by the CEPB on salaries and working expenses subsequently recovered in full from the pension funds administered by the Board.
- Restricted Funds – formerly referred to as the "Charitable Funds and Trusts", these funds have narrower purposes than that of the CEPB.

The 2014 financial statements previously contained the financial information for what was referred to as the "Charitable Funds and Trusts". These excluded the Unrestricted Funds pension fund related expenditure and the matching income, the latter representing the recovery of these expenses from the pension funds administered by the board as described above. The decision to include the income and expenditure relating to these unrestricted funds, made at the same time as adopting FRS 102 and the new SORP, represents the adoption of an accounting policy intended to ensure that the financial statements provide more relevant and reliable information about the effects of transactions on the financial position of the charity and to correct an error in previous years' accounting. Comparative figures in the Statement of Financial Activities have been restated accordingly, although there is no impact on the Balance Sheet. As part of this restatement, the Restricted Funds description relating to the charitable activities of the Church of England Pensions Board has now been clearly made to cover both current and prior year funds. There has been no impact on the charity and consolidated balance sheets within these financial statements or in respect of periods prior to these financial statements but the statement of financial activities has been affected as follows:

- income and expenditure previously shown in the unrestricted columns have now been added to the amounts shown in the restricted columns
- income and expenditure of £4,319,000 (2014: £4,533,000) which had previously not been recognised in the financial statements is now shown in the unrestricted funds columns, with no effect at net income level in the SOFA.

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

# Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2015

## 1. Accounting policies (continued)

### c) Reconciliation with previous Generally Accepted Accounting Practice

In preparing the financial statements, the trustees have considered whether in applying FRS 102 and the SORP, a restatement of comparative items was needed. In accordance with FRS 102 a reconciliation of opening balances and net income for the year is provided. Reconciliation of total funds, for the group and the charity only, as previously reported to total funds in accordance with FRS 102 and SORP 2015:

|   | 31 December 2014   |                  |                | 1 January 2014     |                  |                |
|---|--------------------|------------------|----------------|--------------------|------------------|----------------|
|   | Unrestricted funds | Restricted funds | Total          | Unrestricted funds | Restricted funds | Total          |
|   | £'000              | £'000            | £'000          | £'000              | £'000            | £'000          |
| Total funds as previously reported                        | -                  | 115,992          | 115,992        | -                  | 112,298          | 112,298        |
| Changes arising from FRS 102 introduction:                |                    |                  |                |                    |                  |                |
| Recognition of pension deficit recovery plan              | -                  | (2,564)          | (2,564)        | -                  | (1,882)          | (1,882)        |
| Revaluation of supported housing assets deemed to be cost | -                  | (479)            | (479)          | -                  | -                | -              |
| <b>Total funds in accordance with FRS 102</b>             | <b>-</b>           | <b>112,949</b>   | <b>112,949</b> | <b>-</b>           | <b>110,416</b>   | <b>110,416</b> |

Reconciliation of net movement in funds for the group as previously reported to net movement in funds in accordance with FRS 102 and SORP 2015:

|   | Unrestricted funds | Restricted funds | 2014 Total   |
|---|--------------------|------------------|--------------|
|   | £'000              | £'000            | £'000        |
| Net movement in funds in year as previously reported  | -                  | 3,694            | 3,694        |
| Pension deficit movement in year  | -                  | (683)            | (683)        |
| Gain on revaluation of supported housing assets in year as revaluation amount deemed to be cost | -                  | (478)            | (478)        |
| <b>Net movement in funds in year (restated)</b>   | <b>-</b>           | <b>2,533</b>     | <b>2,533</b> |

The principal changes in accounting policy that have been made in order to comply with FRS 102 are as follows:

#### Recognition of pension deficit recovery plans

Section 28 of FRS 102 requires an entity to recognise liabilities arising from an agreed deficit recovery plan for a multi-employer defined benefit pension scheme. At the date of transition, the Board had agreements in place to contribute towards the deficit recovery plan of the Church Administrators Pension Fund (for staff, both directly and through Church of England Central Services). The initial liability recognised at the date of transition was £1,882,000.

#### Change in measurement basis of supported housing schemes and nursing home

Section 35.10(d) of FRS 102 allows first time adopters of FRS 102 to use fixed assets' revaluation amounts as their deemed cost at the transition date of 1 January 2014. The Board has taken advantage of this to re-base the 'cost' of its supported housing and nursing home properties and change the accounting policy to cease revaluing them going forward and instead hold them at deemed cost.

In accordance with FRS 102 a reconciliation of opening balances and net income for the year is provided. Net income under previous GAAP has been adjusted for the presentation of investment gains as a component of reported income.

#### d) Basis of consolidation

The consolidated statement of financial activities ("SOFA") and the balance sheet include the financial information of the Board and its subsidiary undertakings (CEPB Developments Ltd, CEPB Mortgages and CHARM Finance plc) for the year ended 31 December 2015. The subsidiaries have been consolidated on a line by line basis. Intra-group balances and transactions are eliminated on consolidation.

The Board does not present its non-consolidated statement of financial activities but provides a summary in note 15: Subsidiary results. The Board have also taken advantage of the exemption conferred by FRS 102 Section 1 not to prepare a charity-only cash flow statement.

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

#### e) Going concern

The trustees believe it is appropriate to prepare the financial statements on a going concern basis and consider that there are no material uncertainties about the Board's ability to continue as a going concern. The Board reached this conclusion after having reviewed the financial forecast for the following year, its long term business plan and its reserves and contingency plans to deal with a range of adverse scenarios.



# Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2015

## 1. Accounting policies (continued)

### f) Income

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

#### i) Voluntary income

Donations are accounted for when received. Gift Aid receivable is included in income when there is a valid declaration from the donor. Legacies are recognised when conditions for entitlement, probability of receipt and measurability have been met. Gifts in kind are valued at an amount equivalent to the basis of the value of the gift to the charity at the time of their receipt, and are included in the SOFA. In the case of properties, these are valued at market value. Grants are recognised when the Board is entitled to receive them.

#### ii) Investment income

Income from investments is recognised on an accruals basis.

#### iii) Income from charitable activities

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

#### iv) Other income

Other income is recognised when entitled to be received.

### g) Expenditure

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

#### i) Charitable activities

Direct costs and grants are allocated directly to activities. Grants payable are recognised when a firm commitment to provide funding is made and there is evidence of a constructive obligation to the beneficiary.

