Investing in the Church's growth

The Church Commissioners
Annual Report 2013

The Church Commissioners for England

Front cover: The Revd James Barnett, Pioneer Minister to new communities in Leeds, is funded by the Church Commissioners – see page 13

The Church Commissioners Annual Report 2013

Supporting the Church of England's ministry particularly in areas of need and opportunity

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

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This report explores how the Church Commissioners invest the Church of England’s historic resources and how we identify areas of need and actively support our network:

Contents

The Church network includes:

16,000
churches

12,000
listed churches

11,400
clergy

5,700
active retired clergy

9,662
readers, pastoral assistants and other serving lay officers

This network offers spiritual care for all who might wish to engage with matters of faith and community action in a Christian context.

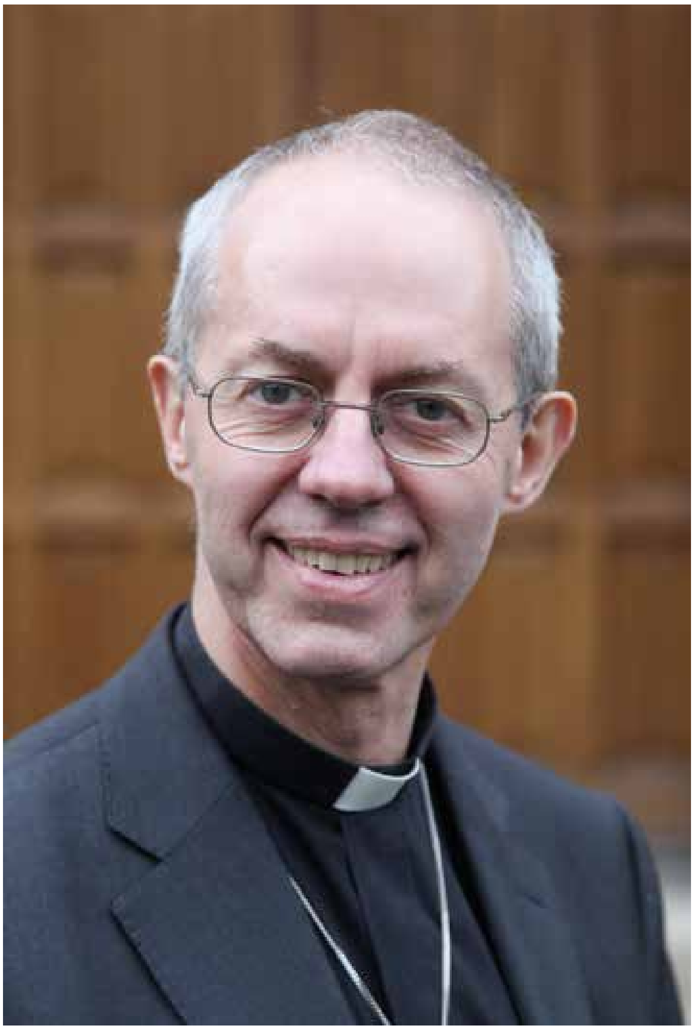
- The Church provides education in the Christian faith and encourages personal spiritual growth and well-being for all.
- Its buildings are a community focus and a base for Church-run and other activities.

Typically these include projects that support children, families and the elderly through clubs, social gatherings, cultural events, outreach activities and community services.

Changing the lives of local communities

"I pray that as the Commissioners continue to support the ministry and mission of the Church to the nation by providing financial support, we will see continued growth and new areas of opportunity."

JUSTIN WELBY
ARCHBISHOP OF CANTERBURY



Within the overall framework of the Five Marks of Mission and the Quinquennial Goals, the renewal of prayer and the Religious Life, reconciliation, and evangelism and witness are the three key priority areas for my ministry as Archbishop of Canterbury.

Leading up to my installation in Canterbury Cathedral in March 2013, I undertook a prayer pilgrimage around different parts of the country, giving a chance to focus on these priorities and see living examples in the Church of England today. Renewal of church life starts with renewal of prayer and the Religious Life, in all the traditions, ancient and modern. It comes from Christians seeking Christ.

I am delighted that the Church Commissioners continue to identify and fund areas of need and opportunity to support taking forward the spiritual and numerical growth of the Church of England.

During 2013 I had the privilege of meeting and talking with many clergy and church members – hearing first-hand what the Church is doing at the grassroots level, working in its local community. For example, on my visit to Truro Diocese I visited a credit union and money advice centre, a family fun day, a community shop and a skate park all linked with local churches – along with meeting farmers and a lifeboat crew who shared the joys and tribulations of working life in Cornwall. In all this and in many other places I have seen the faithful witness of local churches, which bring the reconciling presence of God to the communities in which they are set; through prayer, individually and together, God puts into our minds new possibilities of how the Church can be Good News, both in working for the common good and helping more people to come to know Jesus.

I pray that as the Commissioners continue to support the ministry and mission of the Church to the nation by providing financial support, we will see continued growth and new areas of opportunity.

The Church Commissioners' work supports the Church of England as a Christian presence in every community.

We manage an investment fund of £6.1 billion and our ongoing responsibilities include:

- Supporting poorer dioceses with ministry costs
- Providing funds to support mission activities
- Paying for bishops' ministry and some cathedral costs
- Administering the legal framework for pastoral reorganisation and settling the future of closed church buildings
- Paying clergy pensions for service prior to 1998
- Running the national payroll for serving and retired clergy

We provide public benefit in fulfilling these responsibilities.

The Church Commissioners at a glance

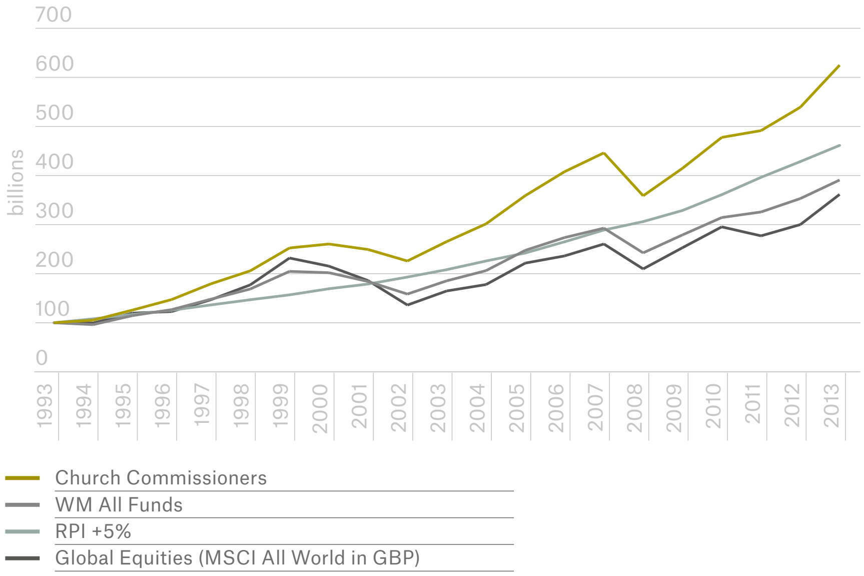
The Church Commissioners' £6.1 billion investment fund is well managed and has a significant spending capacity which we invest in our parish ministry and mission grants, including support for low income dioceses.

Investment performance

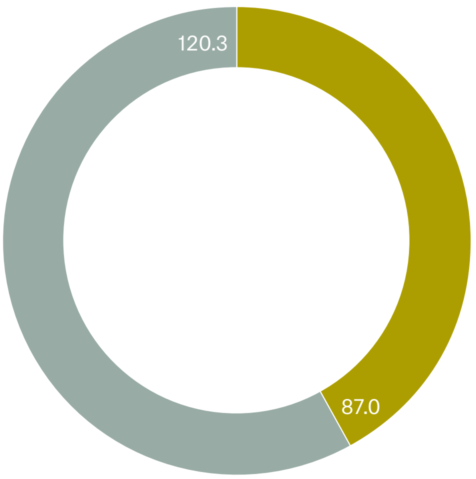
Our investment objective is to generate a total return (capital gain and income) averaging RPI +5% per annum over the long term. Over the past 20 years our fund has achieved an average return of RPI +6.7% per annum.

Our investment policy is to hold a diversified portfolio of investments across a broad range of asset classes consistent with our ethical guidelines.

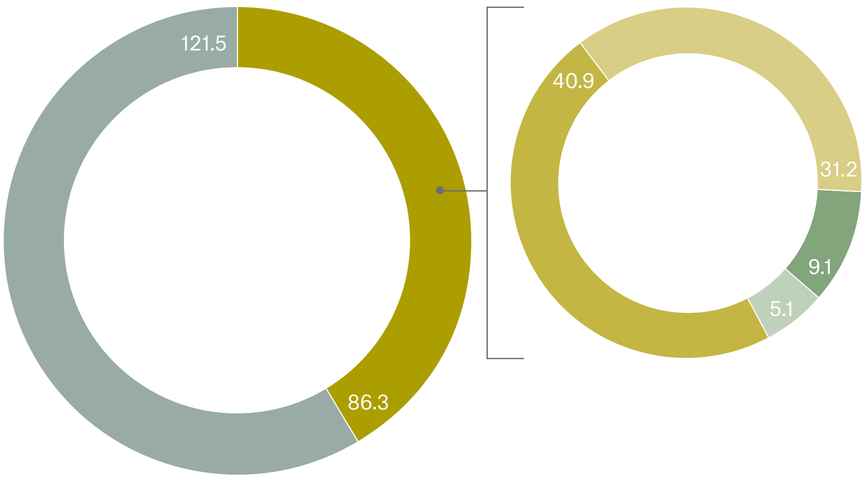
After taking account of expenditure, our fund has grown from £2.4 billion at the start of 1994 to £6.1 billion at the end of 2013.



Church Commissioners' charitable expenditure 2012



Church Commissioners' charitable expenditure 2013

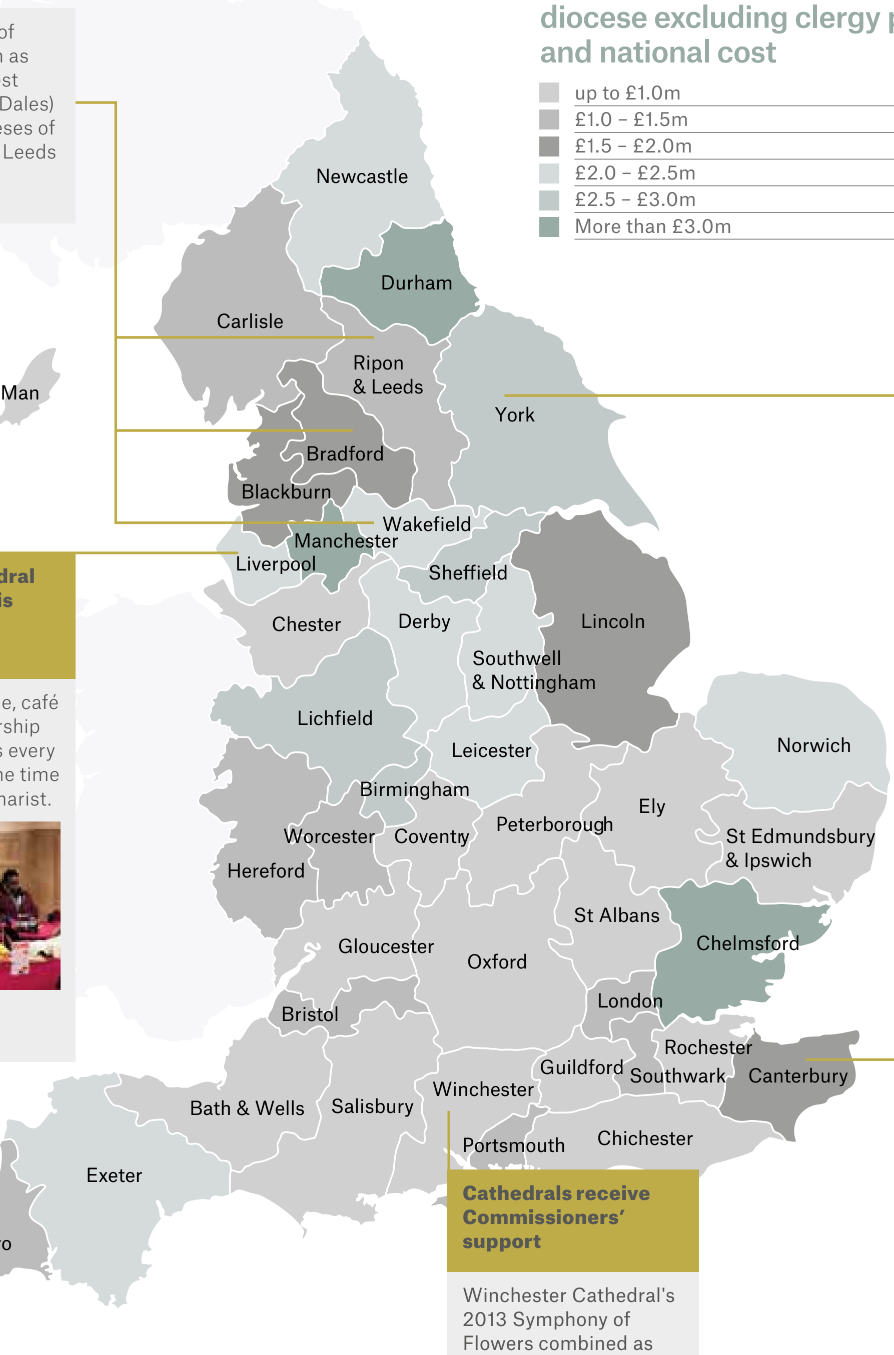


Church Commissioners' expenditure 2013

Our parish ministry and mission grants include support for low income dioceses, mission development funding and research and development. Case studies and examples are outlined in the Review. We also continue to support the ministry of our archbishops, bishops and cathedrals. Other support includes some specific expenditure on church buildings, national clergy payroll costs and our own governance costs. Full details can be found later in the Report.