#### ii) Support costs

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

#### h) Pensions

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

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

#### i) Fixed assets

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

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

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

#### i) Rental properties

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

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

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

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

# Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2015

## 1. Accounting policies (continued)

### ii) Shared ownership properties

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

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

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

### iii) Mortgaged properties

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

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

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

### iv) Supported housing schemes and nursing home

As explained in note 1(c), the properties and their associated land are held at deemed cost. Freehold land is not depreciated. The buildings are depreciated.

Fixtures, fittings, plant and equipment are held at original cost to the Board less depreciation. Depreciation is charged on the following basis:

| <b>Fixed asset</b>                      | <b>Basis</b>     | <b>Rate</b>    |
|---|------------------|----------------|
| Freehold buildings                      | Reducing balance | 2.5% per annum |
| Fixtures, fittings, plant and equipment | Straight line    | 10-25 years    |

### v) Investment properties

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

### vi) IT systems and office equipment

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

### j) Loans

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

The loan from Santander is a basic financial instrument and measured at transaction price (less transactions costs). Subsequently, it is measured at amortised cost using the effective interest method. The arrangement fee is deducted from the transaction price and is amortised over 15 years.

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

The Bond liability relates to the corporate bond issued by CHARM Finance PLC, and is a basic financial instrument measured initially at the proceeds of issue less transaction costs directly attributable to the issue for the Bond. After initial recognition the liability is measured at amortised cost using the effective interest method with transaction costs being amortised over the life of the facility.

### k) Financial instruments

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

#### **Basic financial instruments**

Financial assets, including cash at bank and trade and other receivables are recognised and held at transaction price. They are derecognised when the rights to the cash flows from the financial assets expire or are settled.

# Notes to the financial statements of the Church of England Pensions Board for the year ended 31 December 2015

## 1. Accounting policies (continued)

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

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

### l) Taxation

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

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

### m) Related parties

The Church of England comprises a large number of legally independent bodies in its parishes, cathedrals and dioceses as well as at national level. These bodies are not related to the Board as defined in the Charities SORP or chapter 33 of FRS 102: Related parties disclosures. Transactions and balances with these bodies are accounted for in the same way as other transactions and, where material, are separately identified in the notes to the financial statements.

### n) Funds

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

Unrestricted funds, represent the accumulated surplus on income and expenditure and are available for use at the discretion of the Board in pursuing the general charitable objectives of the charity.

Restricted funds are funds received by the Board for particular purposes and are to be used in accordance with those purposes.

An analysis of restricted funds is provided in note 14.

## 2. Income from grants, donations and legacies

|   | Notes | 2015<br>£'000 | 2014<br>£'000 |
|---|-------|---------------|---------------|
| <b>Grants</b>   |       |               |               |
| The Archbishops' Council                                | 4     | 4,151         | 3,954         |
| Other grants  | 4     | -             | 19            |
| <b>Total grants</b>                                     |       | <b>4,151</b>  | <b>3,973</b>  |
| Donations   |       | 180           | 164           |
| Legacies  |       | 1,049         | 506           |
| <b>Total income from grants, donations and legacies</b> |       | <b>5,380</b>  | <b>4,643</b>  |

The Archbishops' Council makes grants from money provided by the dioceses under the General Synod Vote 5, towards the costs of the CHARM scheme.

In 2015 all £5,380,000 of income from grants, donations and legacies was attributable to restricted funds (2014: £4,643,000).

## 3. Investment income

|  | 2015<br>£'000 | 2014<br>£'000 |
|--|---------------|---------------|
| Dividends                                | 1,761         | 1,704         |
| Rental income from investment properties | 22            | 16            |
| Interest on cash                         | 27            | 26            |
| <b>Total income from investments</b>     | <b>1,810</b>  | <b>1,746</b>  |

In 2015 all £1,810,000 of income from investments was attributable to restricted funds (2014:£1,746,000).

## Notes to the financial statements of the Church of England Pensions Board For the year ended 31 December 2015

### 4. Charitable activities

|  | Notes | Restricted Funds  |                  |                |                                  |                             | Total restricted funds | Unrestricted funds | 2015 Total | 2014 Total |
|--|-------|-------------------|------------------|----------------|----------------------------------|-----------------------------|------------------------|--------------------|------------|------------|
|  |       | Rental properties | Shared ownership | Mortgage loans | Supported housing & nursing home | Other charitable activities |                        |                    |            |            |
|  |       | £'000             | £'000            | £'000          | £'000                            | £'000                       | £'000                  | £'000              | £'000      |            |
| <b>Charitable Income</b>                                     |       |                   |                  |                |                                  |                             |                        |                    |            |            |
| Rent received  |       | 6,216             | 520              | -              | 1,130                            | -                           | 7,866                  | -                  | 7,866      | 7,807      |
| Service charge received                                      |       | -                 | 40               | -              | 2,653                            | -                           | 2,693                  | -                  | 2,693      | 2,591      |
| Income from mortgage properties                              |       | -                 | -                | 2,951          | -                                | -                           | 2,951                  | -                  | 2,951      | 3,211      |
| Fees received for nursing homes                              |       | -                 | -                | -              | 1,232                            | -                           | 1,232                  | -                  | 1,232      | 1,246      |
| Support costs recharge                                       |       | -                 | -                | -              | -                                | -                           | -                      | 4,319              | 4,319      | 4,533      |
| <b>Total income from charitable activities</b>               |       | 6,216             | 560              | 2,951          | 5,015                            | -                           | 14,742                 | 4,319              | 19,061     | 19,388     |
| <b>Charitable expenditure</b>                                |       |                   |                  |                |                                  |                             |                        |                    |            |            |
| Financing costs (interest and commitment fee)                |       | 4,495             | 453              | 2,883          | -                                | -                           | 7,831                  | -                  | 7,831      | 7,811      |
| Grant making   |       | -                 | -                | -              | -                                | 149                         | 149                    | -                  | 149        | 111        |
| Property costs (repairs, insurance and other costs)          |       | 3,992             | 21               | 19             | 8                                | -                           | 4,040                  | -                  | 4,040      | 4,835      |
| Support costs  | 6     | 1,891             | 621              | 413            | 1,239                            | -                           | 4,164                  | 4,319              | 8,483      | 8,194      |
| Service charge costs   |       | -                 | 68               | -              | 2,492                            | -                           | 2,560                  | -                  | 2,560      | 2,781      |
| Nursing home costs   |       | -                 | -                | -              | 1,383                            | -                           | 1,383                  | -                  | 1,383      | 1,526      |
| Supported Housing and other direct costs                     |       | -                 | -                | -              | 287                              | -                           | 287                    | -                  | 287        | 366        |
| Depreciation charge  |       | -                 | -                | -              | 638                              | -                           | 638                    | -                  | 638        | 638        |
| Amortisation of loan arrangement fee                         |       | 41                | -                | -              | -                                | -                           | 41                     | -                  | 41         | 33         |
| <b>Total</b>   |       | 10,419            | 1,163            | 3,315          | 6,047                            | 149                         | 21,093                 | 4,319              | 25,412     | 26,295     |
| <b>Unwinding of pension deficit on charitable activities</b> |       | (73)              | (24)             | (16)           | (49)                             | -                           | (162)                  | -                  | (162)      | (127)      |
| <b>Total expenditure on charitable activities</b>            |       | 10,346            | 1,139            | 3,299          | 5,998                            | 149                         | 20,931                 | 4,319              | 25,250     | 26,168     |

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

## For the year ended 31 December 2015

### 4. Charitable activities (continued)

#### 2014 Summary

|  | Restricted Funds  |                  |                |                                  |                             | Total restricted funds | Unrestricted funds | 2014 Total |
|--|-------------------|------------------|----------------|----------------------------------|-----------------------------|------------------------|--------------------|------------|
|  | Rental properties | Shared ownership | Mortgage loans | Supported housing & nursing home | Other charitable activities |                        |                    |            |
| Total income from charitable activities    | 6,160             | 579              | 3,211          | 4,905                            | -                           | 14,855                 | 4,533              | 19,388     |
| Total expenditure on charitable activities | 10,453            | 1,162            | 3,621          | 6,288                            | 111                         | 21,635                 | 4,533              | 26,168     |

The deficit on charitable activities is funded through a combination of specific and general voluntary income, investment income, and realised gains on disposal of investments and property. In the year ended 31 December 2015 grants of £4,151,000 were received from the Archbishops' Council towards the CHARM scheme (2014: £3,954,000). In addition, the Board's broader charitable activities were funded through voluntary income of £1,229,000 (2014:£670,000), investment income of £1,810,000 (2014:£1,746,000) and gains on disposal of property of £633,000 (2014:£2,287,000).

#### Income & Expenditure from charitable activities:

##### Rental Properties

The Archbishops' Council, from money provided by the dioceses under the General Synod Vote 5, makes grants towards the costs of the CHARM scheme, being the excess of direct expenditure and interest payable over maintenance contributions receivable from residents.

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

There are a small number of properties that are let on the open market at market rents during short periods when a property is not occupied by residents eligible for the CHARM scheme. At 31 December 2015 there were 20 (2014: 21) such tenancies.

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

##### Shared Ownership

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

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

##### Mortgage Properties

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

A small number of loans pre-dating the 1983 CHARM mortgage scheme remain, where a fixed amount of interest is paid based on the capital advanced. At 31 December 2015, the number of such loans in place was 6 (2014: 10).

##### Supported Housing & Nursing Home

Some residents in the schemes receive subsidies from the Board's charitable funds. The cost of running the schemes is not met fully by rent and service charge fees. The operating deficit is met from the Board's charitable funds.

##### Other charitable

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

### 5. Raising funds

|   | Notes | 2015      | 2014      |
|---|-------|-----------|-----------|
|   |       | £'000     | £'000     |
| Cost of generating voluntary income (support costs) | 6     | 10        | 40        |
| Investment management costs (direct costs)          |       | 6         | 30        |
| <b>Total cost of generating funds</b>               |       | <b>16</b> | <b>70</b> |

## Notes to the financial statements of the Church of England Pensions Board For the year ended 31 December 2015

### 6. Support costs

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

|                            | Restricted funds  |                  |                     |                                    |               | Total        | Unrestricted funds<br>Pension schemes | Total 2015<br>Total |
|----------------------------|-------------------|------------------|---------------------|------------------------------------|---------------|--------------|---------------------------------------|---------------------|
|                            | Rental properties | Shared ownership | Mortgage properties | Supported housing and nursing home | Raising funds |              |                                       |                     |
|                            | £'000             | £'000            | £'000               | £'000                              | £'000         | £'000        | £'000                                 | £'000               |
| Housing department         | 1,017             | 329              | 219                 | 657                                | -             | 2,222        | -                                     | 2,222               |
| Executive, and Secretariat | 131               | 44               | 29                  | 87                                 | -             | 291          | 135                                   | 426                 |
| Governance costs           | 95                | 32               | 21                  | 63                                 | -             | 211          | 123                                   | 334                 |
| Pensions department        | -                 | -                | -                   | -                                  | -             | -            | 2,434                                 | 2,434               |
| Investments department     | -                 | -                | -                   | -                                  | -             | -            | 581                                   | 581                 |
| Shared services            | 648               | 216              | 144                 | 432                                | -             | 1,440        | 1,046                                 | 2,486               |
| <b>Total support costs</b> | <b>1,891</b>      | <b>621</b>       | <b>413</b>          | <b>1,239</b>                       | <b>-</b>      | <b>4,164</b> | <b>4,319</b>                          | <b>8,483</b>        |
| Fund raising section       | -                 | -                | -                   | -                                  | 10            | 10           | -                                     | 10                  |
| <b>Total support costs</b> | <b>1,891</b>      | <b>621</b>       | <b>413</b>          | <b>1,239</b>                       | <b>10</b>     | <b>4,174</b> | <b>4,319</b>                          | <b>8,493</b>        |
| <b>2014</b>                |                   |                  |                     |                                    |               |              |                                       |                     |
| <b>Total support costs</b> | <b>1,720</b>      | <b>477</b>       | <b>365</b>          | <b>1,099</b>                       | <b>40</b>     | <b>3,701</b> | <b>4,533</b>                          | <b>8,234</b>        |

#### *Housing and Raising funds department costs*

These costs are allocated on a 'per head' basis: costs relating to management and general housing staff not directly involved in an activity are allocated 34% to rental properties, 33% to supported housing schemes and nursing home, 33% to mortgages and shared ownership; costs relating to customer service staff costs are allocated 95% to rental properties and 5% to shared ownership; costs relating to staff directly involved in an activity are allocated to that activity.

#### *Executive and Secretariat and shared service costs*

Centrally incurred management and shared service costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 47% to rental properties, 30% to supported housing schemes and nursing home, 10% to mortgages and 13% to shared ownership.