The Commissioners' support per diocese excluding clergy pensions and national cost

- up to £1.0m
- £1.0 – £1.5m
- £1.5 – £2.0m
- £2.0 – £2.5m
- £2.5 – £3.0m
- More than £3.0m



The new Diocese of Leeds (also known as the Diocese of West Yorkshire and the Dales) replaced the dioceses of Bradford, Ripon & Leeds and Wakefield at Easter 2014.

Liverpool Cathedral Mission Project is funded by the Commissioners

Zone 2 is an all-age, café style, informal worship service that meets every Sunday at the same time as the Choral Eucharist.

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Pioneer Minister Ben Norton in York Diocese is supported by the Commissioners

Ben is building on earlier Church work on a major housing estate with no physical church presence.

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Cathedrals receive Commissioners' support

Winchester Cathedral's 2013 Symphony of Flowers combined as a visitor attraction and worship focus.

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Pioneer Ministry at Iwade, Canterbury Diocese, is funded by the Commissioners

A church plant and outreach for those living in the new housing areas at Iwade.

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Supporting the Church's growth

The year under review was a good one for the Church and for the Church Commissioners. Indeed, it may prove to have been a turning point, the moment when the Church decisively increased its focus on securing numerical and spiritual growth in Church membership.

ANDREAS WHITTAM SMITH
THE FIRST CHURCH ESTATES COMMISSIONER

At the same time, the Commissioners, to assist this process, began to target their charitable distributions much more strategically.

The extent to which the Church Commissioners can do this depends upon the performance of their large investment portfolio, whose total value rose from £5.5 billion to £6.1 billion in 2013. This is the balance after taking into account substantial distributions during the 12 months, not least £121.5m of pension payments to clergy under the scheme closed to new entrants since 1998.

I emphasise these pension liabilities because they absorb the earning power of about one third of the Commissioners' assets and impart an extra degree of caution into our investment policy. These heavy annual payments will not start to fall until at least the middle 2020s.

Even so, 2013 was a very good year for the portfolio. It grew by 15.9%. Everything that could go right did go right. Risk assets such as equities and property performed strongly. Our investment managers including our in-house property team did better than their peers, and the market and the safe-haven assets where we have a low allocation, UK gilt-edged securities, index-linked bonds and US Treasuries, duly went down.

This was fortunate. However, the portfolio is constructed on the basis that such favourable conditions will be relatively rare. While the one third of our assets that are invested in property, for instance, do contain some much sought after sectors – rural let land, land awaiting a change of use and residential property in central London – the rest of the portfolio has a number of defensive elements.

We have increased the proportion of these in recent years. Some 7% of our assets are held in what we call "defensive equities" where managers are chosen not on how well they do in bull markets but how consistently they maintain values in weak markets. Thus in January 2014, when markets had a bad start to the year, our defensive equity mandates were the best performing equity strategy during the month, holding up well during the market weakness as anticipated.

Another 10% is invested in multi-asset funds that seek to exploit anomalies in the pricing of a wide range of assets, including commodities and currencies, across global markets. These managers should prosper in bull markets and bear markets alike. They also avoided the January 2014 downturn.

Another defensive tactic is to diversify the portfolio as much as possible so that if there is a downturn in global equities, the shockwaves are dampened down and leave the rest of the portfolio relatively unscathed. Examples of diversification include the 4% of the portfolio that is held in private equity investment. This is where the Commissioners back new managements to turn round companies that have been through difficult trading conditions. A further 2% of the portfolio is invested in timber. Much of this is situated in the southern US and serves the US new housing industry, but the Commissioners were fortunate to make an advantageous purchase of a sizeable block of commercial woodland in Scotland in 2011, which has performed well. Finally we are building up investments in credit strategies, where we participate in partnerships that supply new funding to companies that are recovering from financial distress.

While these asset allocations partly reflect our pension liabilities, they also pay attention to a second fact: our beneficiaries' desire that the financial support provided by the Commissioners should be stable. This is especially important for our less well off dioceses. They would find it hard to cope were receipts from the Commissioners to fluctuate from year to year. As a result, with the advice of our actuaries, we smooth our distributions from one year to the next.

It is in this light that the Church Commissioners' long-term record becomes significant. This is shown on page 21. The index figure is the Commissioners' demanding objective: to grow their assets by inflation plus five percentage points. Thankfully this target has been exceeded in each time interval – over 20 years, over 10 years, over 5 years and over 3 years. The performance was also better than that achieved by the average fund manager in each time period. The record also shows that all assets classes did well. We can achieve consistency.

I mentioned the advice we receive from our actuaries. They have concluded that our spending plans for 2014-2016 remain affordable, given the aim, so that the real value of the fund is preserved through time. I expect to find that we are getting close to the point when we can increase our distributions again. But there are two distinct questions here, the 'when' and the 'how'. As far as the second is concerned, an expert task group has been set up by the Archbishops' Council that will review whether there should be changes in the ways in which the Church of England's resources – human and financial – are deployed and how such changes should be delivered and over what time period. The findings of this enquiry will be significant for the work of the Commissioners.

I am glad to be reporting on a good year. But whatever the investment climate, the key factor will be the skills and commitment of the Commissioners' investment team led by Tom Joy, and the knowledge and guidance provided by the Assets Committee. In this respect I thank two members of the Committee who have reached the end of their terms of office, Emma Osborne and Brian Carroll, for their outstanding service. I am equally grateful to two members elected by Synod, Gavin Oldham and the Revd Canon David Stanton, for their valuable contributions. They have had to stand down following the recent elections.

Andreas Whittam Smith

Wakefield Cathedral's Heritage, Arts, Learning and Outreach Department (HALO) is partnered with a range of statutory, voluntary and arts organisations ensuring that it is an integral part of the life of the community of Wakefield. The cathedral hosts regular workshops – all with music, drama and/or artwork at the core.

More on cathedral funding page 14.

Managing our strategic commitments

"Working towards the spiritual and numerical growth of the Church includes growing its capacity to serve the whole community."

ANDREW BROWN
SECRETARY TO THE CHURCH COMMISSIONERS

2013 has been a busy year for the Church of England both in terms of its engagement with society and in the life of the Church. Justin Welby was enthroned as the 105th Archbishop of Canterbury in March at a service at Canterbury Cathedral attended by political and religious leaders from the UK and around the world.

During the year his strong lead on the Church's work with finance and credit unions in particular has created a heightened interest in the work of the Church in its local community.

Working towards the spiritual and numerical growth of the Church includes growing its capacity to serve the whole community. As our report shows, the Commissioners continue to identify and fund areas of need and opportunity throughout England. Our aim is always to work with and support dioceses and parishes to drive growth in their own context. We seek to put money behind effective programmes and there are a range of case studies in this report showing how targeted funding can lead to growth and stronger community engagement.

The case studies in the report are a reminder of how the Church of England is a Christian presence in every community, often providing vital, local services in an innovative way.

This work sits alongside our support for cathedrals which offer a unique contribution to the spiritual life of this country, bishops' ministry and other areas of the Church's day to day life.

Around three quarters of the Church's annual £1.4 billion spending on its mission and ministry comes from parishes, dioceses, and cathedrals, very largely as a result of generous giving.

In 2013 our own contribution to that sum was £207.8m, around 15% of the Church's overall costs. We try to focus our funding for the Church's serving ministry towards need and opportunity while supporting the pensions of former serving clergy.

I am delighted to report the very strong investment performance the fund produced. It is from these investments that the Commissioners are able to provide the financial support to the Church. It is particularly pleasing to note that the fund has exceeded our target and the average fund (measured by industry comparator WM) over 20, 10, 5, 3 and 1 years. This is very good news for the Church.

I am grateful to Commissioners and other Committee members who selflessly serve the Church offering wisdom and leadership in the way the assets are managed, our administrative functions are performed and the funds distributed in partnership with the Archbishops' Council. I am also very conscious of the dedication of the staff team without whom, in partnership with our members, the financial result could not have been achieved or the financial and administrative support provided. 2013 has been a great year demonstrated by continued dedication and service.

Supporting the Church's ministry

Archbishop of York, Dr John Sentamu, welcomed York school children who had completed the Young Leaders Award, run by his Youth Trust.

OBJECTIVES

01. **to manage our financial commitments**
02. **to provide sustainable financial support to our beneficiaries**
03. **to target resources on areas of need**
04. **to identify and help to meet new needs**
05. **to research and share news of effective spending**
06. **to provide an administrative resource and skills base to the Church**

Supporting the Church's ministry

Our three-year spending plans, which we develop with the Archbishops' Council, support the Church's three strategic goals of advancing the Church's spiritual and numerical growth, restructuring ministry for the 21st century to help ensure that there is a growing and sustainable Christian witness in every community, and contributing towards the common good.

As the 2011-2013 triennium drew to a close, a joint Task Group of the Archbishops' Council and Church Commissioners, commissioned by the Archbishops of Canterbury and York, worked to develop spending plans for 2014-2016 and outline plans for 2017-2019.

In recent years, the national funding has been focused on helping bishops, dioceses and cathedrals to achieve more intentional investment in mission and growth. To avoid distracting from that goal there will be no significant changes to the allocation of money between the broad expenditure categories for dioceses', bishops' and cathedral ministry in 2014-2016. Funding for each category will increase by 1% per annum. Alongside, £15m of development funding has been earmarked in 2014-2016 for which dioceses can apply to support projects which will make a significant difference to their mission and growth.

A similar funding stream of £0.5m has been earmarked for cathedrals.

In 2013 the Task Group instigated a regular pattern of review meetings with diocesan leadership teams to discuss their diocese's mission and financial strength, the contribution of the national funding towards mission and financial strength, and plans for how future funding will be spent.

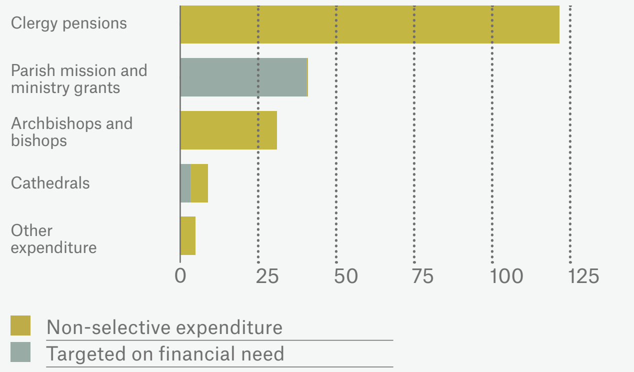
These discussions are making an invaluable contribution to the Task Group's work. They have also highlighted concerns about the complexity of Church legislation which makes reorganising mission and ministry very resource intensive. We and the Archbishops' Council have agreed to create a joint Simplification Group to take these issues forward.

The spending plans work continues. In 2014, the way in which the monies from the funds that we manage are distributed will be examined as part of a wider review assessing whether any changes should be made to the distribution of the Church's resources to enable the Church to advance its mission and growth more effectively.

Grant-making policy

The Commissioners make grants to fulfill their statutory duties, including certain support for bishops' and cathedrals' ministry. Discretionary grants to dioceses – to support parish mission and ministry through the Archbishops' Council – and to cathedrals are determined according to formulae which take various factors into account including other resources available. Other discretionary grants towards ministry and mission are awarded after evaluation against pre-set criteria, currently including the potential for a significant increase in the number of new Christian disciples; a holistic approach to growth; and potential to increase a diocese's capacity to cover its mission and ministry costs. The spending plans for the year, which include grants, are only confirmed when the Assets Committee meets in March and considers advice from its actuarial advisors (see Money available resolution on page 57).

Support for the Church in 2013 (£m)



Parish ministry and mission

In 2013, £40.9m was distributed from our funds for parish ministry and mission, most of which was allocated to the Church in grants made through the Archbishops' Council. The Council distributed £34.4m in block grants to dioceses using a formula which targets the funding on the least resourced. Dioceses usually use their grant to support clergy stipends, targeting it on parishes least able to meet their ministry costs. In 2013, 16 dioceses received grants of more than £1m.

A further £5.9m was distributed by the Council to all dioceses as mission development funding, using a formula weighted towards areas of need. Most dioceses invest this funding in new opportunities for mission although it may also be used for stipend support. A report on how dioceses have used this funding is published annually on the Church of England website and circulated to General Synod members.

Research and development

In 2011-2013 we and the Archbishops' Council earmarked £12m for research and development to help the Church understand better which parts of the Church are growing and why, and to seek to develop that growth.

£4m of this funding had been allocated by the end of 2013:

- £0.7m for research into Church growth (of which £0.3m remains unspent);
- £3m for developing Church growth in deprived areas;
- £0.3m to help dioceses and cathedrals plan for, and analyse the effectiveness of, their use of the national funding they received in 2011-2013.

The Spending Plans Task Group will develop proposals for the remaining £8m of this funding, informed by the findings from the Church Growth Research Programme.

The Church Growth Research Programme

The 18-month Church Growth Research Programme was completed at the end of 2013. The Programme comprised three strands:

- Data analysis: This strand analysed the data collected by the Church of England from parishes and dioceses, alongside data from other sources, to shed light on the factors associated with Church growth.
- Church profiling: Using a survey of churches to which there were 1,700 respondents, researchers collected data to develop a profile of growing churches from a wide range of contexts and traditions.
- Structures: Cathedrals, Fresh Expressions of Church and Church Planting, Amalgamations, Team Ministry and United/Group Benefices.

The key findings from the research strands were announced at a special Faith in Research conference in January 2014 and are being widely disseminated throughout the Church. A summary report can be found at: www.churchgrowthresearch.org.uk/report

Christ Church Clifton (Bristol Diocese)

Mission development funding is supporting a school community worker, Jane Gillis, at Christ Church Clifton to work with local schools to provide spiritual development opportunities. The ministry includes RE lessons, spiritual development lunchtime clubs, assemblies, Christmas and Easter Experience workshops, Christian perspective workshops in schools, hosting church visits, and being involved in the holistic life of the school, including by offering pastoral support, helping out on trips/camps and helping to support disadvantaged children from a local school. The ministry also includes working in partnership with others across the city to envision and equip other churches in the city to support their local schools. The vision is to see every school in the city supported, served and blessed by their local church. Jane Gillis commented:

> "...there is no greater joy than helping a young person to explore more about God and the big questions of this universe, as they journey through this life."