#### *Governance costs*

Governance costs comprise staff and non-staff costs relating to the general running of the Board, including supporting the work of the Board and its Committees. Members of the Board are reimbursed for travel expenses incurred whilst on official business but are not entitled to any other remuneration or allowances. In the year to 31 December 2015, 24 (2014: 18) members claimed a total of £22,000 (2014: £20,000). Governance costs other than external audit costs are allocated between pension schemes and the charity on a 'per head' basis. The charity's housing share is then allocated 47% to rental properties, 30% to supported housing schemes and nursing home, 10% to mortgages and 13% to shared ownership.

|                               | 2015       | 2014       |
|-------------------------------|------------|------------|
|                               | £'000      | £'000      |
| External audit                | 121        | 81         |
| Internal audit                | 80         | 75         |
| Other costs                   | -          | 94         |
| Board and committee meetings  | 10         | 12         |
| <b>Total governance costs</b> | <b>211</b> | <b>262</b> |

Total fees paid (excluding VAT) to PricewaterhouseCoopersLLP are shown below:

|  | 2015       | 2014       |
|--|------------|------------|
|  | £'000      | £'000      |
| Audit of CEPB and its subsidiary undertakings                                    | 101        | 68         |
| Audit of Pension Schemes   | 50         | 51         |
| <b>Total audit fees</b>  | <b>151</b> | <b>119</b> |
| Advisory work in relation to bond (included within Bond issue transaction costs) | 187        | -          |
| <b>Total non-audit fees</b>  | <b>187</b> | <b>-</b>   |

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

## For the year ended 31 December 2015

### Pensions department costs

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

### Investment department costs

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

### Shared service costs

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

## 7. Staff numbers and costs

The Chief Executive and staff employed to work in the supported housing schemes and the nursing home are employed directly by the Board. The Board is joint employer, together with the other National Church Institutions (the NCIs), of most of the other staff of the NCIs. In addition to staff employed directly, the work of the Board is supported by staff in shared service departments who provide finance, HR, communications, legal, IT and internal audit services. Since 1 April 2014 they have been employed by a separate NCI, Church of England Central Services (ChECS). Prior to this they had one of the three main NCIs as managing employer and their costs were shown only in the relevant NCI's accounts.

The SORP requirements are that the costs of staff employed by third parties who operate on your behalf should be disclosed in the accounts. In order to comply with the spirit of the SORP, the costs of all ChECS staff are shown in aggregate in the tables below – the Board's share of which was £1,451,000 (2014: £1,256,000).

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

|   | Pensions Board own staff |              |                          |              |                             |            |                                    |              | Total | 2015  | 2014         | ChECS           |      |
|---|--------------------------|--------------|--------------------------|--------------|-----------------------------|------------|------------------------------------|--------------|-------|-------|--------------|-----------------|------|
|   | Housing                  |              | Pensions and Investments |              | Secretariat and fundraising |            | Supported housing and nursing home |              |       |       |              | Shared services |      |
|   | 2015                     | 2014         | 2015                     | 2014         | 2015                        | 2014       | 2015                               | 2014         |       |       |              | 2015            | 2014 |
| Average number employed                     | 31                       | 28           | 26                       | 21           | 6                           | 5          | 148                                | 141          | 211   | 195   | 133          | 121             |      |
|   | £'000                    | £'000        | £'000                    | £'000        | £'000                       | £'000      | £'000                              | £'000        |       |       | £'000        | £'000           |      |
| Salaries                                    | 1,088                    | 1,024        | 1,115                    | 933          | 360                         | 366        | 2,093                              | 2,045        | 4,656 | 4,368 | 5,809        | 4,932           |      |
| National Insurance costs                    | 116                      | 109          | 112                      | 102          | 43                          | 41         | 147                                | 144          | 418   | 396   | 577          | 539             |      |
| Pension contributions                       | 244                      | 227          | 238                      | 219          | 120                         | 112        | 174                                | 485          | 776   | 1,043 | 1,444        | 1,398           |      |
| <b>Total cost of staff</b>                  | <b>1,448</b>             | <b>1,360</b> | <b>1,465</b>             | <b>1,254</b> | <b>523</b>                  | <b>519</b> | <b>2,414</b>                       | <b>2,674</b> | 5,850 | 5,807 | <b>7,830</b> | <b>6,869</b>    |      |
| <b>Total chargeable to Charitable Funds</b> | <b>1,448</b>             | <b>1,360</b> | -                        | -            | <b>284</b>                  | <b>311</b> | <b>2,414</b>                       | <b>2,674</b> | 4,146 | 4,345 |              |                 |      |

Included in staff costs is £89,000 (2014: £26,000) paid by way of redundancy costs to two (2014: three) individuals following a restructuring, the costs of which are accounted for in full in the year in which the restructure is announced.

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

## For the year ended 31 December 2015

### 7. Staff numbers and costs (continued)

The numbers of staff whose emoluments for the year fell in the following bands were:

|                      | Housing |      | Pensions Board own staff |      |                             |      | Supported housing schemes and nursing home |      | ChECS Shared services |      |
|----------------------|---------|------|--------------------------|------|-----------------------------|------|--|------|-----------------------|------|
|                      | 2015    | 2014 | Pensions and Investments | 2014 | Secretariat and fundraising | 2014 | 2015                                       | 2014 | 2015                  | 2014 |
| £60,001 to £70,000   | 1       | 1    | 1*                       | -    | -                           | -    | -  | -    | 8                     | 9    |
| £70,001 to £80,000   | -       | -    | 1~                       | 1    | 1                           | 1    | -  | -    | 2                     | 3    |
| £80,001 to £90,000   | -       | -    | 2*                       | 1    | -                           | -    | -  | -    | 7*                    | 6    |
| £90,001 to 100,000   | -       | -    | 1                        | -    | -                           | -    | -  | -    | 1                     | -    |
| £100,001 to 110,000  | -       | -    | -                        | -    | -                           | -    | -  | -    | 1*                    | -    |
| £110,001 to 120,000  | -       | -    | -                        | -    | -                           | -    | -  | -    | 1*                    | -    |
| £120,001 to £130,000 | -       | -    | -                        | -    | -                           | -    | -  | -    | 1                     | 1    |
| £130,001 to £140,000 | -       | -    | -                        | -    | -                           | -    | -  | -    | 3*                    | -    |
| £140,001 to £150,000 | -       | -    | -                        | -    | -                           | 1^   | -  | -    | 2*                    | 1    |
| £150,001 to £160,000 | -       | -    | -                        | -    | 1^                          | -    | -  | -    | -                     | -    |

^ Chief Executive      \* Includes redundancy costs

~ Pensions and investments includes staff of the Ethical Investment Advisory Group managed by the Board, the costs of which are shared with the Church Commissioners and CCLA Investment Management Ltd.

All staff above were members of the Church Administrators Pension Fund. Of those directly managed by the Board, five (2014: four) staff accrue benefits under a defined contributions scheme for which contributions for the year were £65,000 (2014: £52,000). The remaining three (2014: one) staff accrued benefits under a defined benefit scheme. Of those managed by ChECS, 10 (2014: 10) staff accrue benefits under a defined contribution scheme for which contributions for the year were £118,000 (2014: £92,000). The remaining 16 (2014: 10) staff members accrue benefits under a defined benefit scheme.