Developing Church growth in deprived areas
Currently 28 projects are in receipt of a grant of around £0.1m each from the funding for developing Church growth in deprived areas, which was awarded in two tranches in 2011 and 2012. Each proposal was based on work which had already proved to be effective in terms of mission and growth in deprived areas and the funding was awarded in order to scale their impact across the Church.

The remaining £150,000 of this funding programme has been reserved for monitoring and evaluating the programme and disseminating the results.

New housing and other development areas funding
In 2008-2010, £7.25m was allocated to 15 dioceses with significant mission challenges and opportunities in new housing and other development areas. This money is all committed and was accounted for by the end of 2010 but, owing to the economic downturn, many developments were delayed. £1.2m was spent in 2013 and there remains £2.8m committed which will be drawn down over several years.

In November 2013 an external evaluation of the use of the funding to date was commissioned. The evaluators will report in 2014.

Strategic development funding
We and the Archbishops' Council have earmarked £15m of development funding in 2014-2016, to help dioceses invest in projects capable of making a significant difference to their long-term mission and financial strength.

The funding will be distributed in two tranches of £7.5m. Applications for the first tranche of funding – which will be distributed in 2014 – were invited in Autumn 2013 and were restricted to the least well-resourced dioceses. Applications for the second tranche will be invited in 2014 and the funds distributed in 2015.

Resourcing Mission Bulletin
Three issues of the Resourcing Mission Bulletin were published on the Church Growth Research & Development website in 2013. All are welcome to sign up to receive the Bulletin via email: www.churchgrowthrd.org.uk/resourcing_mission_bulletin

Marton-in-Cleveland Archdeaconry, York Diocese
Mission development funding is supporting a Pioneer Minister to work in outer Middlesbrough. Based at St Cuthbert's church in Marton-in-Cleveland, the Revd Ben Norton also has an Archdeaconry brief for pioneering among young people. Ben is building on earlier work on a major estate with no physical church presence and is also supporting neighbouring parishes to develop their capacity.

"During the past 18 months I have been listening to what God is already doing in our local community...One of the ways I have been doing this is to volunteer one day a week in a local hairdressers' and barber's shop. Having trained as a stylist before being ordained I knew it was a great place to listen and learn about a community. Through this I have met a few people who want to begin to explore what faith could mean to them. It is still early days but the green shoots of a new Christian community are beginning to show."

St Mary's Church, Bramall Lane, Sheffield Diocese

Mission development funding is supporting a young people and families worker at St Mary's Church, Bramall Lane. Claire Wood has established a monthly Messy Church, built up the church's youth group and strengthened the church's links with the local school. She has also provided hospitality and opportunities for learning and fellowship amongst students who attend church, recently introducing a scheme in which church families "adopt" a student. The Revd Karen Cribb, non-stipendary minister at St Mary's, says: "The overall impact of establishing this paid role within St Mary's is...a major factor in the growth in the regular church congregation over the last 14 months."

Pioneer Ministry at Iwade, Canterbury Diocese

New housing and other development areas funding is supporting Pioneer Ministry in Iwade in North Sittingbourne. In January 2013 a church was planted into the existing parish church with the intention of reaching those living in the local new housing areas. Average attendance is 20 adults and five children and there is a network of approximately 50 people who may attend a service. A cell group has been established with nine adult members and there is a group for children aged 5-10 – Kingsquad – which meets weekly and currently attracts 20 'Squaddies'.

Jesus Shaped People, Bradford Diocese

Jesus Shaped People helps churches to rethink Christian discipleship. It identifies five priorities in the ministry of Jesus: people focused ministry – with special priority for those 'on the edge'; story based teaching; team building; prayer commitment; and challenging evil and injustice. Churches are invited to analyse these priorities carefully as a basis for their own spiritual vision and development strategy. Jesus Shaped People emerged in the highly disadvantaged social housing estate of Holme Wood in Bradford. Funding for developing church growth in deprived areas is being used to support the replication of Jesus Shaped People into five parishes with similar challenges in the diocese.

Pioneer Minister to new communities in Leeds

Funding for new housing and other development areas has supported the post of Pioneer Minister to new communities in Leeds (see front cover picture). A new expression of church – Riverside Church – has been developed, which meets every Sunday and is attended by 45 adults and 25 children, a majority of whom were not regularly worshipping anywhere previously. There are eight mission shaped communities based on the values of faith, hope and love. The Revd James Barnett says that:

> "Mission shaped communities offer a great environment in which to explore faith and mission together. Simple values are empowering...Our values of faith, hope and love have been a hugely empowering structure around which to do church."

Bishops and cathedrals

Stipends	
Stipends and associated pensions (archbishops)	£0.2m
Stipends and associated pensions (bishops)	£5.1m
Support staff, office and working costs (archbishops)	£5.1m
Support staff, office and working costs (bishops)	£15.3m

The stipends, office and working costs of the archbishops and bishops are met by the Commissioners. Ministry grants to diocesan bishops enable them to manage their resources according to local needs including allocating the level of funding to their area and suffragan bishops. Most bishops are provided with a lease car for use on official business. During the year, we re-tendered the contract for the supply and management of the car fleet. The contract was awarded to Leasedrive who are widely recognised for their high quality bespoke total vehicle management service. The new contract will provide significant cost savings through their access to the Government Procurement Service framework.

Bishops' houses

The Commissioners are the statutory housing provider for diocesan bishops and regularly review the suitability of the official houses to ensure that they provide appropriate accommodation and facilitate the bishops' work and mission. In 2013 a new house for the Bishop of Durham was purchased in Bishop Auckland, retaining the historic link with Auckland Castle where the Bishop still has his office. Refurbishment work was also undertaken to the houses in Blackburn and Manchester. A review of whether the Palace at Wells still provides suitable accommodation for the Bishop of Bath and Wells commenced during the second half of the year.

Work was also under way to provide new offices for the next Bishop of Exeter in the Gatehouse, bringing back into use a historic building and freeing up space in the grounds of the house which can be let to generate income. The restoration works have revealed aspects of the building's past including medieval paint markings and rediscovery of prison cells.

Cathedrals

The Commissioners provide grants under the Cathedrals Measure. Grants amounting to £5.6m were provided under section 21 of the Measure to fund the stipend and pension costs of the Dean and two residentiary canons at all cathedrals except Oxford. Any unused part of the grant caused by vacancies can, at the Commissioners' discretion, be used to support the employment costs of other cathedral staff.

A further £3.4m of discretionary grants were provided under section 23 of the Measure. These grants are used to fund lay staff and were targeted at cathedrals with the lowest unrestricted income. Funding of these core costs can facilitate mission and ministry.

Dean of Guildford Dianna Gwilliams took up her cathedral post in 2013.

Media training for the Bishop of Blackburn Julian Henderson who took up his role during 2013.

Pastoral reorganisation
The Commissioners have a legal responsibility to help with the reorganisation of parishes and benefices. Following local consultation, proposals for reorganisation are sent by the diocesan or area bishop for the Commissioners to advise upon and validate. The proposals are then published as a draft scheme by the diocese or by the Commissioners depending on the nature of the proposal. Reorganisation can sometimes result in the closure of church buildings – during the year 18 of nearly 16,000 church buildings in use were declared closed for regular public worship. But at the same time new churches and places of worship were also opened.

Schemes to reorganise parishes and benefices can attract objections. The Commissioners' Pastoral Committee heard a number of cases during 2013 attended by objectors and supporters who spoke about their views on schemes. A proposal can be rejected, or sent back to the Bishop for further consideration or the Committee can give permission for it to proceed. In 2013, three schemes were sent back to the Bishop and 14 proceeded. Two cases also raised issues for consideration by the Commissioners' Church Buildings (Uses and Disposals) Committee as the draft schemes involved not just the closure of the building but also proposals for its future after closure and there were objections to the future use. In a third case, the objections related only to the future use and did not need consideration by the Pastoral Committee.

Objectors are entitled to seek permission to appeal to the Judicial Committee of the Privy Council against a decision by the Commissioners to allow a scheme to proceed or any aspect of the decision. One such application was made during 2013 but permission was not granted.

Clergy housing and glebe
The Commissioners – through the Pastoral Committee – also have a legal role in the sale and other transactions relating to clergy housing and glebe land. Objections to transactions are handled in the same way as for parish reorganisation cases. Objections were received to one glebe sale during 2013 which were overruled after consideration by the Committee. One glebe transaction (none in 2012) involving a connected person was approved and, in another case, the Commissioners' approval to the terms of a sale were required and were given: no clergy housing transactions (one in 2012) required approval in 2013.

Lambeth Palace Library
The Lambeth Bible, a giant illuminated Bible of the mid-12th century, is one of the greatest treasures of Lambeth Palace Library, where it has been since 1610. The second volume of the Bible, separated from it during the 16th century and only identified in 1924, is now at Maidstone Museum. The two were on show together, for only the second time since the Reformation, at a special Library exhibition in 2013. The Commissioners are responsible for the Library's collection.

"The Commissioners contribute **15p in the pound** to the cost of the Church of England's mission – most of the balance comes from the generous giving of today's parishioners."

Church buildings closed for regular public worship
The Commissioners decide the future of closed church buildings. Our locally based specialist casework team works closely with dioceses to secure suitable alternative uses but where no such use can be found we normally have to decide, following advice, between preservation in the Churches Conservation Trust and demolition. Where a qualifying body objects to the proposed demolition of a listed church or an unlisted church in a conservation area, the Department for Communities and Local Government may hold a hearing or public inquiry.

Contributing to the Church's mission
More than £1.5m was raised in net proceeds from the disposal of closed church buildings and sites during 2013. The proceeds are used to support and develop the 'living church'.

During the year we made 21 schemes (28 in 2012) determining the future of closed church buildings or their sites; 18 were approved for alternative uses, one for preservation by the Churches Conservation Trust and two for demolition.

The chart on page 17 shows how the futures of closed church buildings have been settled over the last ten years.

The Church Buildings (Uses and Disposals) Committee considered objections in seven cases and decided in six that the scheme should proceed while one was referred back to the Bishop for further consideration.

Each year the Committee, with diocesan colleagues and representatives of heritage bodies, visits an area where parishes face significant challenges, particularly in caring for church buildings, or to see examples of closed church buildings including those adapted to a new use. In 2013 our tour of buildings in Exeter Diocese (see Plymouth pictures, right) highlighted the developing "Breathing Space" project intended to bring together mission and community action planning to facilitate decisions on the future of church buildings. We also considered the difficult issues involved in resolving the future of closed church buildings located within landed estates.

Such visits continue to inform our work in relation to closed church buildings and the context in which parishes carry out their mission and care for their buildings.

Churches Conservation Trust
With the Government we co-sponsor the Churches Conservation Trust, which currently preserves 344 closed church buildings for which no suitable use has been found. Our current annual grant to the Trust is £1.36m. We work closely with the Trust to ensure our continuing ability to vest suitable closed church buildings in the Trust, as well as identifying opportunities to divest or lease churches already in its care for new uses. This is a key element in redeploying resources in response to local needs. The Committee agreed in principle to vest three further closed church buildings in the Trust.

Battersea St Peter and St Paul
Situated in a conservation area in St John's Hill Battersea, St Paul's has recently been closed for worship and sold for cultural, community and residential use. Construction work has commenced to convert the church into a number of luxury apartments with a cultural or community use on the ground floor. Proceeds from the sale of St Paul will go towards the costs of building a flexible and adaptable new place of worship which will be the focal point of a predominantly residential housing association regeneration development within the parish.

Plymouth St Aubyn, Devonport
This Grade II* closed church building is leased to Plymouth City Council (PCC) for use as a library and café and part leased back to PCC as a licensed place of worship.

**Five and ten-year comparison:
1 January 2004 – 31 December 2013**

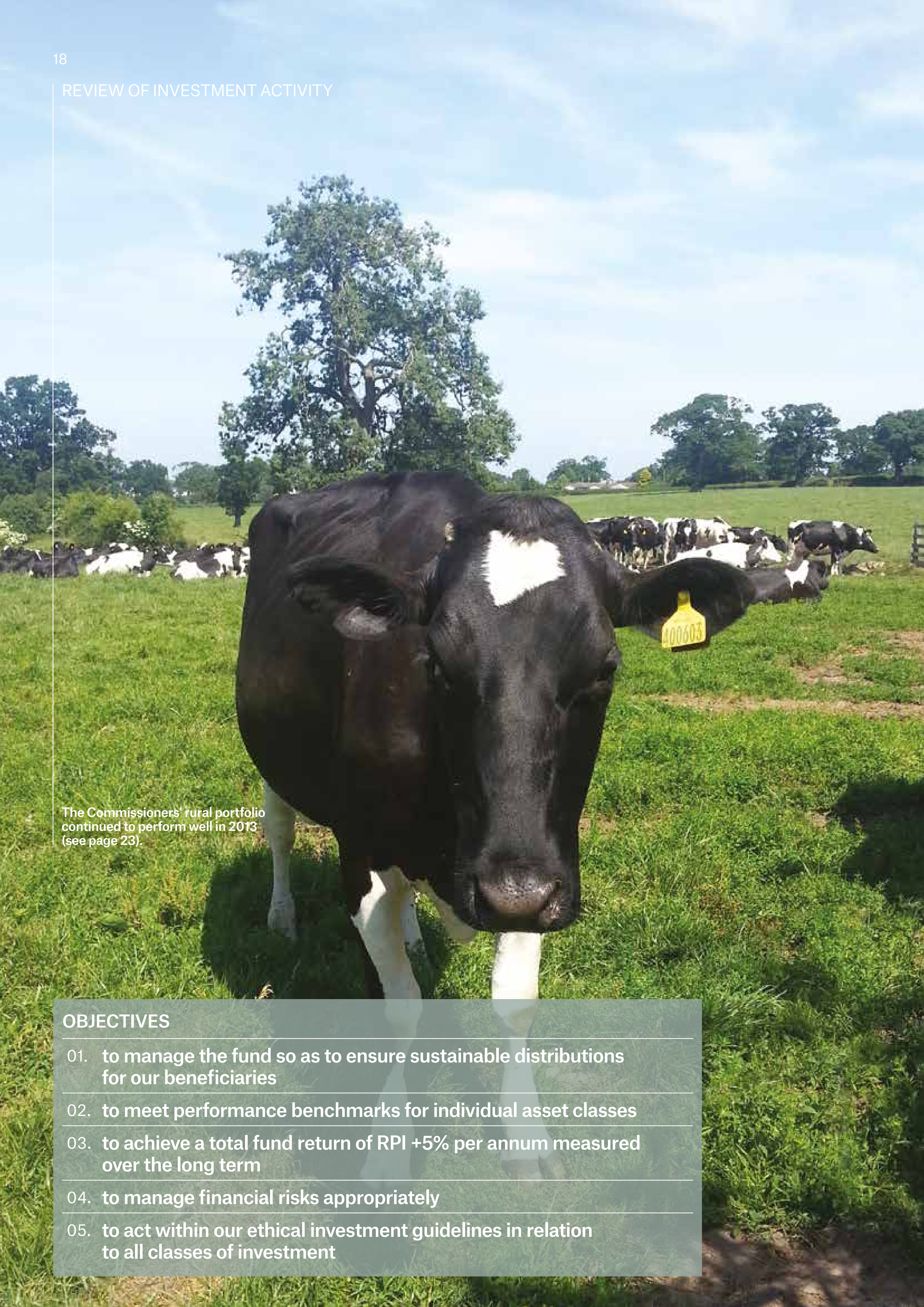
Alternative use	2004-2013	2009-2013
Adjuncts to adjoining estates	–	–
Arts, crafts, music or drama	6	4
Civic, cultural or community	32	17
Educational	8	2
Light industrial	1	1
Monument	18	10
Museums	1	–
Office or shopping	22	7
Other	–	–
Parochial or ecclesiastical	24	8
Private and school chapel	3	3
Residential	73	29
Sports	4	1
Storage	2	1
Worship by other Christian bodies	51	24
Alternative use sub-total	**245**	**107**
Demolition and site disposal		
Additions to churchyards	4	4
Housing associations	5	2
Local authorities	3	1
New places of worship	6	1
Not yet decided	9	5
Other community purposes	5	2
Other purchasers	21	7
Demolition sub-total	**53**	**22**
Preservation		
Churches Conservation Trust	16	8
Diocesan Board of Finance	1	–
Secretary of State	–	–
Preservation sub-total	**17**	**8**
Grand total	**315**	**137**

The Tolladine Mission, Worcester Diocese

The Tolladine Mission, based in an area with pockets of exceptional multiple deprivation, offers new expressions of faith and engages in social issues, with a focus on young people. The missioners live in the area, bound together by a common purpose and sharing a simple rule of life involving prayer, sharing and generous hospitality. The work of the Tolladine Mission includes a garden project for young people with learning and/or behavioural difficulties; regular study opportunities to explore the Christian faith; chaplaincy in the local community centre; involvement in all the schools in the area through Governorships, teaching and weekly "Open the Book" teaching/worship; and regular worship events. **Funding for developing Church growth in deprived areas** is supporting the employment of a full-time mission leader to enable the project to be scaled up.

Liverpool Cathedral Mission Project

Liverpool Cathedral is committed to offering a variety of styles of worship that are accessible for a wide range of people. Its Zone 2 service is an all-age, café style, informal worship service that meets every Sunday at the same time as the traditional Choral Eucharist. The Zone 2 service was planted with a team of 12 adults and seven children and has grown to a weekly average attendance of around 60 people with well over 100 who come at least once a month. Zone 2 now offers an afternoon service in addition to the morning service. **Funding for developing Church growth in deprived areas** is supporting the use of the cathedral as a resource to support the replication of this type of initiative into deprived parishes and a website containing practical advice on developing all-age, café style worship and resources for services **www.oldoakresources.com**



The Commissioners' rural portfolio continued to perform well in 2013 (see page 23).

OBJECTIVES

01. to manage the fund so as to ensure sustainable distributions for our beneficiaries
02. to meet performance benchmarks for individual asset classes
03. to achieve a total fund return of RPI +5% per annum measured over the long term
04. to manage financial risks appropriately
05. to act within our ethical investment guidelines in relation to all classes of investment

Review of investment activity

Our ethical investment approach

The Church Commissioners are long-term ethical investors. We manage our portfolio with future generations of beneficiaries in mind as well as current beneficiaries. The way we invest forms an integral part of the Church of England's witness and mission.

The Commissioners:

01. **Exclude certain categories of investments**	We avoid our direct investments profiting from, or providing capital to, activities that are materially inconsistent with Christian values.
02. **Follow responsible investment principles**	We incorporate environmental, social and governance issues into our investment analysis and decision-making.
03. **Embrace stewardship responsibility**	We are active owners of our investments, vote at company AGMs and engage with companies in which we invest.
04. **Promote ethical behaviour**	We seek to witness Christian values in our interactions with the worlds of investment and business.

Our policy and practice is shaped by expert advice from the Church's Ethical Investment Advisory Group (EIAG). The EIAG is an independent body sponsored by the three national investing bodies of the Church of England.

We were pleased to publish a Stewardship Code Statement in 2013. See: www.churchofengland.org/about-us/structure/churchcommissioners/assets

Fund strategy

The Commissioners' fund was valued at just over £6.1 billion, more than £0.6 billion higher than at the end of 2012 after charitable cash distributions of £207.8m.

This is the highest ever asset value of the Commissioners' fund, more than £450m higher than in 2007 before the financial crisis.

The investment objective is to generate a return of inflation (RPI) +5.0% per annum, on average, over the long term. We have managed to exceed this objective over 1, 3, 5, 10 and 20 years and our investment performance continues to be recognised by industry awards. In 2012 we won awards for the best overall charity/endowment and best investor in property from Portfolio Institutional as well as several property awards from IPD which we outline in the property section below. Over the last 20 years the fund has experienced an average 9.6% growth every year.

Meeting or exceeding our performance objective allows us to meet our pension obligations and to grow, in real terms, our support for the Church, balancing the needs of both current and future beneficiaries. In 2013 our cash distributions were £207.8m; this is 18.2% higher than was the case in 2007 before the financial crisis.

The Commissioners' investment policy is to hold a diversified portfolio of investments across a broad range of asset classes consistent with our ethical guidelines. The chart on the following page shows our asset weightings at the end of 2013 and how these have changed in recent years. In 2013 we utilised new asset classes, private credit strategies and infrastructure, to seek higher returns and also to better diversify the portfolio. We also accessed asset classes differently; for example, in private equity we made our first co-investment alongside managers as part of the successful consortium bidding for a branch network of RBS. We see this as both an exciting investment opportunity and also the chance to create a 'good' bank.

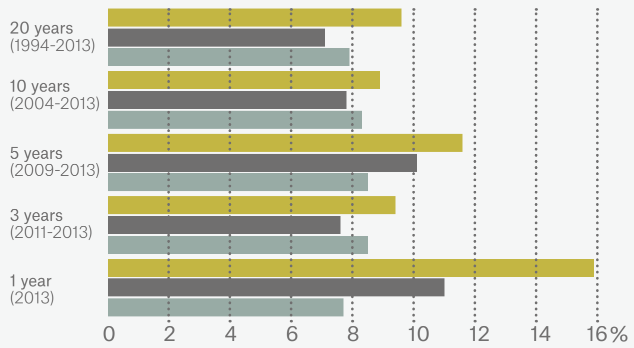
Fund performance
The Commissioners' fund returned 15.9% during 2013. Our longer-term numbers, which are significantly more important in terms of determining our distributions, also remain strong. Our 1, 3, 5, 10 and 20 year numbers are all ahead of both our RPI +5% per annum target and the average fund as measured by the WM All Funds Universe.

In 2013 risk assets, such as equities and property, performed strongly, whereas perceived safe-haven assets like UK gilts, index-linked bonds and US Treasuries delivered poor returns. A combination of continued monetary stimulus, an acceleration of economic recovery, the absence of any negative surprises from the Eurozone and improving investor sentiment saw stock markets around the world post solid gains. Equities delivered their returns in the first half of the year whereas property was stronger in the second half. The market environment suited the Commissioners and the current portfolio positioning, resulting in strong absolute and relative performance for the portfolio.

Performance was strong across the board with the majority of the Commissioners' asset classes producing a return ahead of our RPI +5% target. Within asset classes our assets and managers typically outperformed their respective benchmarks which also added to our overall performance.

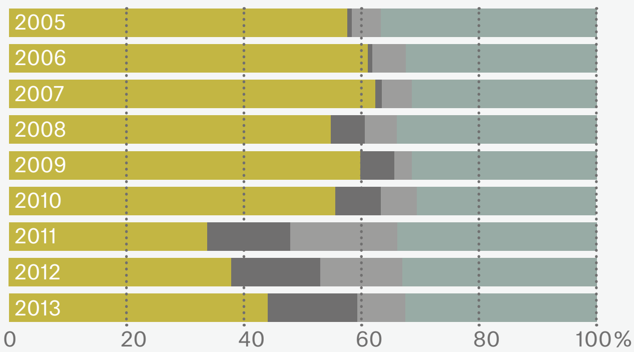
Notable performance was delivered in our equities portfolio where, in aggregate, our managers outperformed in a strongly rising market. Also within credit our recent allocations to private credit strategies have started to produce strong returns, in large part, due to high current income. Also across the board our property portfolios delivered another strong year with returns in each sub-portfolio, apart from indirects, usefully above the IPD return of 11.2%.

Total returns per annum against an independent comparator and Commissioners' target return



Church Commissioners' fund
WM All Funds Universe
RPI +5% per annum

Commissioners' asset allocation since 2005

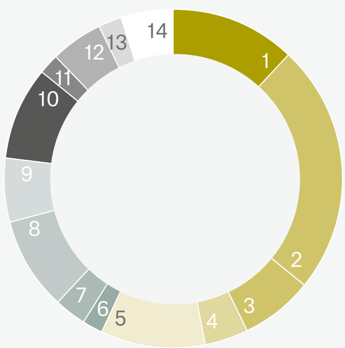


Equities
Alternative strategies
Fixed income and cash
Property

Asset returns, total fund and by asset class: 1, 3, 5, 10 and 20 year averages

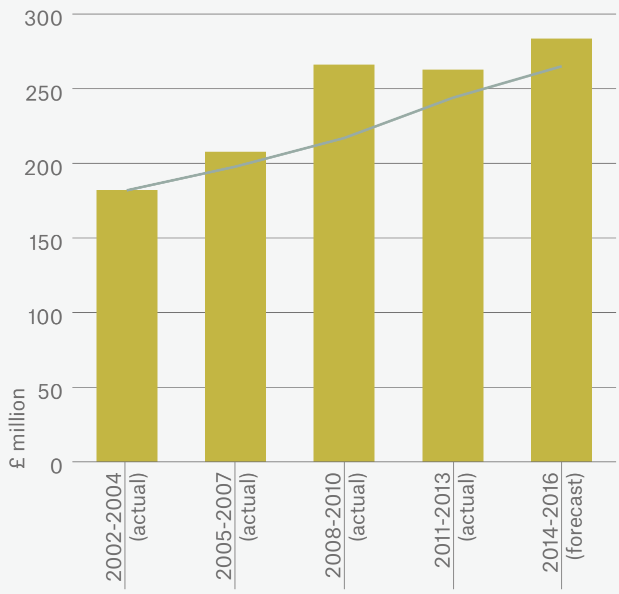
Total returns % per annum	1 year 2013	3 years 2011-2013	5 years 2009-2013	10 years 2004-2013	20 years 1994-2013
Commissioners' total assets	15.9	9.4	11.8	9.0	9.6
RPI +5%	7.7	8.5	8.5	8.3	7.9
WM All Funds Universe	11.0	7.6	10.1	7.8	7.1
Commissioners' main asset classes					
Global equities	21.9	9.9	13.4	8.6	7.4
UK equities	28.3	11.4	16.1	9.2	8.2
Private equity	13.4	9.5	7.8	15.3	n/a
Commercial property	16.9	9.3	10.2	7.9	10.7
Residential property	20.6	16.8	16.0	16.6	17.7
Rural let land	11.0	16.0	13.8	16.4	15.9
Strategic land	15.8	13.1	17.1	10.7	n/a
Indirect property	9.1	9.5	4.6	7.9	11.7
Value linked loans	16.5	9.3	12.3	3.1	8.7

Commissioners' asset allocation as at 31 December 2013



Breakdown	
1. UK equities	12.0%
2. Global equities	24.0%
3. Defensive equity	7.0%
4. Private equity	4.0%
5. Multi-asset	10.0%
6. Timber	2.0%
7. Credit strategies	3.0%
8. Commercial property	9.0%
9. Residential property	6.0%
10. Farmland	9.0%
11. Strategic land	2.0%
12. Indirect property	5.0%
13. Value linked loans	2.0%
14. Cash/liquidity reserve	5.0%

Non-pensions distributions in each three-year period compared with level increased by RPI

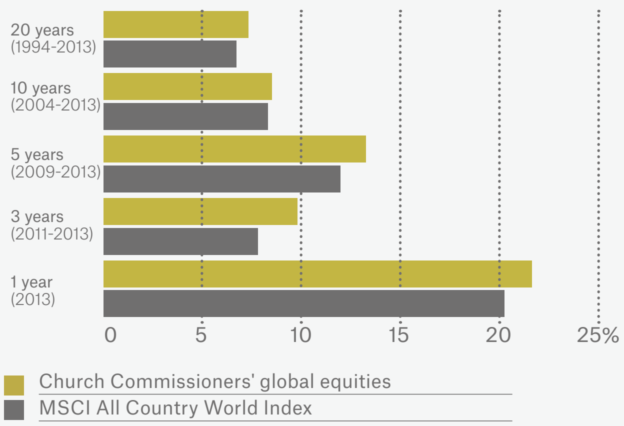


Actual/planned distributions
2002-2004 level increased by RPI

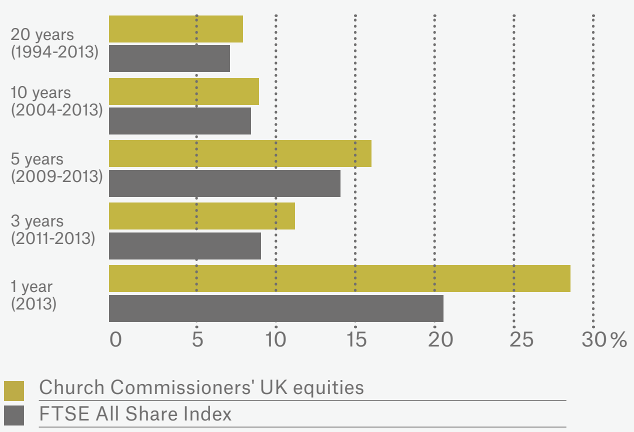
Asset classes

Equities
Multi-asset
Fixed income
Property
Timberland and forestry
Infrastructure

Global equities total return



UK equities total return



Equities

Public equities

UK & Global

In 2013, the Commissioners' equity portfolio outperformed its benchmark in a strongly rising market, returning 23.3% against 20.5% for the benchmark index. Performance was helped in particular by the UK equities portfolio, where an overweight exposure to smaller companies had a significant effect on relative performance. Our consolidated global equities portfolio also outperformed but by a lesser extent.