The highest paid member of staff was the Chief Executive who earned £150,000 (2014: £148,000). Further details of the Board's remuneration policy are included in the Governance section of the Board's report, on page 10.

Interest free loans are made for travel season tickets and interest free green travel loans for the purchase of bicycles and electric scooters.



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

## For the year ended 31 December 2015

### 8. Staff pensions

#### *Staff employed jointly by the National Church Institutions*

##### *Pension benefits from Service up to 31 December 1999*

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

##### *Pension benefits from Service from 1 January 2000*

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

The participating employers are responsible for making contributions of £222,000 (2014: £216,000) towards the administration costs of the CAPF and the cost of Pension Protection Fund levies of £60,000 (2014: £46,000). The Board's share of these costs was £28,000 (2014: 26,000).

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

The contributions to the scheme are assessed by an independent qualified actuary using the projected unit method of valuation. A valuation of the scheme is carried out once every three years, the most recent having been carried out as at 31 December 2014. This revealed a deficit of £25.1 million, based on assets of £96.3m and a funding target of £121.4m. The level of additional contributions to be made by the employers was £2,373,000 per annum from 1 July 2013 to 30 June 2025, increasing on 1 January each year by 5.0%. This was revised in October 2015 as a result of the 2014 valuation and it was agreed that with effect from 1 January 2016 to 30 June 2025 the employers would pay £2,500,000 per annum increasing each year by 3.3%.

FRS 102 requires the Board's share of this agreed deficit recovery plan to be provided at the transition date of 1 January 2014. The provision is measured at its net present value. As a result, brought forward reserves have been restated. The table below shows the movement on the provision:

|                        | Provision brought forward | Contributions Paid | Interest charged on provision | Adjustment to net present value of provision | Provision carried forward |
|------------------------|---------------------------|--------------------|-------------------------------|--|---------------------------|
|                        | £000                      | £000               | £000                          | £000   | £000                      |
| Share of CEPB staff    | 1,702                     | (145)              | 37                            | (292)  | 1,303                     |
| Share of ChECS staff   | 862                       | (73)               | 19                            | (104)  | 703                       |
| <b>Total provision</b> | <b>2,564</b>              | <b>(218)</b>       | <b>56</b>                     | <b>(396)</b>                                 | <b>2,006</b>              |

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

#### *Staff employed directly by the Board (supported housing schemes and nursing home)*

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

The contributions to the Fund are assessed by an independent qualified actuary using the projected unit method of valuation. The last full valuation of the Fund, as at 31 December 2013, showed an overall deficit of £12.9m (2010: £40.3m). The deficit recovery period is agreed with each participating employer in the scheme, however there is currently no requirement under the Charity's schedule of contributions to make further deficit payments.

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

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

## For the year ended 31 December 2015

### 9. Investment assets

| GROUP                                       | At 1 January  | Additions | Disposals      | Unrealised gains | At 31 December |
|---|---------------|-----------|----------------|------------------|----------------|
|   | £'000         | £'000     | £'000          | £'000            | £'000          |
| UK investment funds                         | 36,076        | -         | (2,008)        | 2,048            | 36,116         |
| UK government stock                         | 23            | -         | -              | (1)              | 22             |
| UK investment properties                    | 600           | -         | -              | 50               | 650            |
| <b>Consolidated total investment assets</b> | <b>36,699</b> | <b>-</b>  | <b>(2,008)</b> | <b>2,097</b>     | <b>36,788</b>  |

| CHARITY                                  | At 1 January  | Additions | Disposals      | Unrealised gains | At 31 December |
|--|---------------|-----------|----------------|------------------|----------------|
|  | £'000         | £'000     | £'000          | £'000            | £'000          |
| UK investment funds                      | 36,076        | -         | (2,008)        | 2,048            | 36,116         |
| UK government stock                      | 23            | -         | -              | (1)              | 22             |
| UK investment properties                 | 600           | -         | -              | 50               | 650            |
| Investment in subsidiary                 | -             | 13        | -              | -                | 13             |
| <b>Charity's total investment assets</b> | <b>36,699</b> | <b>13</b> | <b>(2,008)</b> | <b>2,097</b>     | <b>36,801</b>  |

Funds were principally managed by CCLA, Savills and Mayfair. Investment funds were held as follows:-

|                  | 2015          | 2014          |
|------------------|---------------|---------------|
|                  | £'000         | £'000         |
| CCLA Investments | 8,804         | 10,610        |
| Savills          | 19,077        | 17,846        |
| Mayfair          | 8,235         | 7,620         |
| <b>Total</b>     | <b>36,116</b> | <b>36,076</b> |

#### Subsidiaries

The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held to undertake property and building development at the supported housing schemes and nursing home, and CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC, a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle providing £100m of funds to the Board via a bond issue. These funds are being used to secure current and future obligations for clergy housing in retirement.

#### Joint ventures

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

The Board's share of net assets of ChECS was £nil. As at 31 December 2015, £82,000 was owed by the Board to ChECS (2014: £31,000 owed by ChECS to the Board).

The Pensions Board have no associated undertakings.

#### UK investment properties

The valuers of the investment properties were Savills LLP.

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

## For the year ended 31 December 2015

### 10. Fixed assets – Supported housing and IT systems

#### Supported housing and nursing home

The Board provides seven supported housing schemes and one nursing home for retired clergy. Under the previous UK GAAP, the land and buildings have been revalued and the buildings depreciated. The adoption of FRS 102 (paragraph 35.10(d)) allows the revalued sum under UK GAAP to be used as the deemed cost under FRS 102. The Board is taking advantage of this to re-base the deemed cost of its supported housing and nursing home land and buildings at their 31 December 2013 revaluation amounts, at the transition date of 1 January 2014, and change its accounting policy to not revalue these assets going forward. The valuation as at 31 December 2013 was carried out by Knight Frank LLP.

#### IT systems

The Board's operational IT systems which it uses across all of its activities are recorded as fixed assets.