Defensive equity

The defensive equity portfolio comprises low volatility equity managers who are expected to generate good relative performance in down markets and to capture enough upside in periods of positive equity market performance to provide attractive returns over the long run. The portfolio is made up of a mixture of specialist long-only and long/short managers and represented around 6.6% of the portfolio at the year end. During the year the portfolio generated a return of 16.4%. We expect to appoint two further managers to the portfolio during the course of 2014.

Private equity

The private equity portfolio, which invests in unlisted companies, achieved a total return of 13.4% in 2013. We made further commitments totalling £54.0m to the portfolio during the year. Over the long term our private equity portfolio has significantly outperformed quoted equity markets and we plan to expand the allocation to the asset class significantly over the next few years.

Multi-asset

The multi-asset absolute return portfolio represents around 10% of the total portfolio. It is designed to generate attractive positive returns regardless of the external environment but will normally lag equities in periods of strong growth. These strategies generated a total return of 9.2% in 2013. We aim to improve the diversification of the portfolio by adding additional managers with complementary characteristics.

Fixed income

Liquid strategies

Our fixed interest portfolio, which includes investments in US high yield bonds and emerging market debt, returned 3.3% in 2013. After serving as an effective diversifier to equities in 2011 and 2012, fixed income underperformed equities due to an increase in interest rates which depressed prices of interest yielding securities. Going forward we aim to adjust the balance of the fixed income portfolio better to protect against a changing interest rate environment.

Private credit

Our private credit portfolio was started in 2012 to allocate capital to interesting opportunities which could further diversify and improve the return profile of the fixed income portfolio. Two allocations were made to private credit in 2012 and a further one in 2013, and these generated a combined cash on cash return of 21.5% in 2013. Going forward we aim to grow this allocation opportunistically.

Property

The property portfolio had another strong year in 2013, with each constituent part of the portfolio delivering a return ahead of target. As mentioned above we received three IPD industry awards based on the three year and ten year relative and absolute performance of our investment properties. This shows the benefits of taking a truly long-term approach and having a highly diversified portfolio.

Rural

Demand for well-located agricultural land saw average capital values appreciate by nearly 10%, with vacant bare land increases of over 14% across some parts of the Commissioners' holdings. We completed 83 rent reviews of agricultural holdings during the year, resulting in an annualised increase of 8%. The strongest increases came from land let on Farm Business Tenancies, particularly on those lettings that were offered in the open market. Another 79 residential and commercial rent reviews generated an average increase of nearly 15%. Capital receipts of around £9.5m were generated in the year.

We undertook a thorough review of each of our 45 farm estates during the year. This has provided us with a renewed strategic view of the whole of the rural portfolio, which accounts for nearly one third of our property holdings by value. In future years we will continue to work with our farmer tenants to maintain a high quality, coherent and sustainable portfolio of first class farms and agricultural property across the country.

13 October 2014 was the date set by the Government under the Land Registration Act 2002 to register manorial minerals ownerships. We have been working hard on this since 2004 and managed to successfully complete this exercise in good time to meet the deadline.

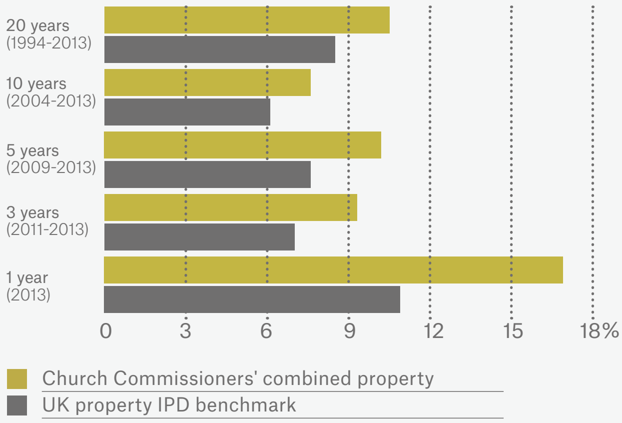
Strategic land

2013 marked a key milestone in the life and evolution of the Commissioners' Ashford Estate, and for long-serving Church House staff who have worked on its development over the last few decades. At over 1,500 acres and situated to the south of Ashford town centre, the Estate was acquired for its long-term residential development prospects in the late 1980s.

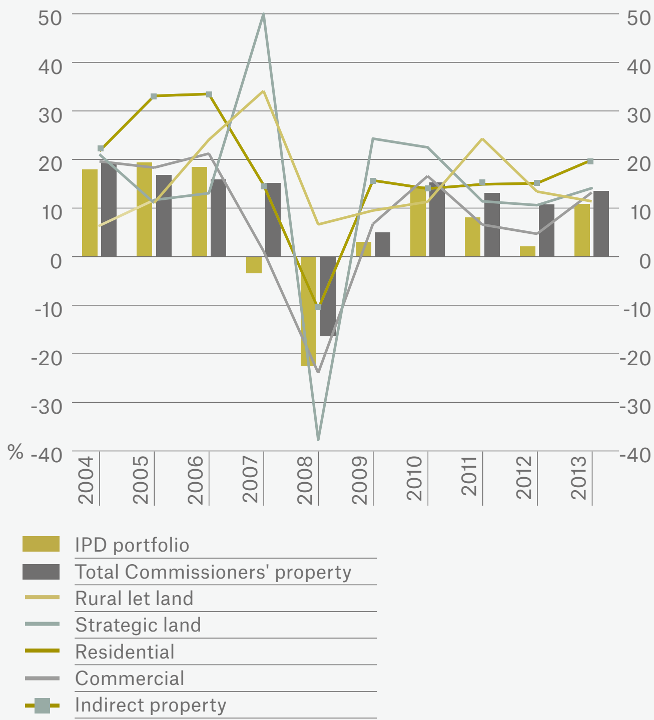
Since then the Estate has seen two major house price bubbles followed by crashes, and gone through a planning process that has required various bodies to agree on major public infrastructure. After 25 years of hard work, the Commissioners' development partner Crest Nicholson made a start on site. Crest is investing £7.5m in the construction of a 1km access road into the site, and building the first group of 1,100 new homes, a primary school, supermarket and church, alongside other sporting and community facilities.

With over 1,500 acres available for future phases of development, the Ashford Estate offers a significant supply of much needed new housing and associated facilities in the coming decades, and will generate valuable receipts to the Commissioners.

Church Commissioners' combined property returns



Investment property returns by individual class since 2004



Overview
Supporting the Church's ministry
Review of investment activity
Governance
Financial statements

Commercial
Key lettings at Reedswood Retail Park, Walsall, Goose Green Trading Estate, London SE22 and Imperial House, Kingsway, London WC2 helped maintain the portfolio's low vacancy rate, which was below 3% for the majority of the year and which compares favourably to the IPD benchmark of 9.4%. Significant asset management initiatives included refurbishing the common parts at Imperial House and completing a major rent review at London Lancaster Hotel, London W2. We also continue to invest in Connaught Village, supporting the retail and restaurant complex at the heart of our Hyde Park Estate, while improving its profile through marketing, a new website and events such as the Summer Festival.

We took advantage of strong demand for quality period properties in London to sell 4 Cowley Street, London SW1 for £11.75m. Previously used as offices, this property was sold with the benefit of a residential planning consent. We also agreed terms for the sale of the Equity Trade and IO Centres, Swindon for £11.65m which completed in January 2014.

Residential
We continued to refurbish and redevelop properties within our Hyde Park Estate including improvements to the common parts and external areas of the larger apartment blocks. New gates and olive planting were installed at Coniston Court on Kendal Street which has greatly improved the area.

Works included a house in Connaught Square and the connected mews at Frederick Close which was subsequently let at a very good rent. A comprehensive refurbishment was also completed of a 1st and 2nd floor maisonette in Stanhope Place.

We recognise that improving the public areas of the Estate benefits those who live and work there and also helps to generate sound long-term financial returns to the Commissioners. These works included the installation of cast iron bollards, and future schemes to reintroduce iron railings in various locations are planned.

Indirect
The indirect portfolio delivered strong performance in 2013, driven by good results in particular from our care home investments in the UK as well as our real estate investments in the US.

During the year, we increased our exposure to the UK care home market through a further investment that will help to meet the growing demand for retirement living in the underserved South East market.

We also completed a $75m investment with one of our US managers, Castlelake. This money has been used to purchase residential land plots in California, Illinois, Georgia and Texas. These will be brought forward to provide new family housing over the next few years and should complement our strategic land portfolio in the UK.

Timberland and forestry
Our timberland and forestry portfolio performed well overall and has delivered an annualised return of 9.5% over the last two years. Within the UK, we acquired over 1,000 acres in Perthshire of mainly bare land on which we have secured permission to establish a new mixed species woodland plantation.

We also established a second timber manager to focus on the US South East, where we believe attractive opportunities may be available during 2014, which should subsequently benefit from a pick-up in US housing starts.

The star performer in 2013 was our joint venture investment with Lone Rock in the Pacific North West. This consists of high quality Douglas Fir plantations in Oregon. Early in the year log prices rose much higher than expected, and the joint venture was able to respond quickly and sell more timber than planned, and at a higher price. As a result, we received nearly three times the cash distributions we were expecting.

Infrastructure
Infrastructure is a new asset class for the Commissioners. During the year we completed our first investment – a $50m commitment to a US energy manager targeting predominantly credit market investments. We intend to continue to review market opportunities over the coming few years, making investments in a measured way.

Ethical investment

Pooled funds

Debate about ethical investment was fuelled by reports in July 2013 about our investment exposure via a venture capital pooled fund to high interest rate lending company Wonga.

The Church Commissioners do not invest directly in high interest rate lending businesses. We also operate investment exclusions in our direct investments relating to tobacco, military supplies and services, non-military firearms, gambling, alcohol, pornography and human embryonic cloning. The great majority of our portfolio comprises direct investments.

There are some asset classes and investment strategies (including venture capital) in which we cannot invest directly in underlying assets. In these circumstances we use pooled funds and, as one investor among many, we are unable to insist upon adherence to our ethical investment policies. The suitability of each pooled fund is assessed against guidance from the EIAG. Venture capital is particularly difficult because when an investor allocates investment capital to a fund manager, the investor has no way of knowing which start-up businesses the fund manager will support – and nor does the fund manager.

While we would like to remove our small investment exposure to Wonga, we may not be able to do so for some considerable time because in a venture capital fund exposure to a single company cannot be sold, only the whole fund, usually at a significant discount.

We are reviewing our use of pooled funds. However, we cannot achieve – and do not seek to achieve – a "perfectly ethical" portfolio. Our approach is not to disengage from the world of investment and business in which we live; we engage with it. The investment and business environment is complex and imperfect; recognising our own imperfections, we seek to use our influence as investors to positive effect, as we describe below.

Ethical investment activities

In the past year, in partnership with the EIAG, the Commissioners:

- voted on 25,529 resolutions at 2,191 company meetings globally;
- advocated reform of executive remuneration, supporting only 30% of UK remuneration reports at company AGMs;
- held engagement meetings with 42 companies on environmental, social and governance issues;
- pressed for responsible alcohol marketing and retailing, achieving engagement successes with all three major UK-listed supermarkets – Tesco, Sainsbury's and Morrisons – which issued new alcohol policy statements in 2013 acknowledging the harm that alcohol misuse cause.

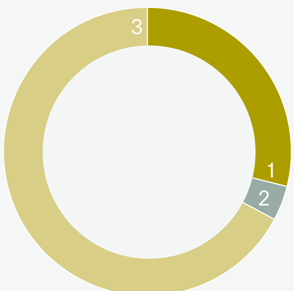
ri AWARDS 2013
NOMINATED
BEST RI REPORT
MEDIUM & SMALL PENSION FUND

In 2014, the EIAG will continue its major review of its policy recommendations on climate change. The Commissioners will continue to work closely with RBS and Williams & Glyn's staff on the creation of a new challenger bank operating to good bank principles.

Further information about the work of the EIAG is contained in its annual report. The EIAG's reporting year runs from 1 April to 31 March and its annual report is published in July. See: **www.churchofengland.org/about-us/structure/eiag**

The responsible investment work of the Church Commissioners, Church of England Pensions Board and EIAG was recognised in 2013 when the Church of England was nominated for Best Responsible Investment Report for a medium and small pension fund by Responsible Investor.

UK voting – remuneration reports



Breakdown	
1. For	29%
2. Abstain	4%
3. Against	67%

Managing financial risk

Power to spend capital on clergy pensions

The Pensions Measure 1997 gives us a time limited power to spend capital on our clergy pension obligations (described in more detail in note 5 to the financial statements). In 2009 Parliament agreed to extend this power until 2018. The draft legislation seeking to extend this for a further seven years began its passage through the General Synod in February 2014.

Reserves policy

Under the terms of a Total Return Order from the Charity Commission, we account and report income and capital returns and charitable expenditure on a total return basis. The Order requires the trustees to assess the level of "unapplied total return" – the extent to which the fund's value exceeds the base value of the fund (calculated by increasing the value of the fund in 1948 in line with inflation and deducting pensions paid out under the Pensions Measure 1997). Having considered the level of unapplied total return available under the total return approach (which is set out in more detail in note 14 to the financial statements), the trustees have decided that a general reserve is not needed.

Distribution policy

The level of unapplied total return that is made available for spending each year has regard to advice from our actuaries Hymans Robertson. Every three years they carry out a detailed assessment of how much of our fund should be held to meet our pension obligations and how much we can afford to spend for other purposes bearing in mind the need to balance "inter-generational equity" in aiming to maintain the spending power of distributions over the long term. In years between full reviews, the actuaries assess whether existing plans remain affordable. Following their most recent full review of the fund as at the end of 2012, we informed beneficiaries of our plan to make non-pensions distributions of £94.6m per annum throughout the 2014-2016 triennium.

We manage the risk to our long-term objective of growing non-pension distributions in line with forecast average earnings, by using a mechanism to smooth the impact of both strong and poor returns. At their annual review of the fund at 31 December 2013, our actuaries concluded that an estimated 31.4% (end 2012: 35.3%) of our fund was expected to be needed for pensions. Having considered this review, we concluded that planned distributions for 2014 remained affordable and there was no reason to alter our plans for the 2014-2016 triennium. The actuaries' report is summarised towards the end of the financial statements.

Tax policy

Despite the framework of exemptions and reliefs that charitable status affords us, we do not operate in a purely tax free environment, particularly in relation to our overseas and indirect investments. We seek to structure our investments to ensure, as far as possible, that our tax exposure reflects our status as a UK-based charity.

Governance

Winchester Cathedral's Symphony of Flowers combined as a visitor attraction and focus for worship. (Commissioners' funding for cathedrals page 14)

OBJECTIVES

01. to ensure the cost-effective administration of the Commissioners' responsibilities
02. to identify and manage organisational risk
03. to be transparent and accountable in an organisational activity and internal governance
04. to ensure that trustees are properly resourced for their role
05. to apply ethical investment policy guidelines to all classes of investment

Structure
There are 33 Church Commissioners. Six hold offices of state; the other 27 make up the Board of Governors, the Commissioners' main policy making body. Of these, 13 are elected by Houses of the General Synod or the cathedral deans; other members are appointed for other specific expertise. Supplemented by non-Commissioners, members of the Board are also organised into five committees. So far as the limits on eligibility allow, the trustee selection process includes open advertisement.

The Board and committees are served by executive staff teams who research and develop policy recommendations for decision by the responsible trustee-level body.

The Secretary (Chief Executive) to the Church Commissioners and Board of Governors is Andrew Brown FRICS.

Trustees
The end of 2013 saw General Synod elections as a result of which we said farewell to four Commissioners. The Bishop of Chester Peter Forster, the Revd Canon David Stanton and Gavin Oldham were not re-elected and the Bishop of Birmingham David Urquhart did not seek re-election. We extend our gratitude for their great expertise and considerable commitment, over many years, to the work of the Board and various committees. We were delighted to welcome in their places the Bishops of Manchester and Chichester, David Walker and Martin Warner, the Revd Amanda Fairclough and Sally Muggeridge, all of whose skills and experience will be valuable to us and the wider Church.

During 2013 Canon John Spence necessarily ceased to be a Commissioner on his appointment as Chair of the Archbishops' Council's Finance Committee, and Emma Osborne and Brian Carroll both reached the end of their maximum terms. We thank all three for their outstanding contributions to the Commissioners' work and we are delighted that the Queen nominated Ian Watmore (above right) to succeed John Spence while the Archbishops nominated two more excellent candidates, Poppy Allonby and Graham Oldroyd, who formally took up their roles in April 2014, to succeed Emma and Brian.

We also said farewell to four non-Commissioner members of our Committees: the former Bishop of Grimsby David Rossdale, the Revd Canon Jeremy Haselock (both members of the Bishoprics & Cathedrals Committee), Stephanie Ridge (Pastoral Committee) and Charles Wilson (Department for Culture, Media and Sport nominee on the Church Buildings (Uses & Disposals) Committee). The Bishop of Warrington Richard Blackburn, Canon Betty Renshaw and Margaret Davies are continuing the good work of Bishop David, Jeremy and Charles and we look forward to welcoming Stephanie's successor in due course.

Former Permanent Secretary appointed Commissioner

Newly appointed Church Commissioner Ian Watmore was a management consultant and former Permanent Secretary in the Prime Minister's Delivery Unit. He supports his wife, the Revd Georgina Watmore, in her curacy of two parishes in Chester Diocese and has a portfolio of non-executive roles.

Risk management
The Church Commissioners' risk management process allows the identification, assessment and management of significant risks which may impact on the achievement of their objectives. The process is supported by a risk management policy which outlines the roles and responsibilities of Commissioners, management and staff and follows Charity Commission guidance.

1. The Board reviews the risk register and risk management arrangements 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. Risks related to investment operations are also subject to regular review by the Assets Committee.
2. Individual departments and identified risk owners are responsible for the identification, assessment and review of risks which fall in their area of responsibility and for ensuring that current mitigations and any additional actions to manage risks are undertaken.
3. Risks are prioritised using an agreed scoring matrix and are assessed at an inherent and residual level. Where residual risks are above tolerable levels, additional actions are identified and implemented by management. Progress on implementation and subsequent revision of the residual risk score are monitored by senior management, the Audit & Risk Committee, Assets Committee and ultimately the Board of Governors. The risk management process is facilitated and monitored by the Audit & Risk function.
4. Major risks, which are subject to monitoring and review, reflect issues around operational, financial, reputational, legal and regulatory risks.

5. The following areas contain inherent risks, which are subject to management actions:
   - business continuity issues, including IT stability;
   - ensuring that investment returns are appropriate to allow the distribution of funds;
   - ongoing project risks around the implementation of new IT systems;
   - the adequacy and effectiveness of administrative and financial support provided to bishops and dioceses.
6. These risks are subject to a range of management actions and processes, to reduce both the impact and likelihood of occurrence. These include the following: specific processes and systems; experienced and capable staff; the use of experienced third party partners; and regular and accurate management information. The adequacy of controls and actions is subject to review and evaluation by both trustees and management.

Second Church Estates Commissioner, the Rt Hon Sir Tony Baldry

Accountability

Sir Tony Baldry has answered a wide range of questions in the House of Commons on behalf of the Commissioners. The Second Church Estates Commissioner provides an important link between government and the established church and maintains the statutory accountability of the Church Commissioners to Parliament.

The most frequently asked questions in 2013 were about bishops' homes, banking and credit unions, the support the Church of England was giving Christian churches overseas, and women bishops. Sir Tony was also asked about how the Church would commemorate the centenary of World War 1, pastoral care for clergy in multiparish benefices, the rural church, and theft from churches, particularly metal theft.

Sir Tony worked closely with the Government and other members of Parliament to pass the Scrap Metal Dealers Bill which has now passed into law. This Bill was designed to prevent scrap metal traders dealing in cash transactions, the result of which is the Church has seen a dramatic reduction in the theft of metal from its churches.

The number of questions to the Church Commissioners from members of Parliament remains high and indicates the continued level of interest that members of the House of Commons have in Church affairs. The Commissioners held another successful informal meeting with the members of the House of Lords and held a number of events in the House of Commons to highlight the work of different parts of the Church.

Full details of all questions answered by Sir Tony in the last year are available on the Church in Parliament section of the Church of England website: www.churchofengland.org/our-views/the-church-in-parliament/second-church-estates-commissioner/church-question-time.aspx

National administration

Clergy payroll

The Commissioners administer the national clergy payroll and are responsible for ensuring accurate and timely stipend payments to 8,000 serving clergy. Following the implementation of a new payroll system in 2012, improved and comprehensive monthly reporting is provided to dioceses and in August 2013 an online self-service portal for clergy was introduced enabling clergy to access pay documents, bank details and personal details.

Staff

The average number of staff in post during 2013 was 162 with turnover running at 9.9% (natural wastage and turnover at 8%). Average turnover in London firms is 20%. Some 16.15% of the workforce class themselves as from a black or minority ethnic (BME) background and 20% of staff in the senior salary bands are women. The National Church Institutions (NCIs) target for BME staff and women in senior posts is 14% and 40% respectively, by 2015. Work is being undertaken to track BME applicants' progress through the recruitment cycle. Nevertheless there has been steady if somewhat slow progress over the last few years. The number of women in senior posts has increased since last year.

A range of learning and development opportunities were offered last year and Church Commissioners' staff attended a selection of these, e.g. Difficult Conversations for Managers, Diversity Awareness, Fair Selection, Management Fundamentals, Presentation Skills, Project Management and Manual Handling. All new staff attended the corporate induction programme.

An employee survey was carried out in 2013, and overall the results were good with a response rate of 77%. Out of approximately 162 Church Commissioners' staff, 129 replied. There was a distinct improvement in confidence in senior management and the understanding of the direction the organisation is taking, how people from minority backgrounds feel they are treated and how staff view the Commissioners as an employer. Further work is needed though on communications between departments and staff and on how the performance development review system is used.

ATTENDANCE RECORD FOR THE BOARD OF GOVERNORS AND COMMITTEE MEETINGS HELD IN 2013

Board/Committee	**Board**	**Assets**	**Audit & Risk**	**Bishoprics & Cathedrals**	**Pastoral**	**Church Buildings (Uses & Disposals)**
Governors/Cttee members	4 meetings	7 meetings	3 meetings	5 meetings	9 meetings	8 meetings
Archbishop of Canterbury	The Archbishop of Canterbury chairs the Annual General Meeting. By arrangement he does not attend meetings of the Board of Governors, whose acting chair is elected annually by the Board.					
Most Revd and Rt Hon Justin Welby, Archbishop of Canterbury	–	–	–	–	–	–
Most Revd and Rt Hon Dr John Sentamu, Archbishop of York	1	–	–	–	–	–
Andreas Whittam Smith CBE, First Estates Commissioner	4	7	–	–	–	–
Sir Tony Baldry MP, Second Estates Commissioner	3	6	–	–	–	–
Andrew Mackie, Third Estates Commissioner	4	–	–	5	5	7
Rt Revd Michael Hill, Bishop of Bristol	4	6	–	–	–	–
Rt Revd David Urquhart, Bishop of Birmingham	3	–	–	3	–	–
Rt Revd & Rt Hon Dr Richard Chartres, Bishop of London	4	–	–	–	–	–
Rt Revd Peter Forster, Bishop of Chester	4	–	–	–	6	–
Rt Revd Richard Blackburn, Bishop of Warrington	–	–	–	1	–	–
Rt Revd Christopher Foster, Bishop of Portsmouth	–	–	–	–	5	–
Ven. Penny Driver, Archdeacon of Westmorland and Furness	–	–	–	–	3	–
Very Revd Jonathan Greener, Dean of Wakefield	4	–	–	4	7	–
Very Revd John Clarke, Dean of Wells	4	–	–	5	–	–
Revd Canon Bob Baker	3	–	–	–	8	7
Revd Canon David Stanton	4	6	–	–	–	–
Revd Canon Jeremy Haselock	–	–	–	4	–	–
Revd Mary Bide	–	–	–	5	–	–
Revd Stephen Evans	–	–	–	–	8	–
Revd Simon Talbot	–	–	–	–	–	6
Revd Stephen Trott	4	–	–	–	–	4
Canon Peter Bruinvels	4	–	–	–	8	–
Canon Peter Cavanagh	–	–	–	–	–	6
Canon John Spence OBE	2 of 2	–	–	–	–	–
Canon Betty Renshaw	–	–	–	3 of 4	–	–
Ian Ailles	–	1	2	–	–	–
April Alexander	4	1	3	–	–	5
Rosemary Butler	–	–	–	4	–	–
Brian Carroll	4	7	–	–	–	4
Jeremy Clack	3	4	3	–	–	–
Stephen East	–	1	3	–	–	–
Julia Flack	–	–	–	–	9	–
Harry Hart	3	6	–	–	–	–
George Lynn	–	1	3		–	–
Gavin Oldham	4	7	–	–	–	–
Emma Osborne	4	7	–	–	–	–
Simon Picken QC	2 of 2	–	–	–	4 of 4	–
Hywel Rees-Jones	3	1	3	–	–	–
John Steel	–	–	–	–	–	8
Stephanie Ridge	–	–	–	–	8	–
Charles Wilson	–	–	–	–	–	6
Mark Woolley	2 of 2	4 of 4	–	–	–	–
John Wythe	3	5	–	–	–	–
Jacob Vince	4	–	–	5	–	–

Committed to making a transparent governance

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

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

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

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

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

In May choristers appeared on the roof of Southwell Minster singing with the girls' choir, led by Paul Hale, Rector Chori and Dean John Guille, to mark Ascension Day.

Financial statements

2013 youth event at Durham Cathedral to celebrate the Lindisfarne Gospels. (Picture Keith Blundy)

INDEPENDENT AUDITOR'S REPORT TO THE CHURCH COMMISSIONERS

We have audited the financial statements of the Church Commissioners for England ("the Commissioners") for the year ended 31 December 2013 which comprise the consolidated statement of financial activities, the consolidated balance sheet, the balance sheet of the Commissioners, the consolidated cash flow statement and the related notes numbered 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The accounting policy in respect of the clergy pension obligation, and the reasons why the Commissioners do not make provision for this obligation, are explained in note 1(a).

This report is made solely to the Commissioners in accordance with the Church Commissioners Measure 1947 (as amended) and section 144 of the Charities Act 2011 and the regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the Commissioners as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and auditor
As explained more fully in the Statement of Responsibilities of the Church Commissioners, the trustees are responsible for the preparation of the financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
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. 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.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 December 2013, and of the group's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011 and the Church Commissioners Measure 1947 (as amended).