#### Consolidated and charity

|                                       | 1 January     | Additions  | Disposals | Charge in year | Impairment | 31 December   |
|---------------------------------------|---------------|------------|-----------|----------------|------------|---------------|
| <i>Land and buildings</i>             |               |            |           |                |            |               |
| Cost                                  | 27,259        | 19         | -         | -              | -          | 27,278        |
| Depreciation                          | (548)         | -          | -         | (549)          | -          | (1,097)       |
| <b>Net book value</b>                 | <b>26,711</b> | <b>19</b>  | <b>-</b>  | <b>(549)</b>   | <b>-</b>   | <b>26,181</b> |
| <i>Fixtures and fittings</i>          |               |            |           |                |            |               |
| Cost                                  | 3,719         | 125        | -         | -              | -          | 3,844         |
| Depreciation                          | (2,687)       | -          | -         | (89)           | -          | (2,776)       |
| <b>Net book value</b>                 | <b>1,032</b>  | <b>125</b> | <b>-</b>  | <b>(89)</b>    | <b>-</b>   | <b>1,068</b>  |
| <i>IT systems</i>                     |               |            |           |                |            |               |
| Cost                                  | 960           | -          | -         | -              | -          | 960           |
| Depreciation                          | (881)         | -          | -         | (28)           | -          | (909)         |
| <b>Net book value</b>                 | <b>79</b>     | <b>-</b>   | <b>-</b>  | <b>(28)</b>    | <b>-</b>   | <b>51</b>     |
| <b>Total supported housing and IT</b> | <b>27,822</b> | <b>144</b> | <b>-</b>  | <b>(666)</b>   | <b>-</b>   | <b>27,300</b> |

### 11. Fixed assets – CHARM properties

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

| Consolidated   | 01-Jan<br>£'000 | Additions<br>£'000 | Disposals<br>£'000 | Charge in year<br>£'000 | Transfers<br>£'000 | Impairment<br>£'000 | 31-Dec<br>£'000 |
|--|-----------------|--------------------|--------------------|-------------------------|--------------------|---------------------|-----------------|
| <i>-Properties with significant restrictions (funded by Church Commissioners)</i>  | 106,632         | -                  | (5,112)            | -                       | (18,212)           | -                   | 83,308          |
| <i>-Properties without significant restrictions (funded by the Pensions Board)</i> | 80,727          | 35,247             | (227)              | -                       | 18,212*            | -                   | 133,959         |
| <b>Total CHARM properties</b>  | <b>187,359</b>  | <b>35,247</b>      | <b>(5,339)</b>     | <b>-</b>                | <b>-</b>           | <b>-</b>            | <b>217,267</b>  |

#### Rental properties

|                             |              |           |             |   |   |   |              |
|-----------------------------|--------------|-----------|-------------|---|---|---|--------------|
| Net book value (cost)       | 129,136      | 34,228*   | (1,731)     | - | - | - | 161,633      |
| <i>Number of properties</i> | <i>1,157</i> | <i>60</i> | <i>(35)</i> |   |   |   | <i>1,182</i> |

#### Shared ownership properties

|                             |            |           |            |   |   |   |            |
|-----------------------------|------------|-----------|------------|---|---|---|------------|
| Net book value (cost)       | 10,274     | 1,019     | (526)      | - | - | - | 10,767     |
| <i>Number of properties</i> | <i>114</i> | <i>10</i> | <i>(7)</i> |   |   |   | <i>117</i> |

#### Mortgaged properties

|                               |                |               |                |          |          |          |                |
|-------------------------------|----------------|---------------|----------------|----------|----------|----------|----------------|
| Net book value (cost)         | 47,949         | -             | (3,082)        | -        | -        | -        | 44,867         |
| <i>Number of properties</i>   | <i>912</i>     | <i>-</i>      | <i>(64)</i>    |          |          |          | <i>848</i>     |
| <b>Total CHARM properties</b> | <b>187,359</b> | <b>35,247</b> | <b>(5,339)</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>217,267</b> |

\*Rental additions consist of £23,629,000 in respect of the acquisition of the further economic interest in 196 formerly Church Commissioners-funded properties (the total consideration being £41,841,000 of which £18,212,000 was used to settle outstanding financing in relation to the restricted properties already held) and £10,599,000 relating to the purchase of new rental properties.

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

## For the year ended 31 December 2015

### 11. Fixed assets – CHARM properties (continued)

| Charity only  | 01-Jan<br>£'000 | Additions<br>£'000 | Disposals<br>£'000 | Charge in year<br>£'000 | Transfers<br>£'000 | Impairment<br>£'000 | 31-Dec<br>£'000 |
|---|-----------------|--------------------|--------------------|-------------------------|--------------------|---------------------|-----------------|
| -Properties with significant restrictions (funded by Church Commissioners)  | 106,632         |                    | (5,112)            | -                       | (18,212)           | -                   | 83,308          |
| -Properties without significant restrictions (funded by the Pensions Board) | 72,658          | 35,247             | 11                 | -                       | 18,212             | -                   | 126,128         |
| <b>Total CHARM properties</b>   | <b>179,290</b>  | <b>35,247</b>      | <b>(5,101)</b>     | <b>-</b>                | <b>-</b>           | <b>-</b>            | <b>209,436</b>  |

#### Rental properties

|                             |              |           |             |   |   |   |              |
|-----------------------------|--------------|-----------|-------------|---|---|---|--------------|
| Net book value (cost)       | 129,136      | 34,228    | (1,731)     | - | - | - | 161,633      |
| <i>Number of properties</i> | <i>1,157</i> | <i>60</i> | <i>(35)</i> |   |   |   | <i>1,182</i> |

#### Shared ownership properties

|                             |            |           |            |   |   |   |            |
|-----------------------------|------------|-----------|------------|---|---|---|------------|
| Net book value (cost)       | 10,274     | 1,019     | (526)      | - | - | - | 10,767     |
| <i>Number of properties</i> | <i>114</i> | <i>10</i> | <i>(7)</i> |   |   |   | <i>117</i> |

#### Mortgaged properties

|                               |                |               |                |          |          |          |                |
|-------------------------------|----------------|---------------|----------------|----------|----------|----------|----------------|
| Net book value (cost)         | 39,880         | -             | (2,844)        | -        | -        | -        | 37,036         |
| <i>Number of properties</i>   | <i>827</i>     | <i>-</i>      | <i>(62)</i>    |          |          |          | <i>765</i>     |
| <b>Total CHARM properties</b> | <b>179,290</b> | <b>35,247</b> | <b>(5,101)</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>209,436</b> |

#### Financing and restriction

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

When the Commissioners' financing arrangement ended in 2010, the Board took out a loan facility with Santander to finance subsequent property purchases. In 2015 the Board was loaned £70,000,000 from its subsidiary CHARM Finance PLC, which raised funds through the issue of a listed bond. The sum was used to repay £28,000,000 of the Santander loan, and £41,000,000 was used to purchase the economic interest in 196 properties which had originally been funded by the Commissioners at a cost of £18,000,000 during the years 1983-2010. The transaction has been carefully considered, and consistent with accounting standards, an addition to the cost of these 196 properties of £23,000,000 has been recognised, bringing their book cost to £41,000,000, reflecting the total amount paid in respect of those properties up to the transaction date. This reflects the substance of the transaction, which is that the Board purchased the economic interest and the financial control of the 196 properties, thus enhancing its right to future economic benefit from these assets.