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

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

Deloitte LLP, Chartered Accountants and Statutory Auditor
London, United Kingdom
24 April 2014

Deloitte LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006 and consequently to act as the auditor of a registered charity.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 General fund £m	2013 Endowment £m	2013 Total £m	2012 £m
Incoming resources					
Investment income	2	–	139.3	**139.3**	146.2
Other income		0.4	–	**0.4**	2.1
Total incoming resources		**0.4**	**139.3**	**139.7**	**148.3**
Resources expended					
Cost of generating funds	3	–	(42.6)	**(42.6)**	(38.7)
Net incoming resources available for charitable application		**0.4**	**96.7**	**97.1**	**109.6**
Charitable activities	4, 5	(86.3)	(121.5)	**(207.8)**	(207.3)
Governance costs and other resources expended	6	(2.3)	–	**(2.3)**	(2.5)
Staff pension scheme – interest on provision	9	(4.8)		**(4.8)**	(5.0)
Total resources expended		**(93.4)**	**(164.1)**	**(257.5)**	**(253.5)**
Net outgoing resources before transfers		**(93.0)**	**(24.8)**	**(117.8)**	**(105.2)**
Transfers					
Application of total return	14	93.0	(93.0)	**–**	–
Net outgoing resources before other recognised gains and losses		**–**	**(117.8)**	**(117.8)**	**(105.2)**
Other recognised gains and losses					
Gains/(Losses) on non investment fixed assets	10	–	10.2	**10.2**	(0.9)
Gains on investment assets	11	–	736.6	**736.6**	382.3
Losses on foreign currency		–	(4.8)	**(4.8)**	(2.0)
Losses on defined benefit pension schemes (staff)	9	–	(1.6)	**(1.6)**	(7.8)
Transfers out of Church of England Pensions Scheme		–	(0.4)	**(0.4)**	(0.9)
Total other recognised gains and losses		**–**	**740.0**	**740.0**	**370.7**
Net movement in funds for the year		**–**	**622.2**	**622.2**	**265.5**
Total funds brought forward		–	5,503.1	**5,503.1**	5,237.6
Total funds carried forward		**–**	**6,125.3**	**6,125.3**	**5,503.1**

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

BALANCE SHEET
AS AT 31 DECEMBER 2013

	Notes	Consolidated 2013 £m	Consolidated 2012 £m	Commissioners 2013 £m	Commissioners 2012 £m
Fixed assets					
Non investment fixed assets	10	**105.7**	93.7	**105.7**	93.7
Investment assets	11	**5,771.1**	5,184.1	**5,540.5**	5,015.6
Total fixed assets		**5,876.8**	**5,277.8**	**5,646.2**	**5,109.3**
Current assets					
Debtors	12	**46.6**	60.7	**316.2**	256.8
Short term deposits		**75.7**	149.7	**75.7**	149.7
Cash at bank and in hand		**276.4**	167.1	**275.4**	166.1
Total current assets		**398.7**	**377.5**	**667.3**	**572.6**
Liabilities					
Creditors: amounts falling due within one year	13	**(37.4)**	(40.4)	**(75.4)**	(67.0)
Net current assets		**361.3**	**337.1**	**591.9**	**505.6**
Net assets excluding staff pension liability		**6,238.1**	**5,614.9**	**6,238.1**	**5,614.9**
Pension liability (staff)	9	**(112.8)**	(111.8)	**(112.8)**	(111.8)
Net assets including staff pension liability		**6,125.3**	**5,503.1**	**6,125.3**	**5,503.1**
Funds of the charity					
Endowment		**6,238.1**	5,614.9	**6,238.1**	5,614.9
Pension liability (staff)	9	**(112.8)**	(111.8)	**(112.8)**	(111.8)
Net endowment	14	**6,125.3**	**5,503.1**	**6,125.3**	**5,503.1**
General fund	14	**–**	–	**–**	–
Total funds carried forward		**6,125.3**	**5,503.1**	**6,125.3**	**5,503.1**

By order of the Board

Andreas Whittam Smith
First Church Estates Commissioner
24 April 2014

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

Reconciliation of net outgoing resources before other gains and losses to net cash inflow from operating activities

	Notes	2013 £m	2012 £m
Net resources expended before other gains and losses		**(117.8)**	(105.2)
Depreciation of non investment fixed assets	10	**0.7**	0.5
Movement in debtors	12	**14.1**	(9.3)
Movement in creditors	13	**(3.0)**	4.3
Cost of generating funds paid from endowment capital	3	**42.6**	38.7
Charitable expenditure paid from endowment capital	5	**121.5**	120.3
Staff pensions and lump sums paid	9	**(5.4)**	(5.3)
Staff pensions – interest charge on provision	9	**4.8**	5.0
Net cash inflow from operating activities		**57.5**	**49.0**

CASH FLOW STATEMENT

	Notes	2013 £m	2012 £m
Net cash inflow from operating activities		**57.5**	49.0
Capital expenditure and financial investment			
Non investment fixed assets: additions	10	**(2.5)**	(5.6)
Non investment fixed assets: sale proceeds	10	**–**	10.6
Investment assets: additions	11	**(1,323.6)**	(945.7)
Investment assets: sale proceeds	11	**1,473.2**	1,118.8
Net cash inflow relating to capital expenditure and financial investment		**147.1**	**178.1**
Cash inflow before management of liquid resources and financing		**204.6**	**227.1**
Management of liquid resources			
Net change in short term deposits		**74.0**	(69.7)
Financing			
Cost of generating funds paid from endowment capital	3	**(42.6)**	(38.7)
Transfers out of Church of England Pensions Scheme	5	**(0.4)**	(0.9)
Charitable expenditure paid from endowment capital	4, 5	**(121.5)**	(120.3)
Net cash out flow from financing		**(164.5)**	**(159.9)**
Increase/(Decrease) in cash		**114.1**	**(2.5)**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013 CONTINUED

Reconciliation of net cash flow to movement in cash and short term deposits

	2013 £m	2012 £m
Increase/(Decrease) in cash in the year	114.1	(2.5)
Loss on foreign currency	(4.8)	(2.0)
Cash movement from change in short term deposits	(74.0)	69.7
Increase in net funds in the year	35.3	65.2
Net cash and short term deposits at 1 January	316.8	251.6
Net cash and short term deposits at 31 December	**352.1**	**316.8**

Analysis of movements in cash and short term deposits

	Cash at bank and in hand				
	Sterling £m	Foreign currency £m	Total £m	Short term deposits £m	Total cash and short term deposits £m
At 1 January 2013	92.3	74.8	167.1	149.7	316.8
Movement in cash	48.8	65.3	114.1	(74.0)	40.1
Foreign currency loss	–	(4.8)	(4.8)	–	(4.8)
At 31 December 2013	**141.1**	**135.3**	**276.4**	**75.7**	**352.1**

Cash at bank funds held in interest bearing accounts repayable on demand.

1. ACCOUNTING POLICIES

(a) Principal accounting policies

The Church Commissioners for England are a statutory body established by the Church Commissioners Measure 1947 (as amended) and have been regulated by the Charity Commission since registration on 27 January 2011.

The Pensions Measure 1997 (as amended) gives the Commissioners power to spend endowment on certain pension obligations. Consistent with the Commissioners' status and their powers under the Pensions Measure 1997, there is no provision in the balance sheets for the obligation to pay clergy pensions that falls due after the balance sheet date. Information on this obligation is provided in note 5.

The Commissioners adopt a total return approach to investments. Note 14 explains how the unapplied total return and the use thereof is calculated.

The financial statements are prepared in accordance with the Charities Statement of Recommended Practice (SORP). They are also prepared in accordance with the historical cost convention modified by the revaluation of investments and properties on a basis materially consistent with the preceding year. They comply with all applicable United Kingdom law and accounting standards.

After considering the Commissioners' role in funding the Church's ministry, described on pages 10-17 of the annual report, spending strategy, application of total return, and the legislation to allow endowment to be spent for specific pensions purposes, the trustees have reasonable expectation that the Commissioners have adequate resources and cash flows to meet their spending commitments for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

(b) Basis of consolidation and subsidiary undertakings

The consolidated statement of financial activities (SOFA) and balance sheet include the financial statements of the Commissioners and all their subsidiary undertakings made up to 31 December each year. Intra-group transactions are eliminated on consolidation.

The Commissioners apply the exemption in FRS 9: Associates and Joint Ventures (paragraph 49) to their joint ventures held for investment purposes. More detail is shown in note 11(g).

The Commissioners do not present their non-consolidated statements of financial activities in these financial statements.

(c) Incoming resources

Securities portfolio

Income is recognised on the accruals basis. Dividends and interest, including any recoverable tax, are credited to income on the ex dividend date of the underlying holdings.

Other investment income

Income from investment properties, shared and partnership property interests, value linked loans, timberland and infrastructure funds is recognised on the accruals basis. The cost of concessions given to tenants as an incentive to sign a lease is spread on a straight line basis over the shorter of the period to the first break clause or the period to the first rent review.

Loans

Interest on loans is recognised on the accruals basis.

Legacies

Legacies are recognised when the conditions for entitlement, certainty of receipt and measurability have been met.

(d) Resources expended

Charitable expenditure on behalf of the Church is described in note 4. Grants payable in respect of particular periods (being the grants for parish mission and ministry support, bishops' office and working costs and grants to cathedrals shown in note 4) are recognised when a firm commitment to pay the grant is made.

Cars for the use of bishops are normally obtained under four year leases, the full cost of which is paid at commencement. The cost of such leases is spread on a straight line basis over the period of the lease. The balance of the lease payments not yet charged to expenditure is included in prepayments (note 12).

Support costs are apportioned directly to the activity which they relate. Overheads are apportioned according to an activity based time split.

1. ACCOUNTING POLICIES CONTINUED

(e) Pensions

Staff

As described in note 9, pension benefits arising from service up to 31 December 1999 are accounted for in accordance with FRS 17: Retirement Benefits. The Commissioners' liability is provided for in the balance sheet and movements during the year charged to the SOFA. The liability is calculated on an annual basis by an independent qualified actuary. There are no separately held assets. The interest charge on the provision is charged to resources expended in the general fund. The actuarial gains or losses are charged to the other gains and losses in endowment. Benefits paid out are charged to the provision.

Pension benefits arising from service after 31 December 1999 for staff in service as at 30 June 2006 are provided for by a defined benefit scheme administered by the Church of England Pensions Board (note 9). The scheme is considered to be a multi-employer scheme as described in FRS 17 paragraph 9(b) and consequently the amounts charged in the SOFA represent the contributions payable in the year. The Commissioners are unable to identify their share of the underlying assets and liabilities.

A defined contribution scheme, administered by the Church of England Pensions Board, provides pension benefits for those staff commencing service after 30 June 2006. The contributions payable in the year are charged to the SOFA.

Clergy

As described in note 5, the Commissioners are obliged to pay clergy pensions as they fall due in respect of service up to 31 December 1997. Pensions payable in the year are charged to the SOFA and as permitted by the Pensions Measure 1997, as amended, are charged to endowment.

Pension benefits arising from service after 31 December 1997 are mainly provided by a defined benefit scheme administered by the Church of England Pensions Board, the Church of England Funded Pensions Scheme. This scheme is considered to be a multi-employer scheme and consequently the amounts charged in the SOFA represent the contributions payable in the year in respect of those clergy whose stipends they are responsible. The Commissioners are unable to identify their share of the underlying assets and liabilities.

Where pensions are provided by a defined contribution scheme, the contributions payable in the year are charged to the SOFA.

(f) Fixed assets

Non investment fixed assets

Capitalisation of expenditure

Costs incurred on acquiring, improving or adding to assets are capitalised. Other expenditure is charged to the SOFA in the year in which it is incurred.

Unless its market value is material, expenditure on household and office furniture, fixtures and fittings and office equipment, with the exception of historic items within the contents of see houses, is charged in the SOFA in the year in which it is incurred.

Depreciation

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

Fixed asset	*Estimated useful life*
Administrative office	50 years
Leasehold office improvements	10 years
IT systems	5 years

Investment assets

In accordance with Statement of Standard Accounting Practice 19, no depreciation is charged on investment properties as the effect of depreciation is reflected in the annual valuations and cannot be quantified separately.

Revaluation and realisation

Investment assets are valued as follows:

Listed investments: valued at market values using bid price in accordance with the practice of the appropriate stock exchange.

Unlisted investments: valued by reference to latest dealing prices, valuations from reliable sources or net asset values.

1. ACCOUNTING POLICIES CONTINUED

(f) Fixed assets continued

Investment properties: annually valued individually at market value in accordance with the Appraisal & Valuation Manual issued by the Royal Institution of Chartered Surveyors (RICS).

Shared and partnership property interests and subsidiary undertakings: annually valued at the Commissioners' share of the underlying net assets. Underlying assets are valued on the same bases as those held directly, that is in line with International Valuation Standards (IVS), on a rolling three year programme or more frequently.

Value linked loans: annually valued at portfolio level taking into account indexed values of the properties, estimated future house prices growth and income flows and the anticipated dates of repayment.

Timberland: timberland is valued externally at least every three years at market value in line with IVS, which is calculated on the timber maturity profile, the species, the geographic location and other environmental considerations. In intermediate years timberland is valued by in-house professionals at cost adjusted for logging during the year. Changes in value in the year, whether or not realised, are reported in the gains and losses on investments in the SOFA. At point of felling, the carrying value of forestry assets is valued at market value less the costs to deliver. Partnership timberland interests are annually valued at the Commissioners' share of the underlying net assets.

Infrastructure: annually valued at the Commissioners' share of the underlying net assets.

Non investment assets are valued as follows:
Lambeth Palace: Lambeth Palace is valued at £1 as the Charities SORP, paragraph 293, recognises that certain unique buildings that are integral to the activities of the charity may present difficulties in ascertaining a current cost of construction of an asset that has both the same service potential and replicates the uniqueness of the original. In such cases, the Charities SORP recognises that conventional valuation techniques may not be applicable to previously non-capitalised assets.

See houses: stated at their market value as at 31 December 2013. A full market valuation is carried out every five years in accordance with the Appraisal & Valuation Manual issued by RICS. In intermediate years between full valuations, values are increased in line with the relevant regional nationwide House Price Index. No depreciation is charged as an alternative basis of valuation has been adopted.

Contents of Lambeth Palace and see houses: A full valuation of the historic contents such as works of art and furniture is carried out every ten years. The last full revaluation was at 31 December 2007.