The transaction also resulted in part of the loan from the Commissioners being extinguished. This has been treated in the same way as all other repayments of the loans relating to other properties funded by the Commissioners: the loan is reduced by its book value and no gain/loss is reported through the SOFA. The Commissioners, Santander and CHARM Finance PLC loans are described in more detail in note 13.

In accordance with the contract, the Church Commissioners have retained a right to receive any profit on disposal of any of the 196 properties up to August 2025, over the agreed amount relating to that property included in the £41,841,000 initial payment. In the opinion of the trustees, as these properties have been identified for long-term use by the charity, it is not expected that any further payments will accrue to the Church Commissioners as a result of this arrangement.

In addition to these arrangements, 48 rental properties were purchased with contributions from dioceses and others, where the contributions are repayable when the property is sold, as either a simple repayment or in the same proportion as the original contribution to the purchase price, depending on the agreement made. The Board recognises the full cost of the property and also recognises a liability for the amount contributed (see note 13).

## Notes to the financial statements of the Church of England Pensions Board For the year ended 31 December 2015

### 12. Debtors

|                                | Consolidated |              | Charity      |              |
|--------------------------------|--------------|--------------|--------------|--------------|
|                                | 2015         | 2014         | 2015         | 2014         |
|                                | £'000        | £'000        | £'000        | £'000        |
| Trade debtors                  | 512          | 463          | 509          | 459          |
| Subsidiary undertakings        | -            | -            | 7,834        | 8,072        |
| Prepayments and accrued income | 1,154        | 741          | 1,127        | 565          |
| Other debtors                  | 175          | 565          | 175          | 741          |
| <b>Total</b>                   | <b>1,841</b> | <b>1,769</b> | <b>9,645</b> | <b>9,837</b> |

### 13. Creditors

#### Current liabilities:

|   | Consolidated |              | Charity      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2015         | 2014         | 2015         | 2014         |
|   | £'000        | £'000        | £'000        | £'000        |
| Amounts falling due within one year               |              |              |              |              |
| Trade creditors                                   | 2,545        | 2,651        | 2,545        | 2,651        |
| Accruals and deferred income                      | 2,129        | 439          | 2,134        | 439          |
| Tax creditor                                      | 37           | 72           | 37           | 72           |
| Joint venture (ChECS)                             | 88           | 56           | 88           | 56           |
| Other creditors                                   | 585          | 1,099        | 553          | 1,099        |
| <b>Total amounts falling due within one year:</b> | <b>5,384</b> | <b>4,317</b> | <b>5,357</b> | <b>4,317</b> |

#### Concessionary loans repayable on sale of fixed assets

##### Loans from Church Commissioners for:

|  |               |                |               |                |
|--|---------------|----------------|---------------|----------------|
| - rental properties                                  | 34,774        | 54,774         | 34,774        | 54,774         |
| - shared ownership properties                        | 4,766         | 5,158          | 4,766         | 5,158          |
| - mortgage properties                                | 43,768        | 46,700         | 43,768        | 46,700         |
| Diocesan and other creditors                         | 1,142         | 1,171          | 1,142         | 1,171          |
| <b>Total loans repayable on sale of fixed assets</b> | <b>84,450</b> | <b>107,803</b> | <b>84,450</b> | <b>107,803</b> |
| <b>Total current liabilities</b>                     | <b>89,834</b> | <b>112,120</b> | <b>89,807</b> | <b>112,120</b> |

Loans from the Church Commissioners are repayable when the properties associated with them are sold. The trigger for the repayment is the sale of the property and the proceeds are passed in full to the Church Commissioners. Properties are sold when residents vacate rented properties, shared ownership properties are sold and mortgages are redeemed. These assets are classified as fixed assets and are included in note 11.

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

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

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

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

## For the year ended 31 December 2015

### 13. Creditors (continued)

Non-current liabilities:

|   | Consolidated  |               | Charity       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2015          | 2014          | 2015          | 2014          |
|   | £'000         | £'000         | £'000         | £'000         |
| Bond liabilities - PIC                                      | 70,000        | -             | -             | -             |
| Bond liabilities – capitalised bond set-up costs            | (502)         | -             | -             | -             |
| Intra-group liability – loan repayable to CHARM Finance PLC | -             | -             | 70,000        | -             |
| Intra-group liability – capitalised bond set-up costs       | -             | -             | (502)         | -             |
| Loan from Santander   | 9,750         | 28,500        | 9,750         | 28,500        |
| Loan from Santander – capitalised set-up costs              | (317)         | (350)         | (317)         | (350)         |
| <b>Total</b>  | <b>78,931</b> | <b>28,150</b> | <b>78,931</b> | <b>28,150</b> |

The bond, issued by subsidiary undertaking CHARM Finance plc, was issued to finance the growth and development of the CHARM scheme. Transaction costs of £509,000 were incurred. At 31 December 2015, the amortised cost of the bond set-up fees incurred (predominantly legal and financial advice fees) was £502,000 (2014: £nil). Interest due is based on the current agreed interest rate of 3.126%. In future the interest rate used is subject to increases with CPI (subject to a 4% cap and a floor of zero). Repayment of the bond is due in five equal instalments of £14m due in August of 2038, 2041, 2043, 2045 and 2048 respectively. The bond is effectively secured by a fixed charge over 483 properties held by the Charity.

The following table details the maturity of the bond-related contractual payments as at 31 December 2015:

| Period                                  | Interest due  | Capital repayment |
|---|---------------|-------------------|
|   | £'000         | £'000             |
| Due to end Dec 2015                     | 753           | -                 |
| Within one year (to end Dec 2016)       | 1,808         | -                 |
| Due within five years (to end Dec 2020) | 7,663         | -                 |
| Due after five years                    | 51,083        | 70,000            |
| <b>Total</b>                            | <b>61,307</b> | <b>70,000</b>     |

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

The charity has a loan facility with Santander through Abbey National Treasury Services PLC which is secured by fixed charges over 149 properties (2014: 250 properties) owned by the charity, with occupied market value of £29,000,000 (2014: £50,000,000). The loan is repayable, subject to terms and conditions, between June 2020 and June 2025 (dependent on the value of loan outstanding).

The cost of the Santander arrangement fee of £500,000 (1% of the loan facility) is offset against the loans and is being amortised over 15 years. At 31 December 2015, the amortised cost was £317,000 (2014: £350,000).

### 14. Funds

| Consolidated and charity                       | Balance at 1 January | Income        | Expenditure     | Investment gains | Other gains | Transfers | Balance at 31 December |
|--|----------------------|---------------|-----------------|------------------|-------------|-----------|------------------------|
|  | £'000                | £'000         | £'000           | £'000            | £'000       | £'000     | £'000                  |
| <b>Unrestricted funds</b>                      | -                    | 4,319         | (4,319)         | -                | -           | -         | -                      |
| <b>Total unrestricted funds</b>                | -                    | 4,319         | (4,319)         | -                | -           | -         | -                      |
| <b>Restricted funds:-</b>                      |                      |               |                 |                  |             |           |                        |
| General Purposes Fund:                         |                      |               |                 |                  |             |           |                        |
| - General Funds                                | 104,527              | 21,799        | (20,526)        | 2,073            | 396         | (2,000)   | 106,269                |
| - Earmarked – Property Maintenance             | 2,434                | -             | (777)           | -                | -           | 2,000     | 3,657                  |
| Clergy Retirement Housing Trust & other trusts | 8,552                | 766           | (202)           | 24               | -           | -         | 9,140                  |
| <b>Total restricted funds</b>                  | <b>115,513</b>       | <b>22,565</b> | <b>(21,505)</b> | <b>2,097</b>     | <b>396</b>  | <b>-</b>  | <b>119,066</b>         |
| <b>Pension reserve</b>                         | <b>(2,564)</b>       | <b>-</b>      | <b>558</b>      | <b>-</b>         | <b>-</b>    | <b>-</b>  | <b>(2,006)</b>         |
| <b>Total funds</b>                             | <b>112,949</b>       | <b>26,884</b> | <b>(25,266)</b> | <b>2,097</b>     | <b>396</b>  | <b>-</b>  | <b>117,060</b>         |

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

## For the year ended 31 December 2015

### 14. Funds (continued)

#### Unrestricted funds

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

#### Restricted funds

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

Within restricted funds, the Trustees have earmarked an amount for property maintenance. £2.0m (2014: £2.6m) was transferred from the restricted general fund to the earmarked Property Maintenance fund to allow for additional property maintenance work.

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

Below is a summary of the assets and liabilities of each fund as at 31 December 2015:

| FUND   | Fixed Assets   | Current Assets | Current Liabilities | Non-Current Liabilities | SUB TOTAL      | Provision for Pension Liability | NET ASSETS     |
|--|----------------|----------------|---------------------|-------------------------|----------------|---------------------------------|----------------|
|  | £'000          | £'000          | £'000               | £'000                   | £'000          | £'000                           | £'000          |
| Unrestricted funds                             | -              | 1,082          | (1,082)             | -                       | -              | -                               | -              |
| <b>Restricted Funds:</b>                       |                |                |                     |                         |                |                                 |                |
| General Funds                                  | 275,915        | (1,957)        | (88,738)            | (78,951)                | 106,269        | (2,005)                         | 104,264        |
| Earmarked– Property Maintenance                | -              | 3,657          | -                   | -                       | 3,657          | -                               | 3,657          |
| Clergy Retirement Housing Trust & other trusts | 5,440          | 3,694          | (14)                | 20                      | 9,140          | (1)                             | 9,139          |
| <b>Total</b>                                   | <b>281,355</b> | <b>6,476</b>   | <b>(89,834)</b>     | <b>(78,931)</b>         | <b>119,066</b> | <b>(2,006)</b>                  | <b>117,060</b> |

### 15. Subsidiary results

The Board owns 100% of CEPB Developments Ltd, a dormant company limited by shares, held to undertake property and building development at the supported housing schemes and nursing home, and CEPB Mortgages Ltd, a company limited by guarantee, held to administer mortgages on behalf of the Board. Both companies are registered at 29 Great Smith Street, London, SW1P 3PS.

The Board also owns 100% of CHARM Finance PLC (incorporated and acquired 17 July 2015), a company limited by share capital of £50,000 (of which £12,500 has been paid up by the Board), held as a special purpose vehicle providing a facility for £100m of funds to the Board via a bond issue (of which £70m has been issued so far). These funds are being used to secure current and future obligations for clergy housing in retirement.

Summaries of the subsidiaries' profit and loss accounts are shown below:

|                       | CEPB Developments Ltd<br>(dormant) |          | CEPB Mortgages |          | CHARM Finance PLC |          |
|-----------------------|------------------------------------|----------|----------------|----------|-------------------|----------|
|                       | 2015                               | 2014     | 2015           | 2014     | 2015              | 2014     |
|                       | £'000                              | £'000    | £'000          | £'000    | £'000             | £'000    |
| Revenue               | -                                  | -        | 420            | 427      | 787               | -        |
| Expenditure           | -                                  | -        | (420)          | (427)    | (787)             | -        |
| <b>Profit or loss</b> | <b>-</b>                           | <b>-</b> | <b>-</b>       | <b>-</b> | <b>-</b>          | <b>-</b> |

A summary of the charity only SOFA is shown below:

|                               | Charity      |              |
|-------------------------------|--------------|--------------|
|                               | 2015         | 2014         |
|                               | £'000        | £'000        |
| Total incoming resources      | 25,677       | 27,636       |
| Total resources expended      | (23,663)     | (26,620)     |
| Investment gains              | 2,097        | 1,124        |
| <b>Net incoming resources</b> | <b>4,111</b> | <b>2,140</b> |
| Other gains and losses        | -            | 393          |
| <b>Net movement in funds</b>  | <b>4,111</b> | <b>2,533</b> |

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

## For the year ended 31 December 2015

### 16. Related Parties

#### Joint ventures

Church of England Central Services (ChECS) is a joint venture between the Church Commissioners, the Archbishops' Council and the Church of England Pensions Board, and therefore a related party of the Board. More information can be found in Note 9.

#### Key Management Personnel

The Board's executive leadership team comprises nine individuals, six of whom are employed directly by the Board and three by ChECS. The aggregate remuneration for these nine individuals, including pension contributions, is £840,000 (2014: £811,000).

#### Pension Schemes

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

### 17. Post balance sheet events

On 23 June 2016 the UK electorate voted to leave the European Union. This decision is expected to begin an exit process that could take up to two years to complete under the relevant legislation and the UK remains a member of the European Union until such time as this process is effected. The result of the referendum is likely to result in a period of uncertainty for the UK economy and financial markets and potentially significant volatility in the valuation of investment assets, including from fluctuations from the impact in foreign exchange rates. The longer term impact of the referendum decision is clearly yet to be determined. The Trustees will keep the situation under review over the coming months, including implications for investment strategy and risk management.