Gains or losses on the disposal and revaluation of investment assets, including the gains or losses on any related foreign currency transactions, are shown in other gains and losses in endowment capital in the SOFA.

(g) Stock lending programme

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

Interest is received on the collateral assets held and is disclosed in note 2.

Where securities are loaned at the balance sheet date, the securities loaned are included in the balance sheet as the Commissioners retain the risks and rewards of ownership of the securities and also retain the contractual rights to any cash flows relating to the securities. The value of the securities on loan at the balance sheet date is disclosed in note 11(a).

(h) Derivatives

The Commissioners use forward foreign currency and option contracts as part of their investment portfolio risk management, to reduce the impact of changes in foreign currency exchange rates in relation to their investment in overseas securities and shared and partnership property interests. In accordance with their investment policy, forward foreign currency and option contracts are not entered into for investment gain or trading purposes and no other derivatives are used.

Contracts relating to hedged assets outstanding at the balance sheet date are translated at the forward contract rate. Option contracts are valued using a pricing model where inputs are based on market data at the balance sheet date. Realised and unrealised gains and losses arising from these contracts are charged to endowment capital in the SOFA. Contracts relating to future commitments are not included on the balance sheet.

1. ACCOUNTING POLICIES CONTINUED

(i) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate.

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

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

(j) Taxation

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

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

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

(k) Related parties

The Church of England is governed by a large number of legally independent bodies in its parishes, cathedrals and dioceses as well as at national level. These bodies are not related parties as defined in the Charities SORP or FRS 8. 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.

2. INVESTMENT INCOME

	2013 £m	2012 £m
Securities portfolio		
Listed UK equities	**29.1**	25.3
Listed overseas equities	**25.6**	25.6
UK fixed interest securities	**4.8**	15.5
Overseas fixed interest securities	**8.8**	12.4
Interest on investment managers' cash	**0.3**	0.4
Stock lending income	**0.3**	0.5
Total income from securities portfolio	**68.9**	**79.7**
Investment properties		
UK directly held properties	**44.9**	41.6
Total income from investment properties	**44.9**	**41.6**
Shared and partnership property interests		
Shared interests	**5.7**	5.5
UK partnership interests	**4.9**	6.1
Overseas shared and partnership property interests	**0.8**	1.4
Quoted overseas property funds	**0.9**	1.1
Total income from shared and partnership property interests	**12.3**	**14.1**
Value linked loans		
Value linked loans	**5.4**	5.6
Total income from value linked loans	**5.4**	**5.6**
Timberland		
UK forestry	**4.1**	4.0
Overseas timberland	**3.7**	1.2
Total income from timberland	**7.8**	**5.2**
Total investment income	**139.3**	**146.2**

3. COST OF GENERATING FUNDS

	2013 £m	2012 £m
External management costs	**24.0**	21.0
Support costs	**5.9**	5.6
Other operating costs	**12.7**	12.1
Total cost of generating income	**42.6**	**38.7**

4. CHARITABLE ACTIVITIES

	2013				2012
	Activities undertaken £m	Grant funding £m	Support costs £m	Total £m	Total £m
Clergy pensions paid from endowment	121.5	–	–	**121.5**	**120.3**
Parish mission and ministry support					
Selective grants to low income dioceses	–	34.4	–	**34.4**	33.1
Mission funding	–	5.9	–	**5.9**	5.7
Development funding	–	–	–	**–**	2.9
Other grants	–	–	–	**–**	0.1
Payments direct to parish clergy	0.5		–	**0.5**	0.2
Church Growth Research Programme	–	0.1	–	**0.1**	0.2
Total parish mission and ministry support	**0.5**	**40.4**	**–**	**40.9**	**42.2**
Bishops' ministry in the dioceses					
Stipends	5.1	–	–	**5.1**	5.3
Housing and office premises	2.3	–	0.6	**2.9**	4.0
Office and working costs	–	15.3	0.5	**15.8**	15.3
Total bishops' ministry in the dioceses	**7.4**	**15.3**	**1.1**	**23.8**	**24.6**
Archbishops including Lambeth Palace					
Stipends	0.2	–	–	**0.2**	0.2
Housing and office premises	1.2	–	–	**1.2**	0.7
Office and working costs	–	5.1	–	**5.1**	4.7
Lambeth Palace Library	0.9	–	–	**0.9**	0.8
Total archbishops including Lambeth Palace	**2.3**	**5.1**	**–**	**7.4**	**6.4**
Cathedrals' ministry					
Sections 21 and 22 grants towards stipends and other purposes	–	5.6	–	**5.6**	5.4
Grants towards staff and other costs	–	3.5	–	**3.5**	3.3
Total cathedrals' ministry	**–**	**9.1**	**–**	**9.1**	**8.7**
Church buildings					
Grant to Churches Conservation Trust – statutory grant	–	1.6	–	**1.6**	1.5
Grant to Churches Conservation Trust – funded from proceeds of closed churches	–	(0.7)	–	**(0.7)**	(0.5)
Net grant to Churches Conservation Trust	**–**	**0.9**	**–**	**0.9**	**1.0**
Chancel repair liability	0.7	–	–	**0.7**	0.5
Support costs for Church buildings and pastoral reorganisation	–	–	2.2	**2.2**	2.2
Total Church buildings	**0.7**	**0.9**	**2.2**	**3.8**	**3.7**
Other charitable expenditure (*including national clergy payroll costs*)	0.1	–	1.2	**1.3**	1.4
Total charitable expenditure	**132.5**	**70.8**	**4.5**	**207.8**	**207.3**

4. CHARITABLE ACTIVITIES CONTINUED

Clergy pensions
Note 5 describes clergy pensions in detail.

Parish mission and ministry support
Parish mission and ministry support grants were distributed to dioceses and other beneficiaries under the direction of The Archbishops' Council, in accordance with the National Institutions Measure 1998. Details of the amounts allocated to dioceses are shown on page 59.

Bishops' ministry in the dioceses and archbishops including Lambeth Palace
Details of the grants made to individual bishops and archbishops towards their office and working costs, and of how those amounts were spent, will be contained in the publication "Bishops' Office and Working Costs for the year ended 31 December 2013" to be issued by the House of Bishops later in 2014.

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

Church buildings
The Payments to the Churches Conservation Trust Order 2011 provides for a statutory grant to be made to the Churches Conservation Trust to support the Trust's work in preserving church buildings closed for regular worship which are of historic and archaeological interest and architectural quality. The grant is paid from a share of the proceeds arising from the sale of closed churches with the balance of the grant payable by the Commissioners.

The Commissioners' liability for chancel repairs arises from their former and current ownership of rectorial property.

Support costs
Support costs are costs incurred by the Commissioners for administering their charitable activities. These costs include salaries, other running costs and a share of overheads. Overheads are apportioned according to an activity based time split.

5. CLERGY PENSIONS

On retirement clergy are entitled to pension benefits with the starting level of pension based on the national minimum stipend of those in active service in the preceding March. In respect of the Commissioners' obligation, post retirement increases are in line with the retail prices index (RPI), subject to a maximum of 5% in any one year, plus any further discretionary increases determined by the Commissioners.

The Church of England Pensions Scheme
The Commissioners are obliged to pay pension benefits to members of the Church of England Pensions Scheme relating to years of service until 31 December 1997.

As described in note 1(a), the past service obligation at 31 December 2013 is not provided for in the Commissioners' balance sheets. The obligation has been estimated by Hymans Robertson LLP, independent qualified actuaries, in their annual review, using the projected unit method, at £1,889.1m (2012: £1,907.7m) if all benefits including post retirement increases continue to be paid in accordance with current practice. A full valuation of the obligation was carried out as at 31 December 2012 and has been rolled forward in estimating the obligation at 31 December 2013. The amount of the obligation represents 31.4% (2012: 35.3%) of the market value of the Commissioners' assets, excluding non investment fixed assets, of £6,019.6m (2012: £5,409.4m).

Financial assumptions reflecting the term structure of interest rates and inflation have been used to estimate the value of the obligation. These assumptions include the prospective rate of investment returns, future increases in the retail price index, the starting level of pensions and the rate of post retirement pension increases. The averages of these assumptions at the approximate term of the obligation are shown in the table below.

5. CLERGY PENSIONS CONTINUED

The principal assumptions were:

	2013 %	2012 %
Prospective annual rate of return on investments	**5.9**	4.9
Rate of future stipend and increases in the starting pension	**3.3**	2.6
Rate of post retirement pension increases	**3.3**	2.6
Retail price inflation	**3.3**	2.6

The assumptions were made on a best estimate basis over a time period reflecting the long term nature of the fund and its objectives over 30 years, which did not include the margins of prudence which would normally be included in similar calculations for determining technical provisions for an occupational pension scheme. This is because of the level of asset cover provided by the endowment funds and the need to maintain intergenerational equity in the rate in which non-pension related distributions can be made.

In their assessments of the pensions obligation, Hymans Robertson LLP have used bespoke Club Vita mortality tables. In respect of future improvements in mortality rates the projection model from the 2010 Continuous Mortality Investigation has been used with advanced parameters with starting rates calibrated to the July 2012 Club Vita dataset.

The cost of pensions and benefits funded by the Commissioners during the year was:

	2013 £m	2012 £m
Benefits under the Church of England Pensions Scheme		
Pensions to clergy	**84.6**	82.8
Lump sum payments on retirement	**8.3**	9.2
Pensions to clergy widows and children	**28.2**	27.9
Total benefits under the Church of England Pensions Scheme	**121.1**	**119.9**
Benefits under the Deaconesses and Lay Workers (Pensions) Measure 1980		
Pensions to deaconesses and licensed lay workers	**0.4**	0.4
Total clergy pensions	**121.5**	**120.3**

Transfers out of the Scheme amounted to £0.4m (2012: £0.9m) during the year.

The Church of England Funded Pensions Scheme

Pensions in respect of service after 1997 are provided by the Church of England Funded Pensions Scheme, administered by the Church of England Pensions Board, which publishes the Scheme's financial statements. The assets of the Scheme are held separately from those of the Commissioners.

Each responsible body in the Scheme, including dioceses, pays a common contribution rate. The contributions to the Scheme are assessed by an independent qualified actuary using the projected unit method of valuation.

The last full valuation of the Scheme, as at 31 December 2012, showed an overall deficit of £293m. In light of this the contribution rate will be changed from 38.2% to 39.9% of pensionable stipends with effect from 1 January 2015.

The Commissioners' contributions payable to the Scheme totalled £2.5m (2012: £2.3m) in respect of those bishops, cathedral clergy and bishops' chaplains for whose stipends they are responsible and in respect of clergy receiving payments under the Ordination of Women (Financial Provisions) Measure 1993.

Application of endowment to meet certain pension payments

The Pensions Measure 1997, as amended, enables the Commissioners to spend endowment until 31 December 2018 to meet the costs of paying clergy pensions in respect of service before 1998. The Total Return Order (see note 14) does not affect this. Clergy pensions of £121.5m (2012: £120.3m) were paid from endowment. More detail about the Commissioners' reserves policy is given on page 26.

6. GOVERNANCE AND OTHER COSTS

Governance costs comprise staff and non-staff costs relating to the general running of the Commissioners including supporting the work of their Board and committees and audit costs.

	2013 £m	2012 £m
Governance costs	2.0	2.1
Other resources expended: restructuring costs	0.3	0.4
Total other resources expended	**2.3**	**2.5**

	2013 £000	2012 £000
Audit of Church Commissioners	119	119
Audit of subsidiary undertakings	47	41
Audit-related assurance services	2	2
Total audit fees	**168**	**162**
Taxation compliance services	47	27
Taxation advisory services	170	106
Planning services (Deloitte Real Estate)	31	8
Total non-audit fees	**248**	**141**

7. STAFF NUMBERS AND REMUNERATION

The Commissioners are joint employer, together with the other National Church Institutions (the NCIs), of most of the staff of the NCIs. Staff employed to manage the Commissioners' investment assets are employed directly by the Commissioners. The cost of staff for whom the Commissioners are the managing employer was:

	Asset management		Church functions and secretariat		Shared services		Local property management	
	2013 Number	2012 Number	2013 Number	2012 Number	2013 Number	2012 Number	2013 Number	2012 Number
Average number employed	34	33	35	38	84	84	68	70
	£m	£m	£m	£m	£m	£m	£m	£m
Salaries	2.3	2.0	1.8	1.8	2.8	2.7	1.1	0.9
National Insurance costs	0.3	0.2	0.2	0.2	0.3	0.3	0.1	0.1
Pension contributions	0.3	0.3	0.2	0.2	0.4	0.4	–	–
	2.9	2.5	2.2	2.2	3.5	3.4	1.2	1.0
Recoverable from third parties	(0.1)	(0.2)	–	–	(2.1)	(1.9)	(1.2)	(1.0)
Total cost of staff	**2.8**	**2.3**	**2.2**	**2.2**	**1.4**	**1.5**	**–**	**–**

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

	2013 Number	2012 Number
£60,001 to £70,000	10	6
£70,001 to £80,000	4	5
£80,001 to £90,000	2	2
£90,001 to £100,000	2	–
£110,001 to £120,000	–	2
£120,001 to £130,000	1	–
£130,001 to £140,000	–	2
£140,001 to £150,000	2	–
£150,001 to £160,000	1	1
£220,001 to £230,000	1	–
£230,001 to £240,000	–	1
£330,001 to £340,000	1	–

7. STAFF NUMBERS AND REMUNERATION CONTINUED
All 24 (2012: 19) staff above are members of the Church Administrators Pension Fund (note 9). Of these, nine (2012: six) accrue benefits under a defined contribution scheme for which contributions for the year were £144,000 (2012: £100,000). The remaining 15 (2012: 13) staff accrue benefits under a defined benefit scheme.

The highest paid member of staff earned £334,000 (2012: £239,000) including a long term incentive payment (LTIP) based on the long term performance of the fund of £91,000 (2012: £nil). No other members of staff received LTIPs in the year (2012: none). The amount paid to the highest paid member of staff was 18 (2012: 13) times the salary earned by the lowest paid member of staff and nine (2012: seven) times the median salary paid in the year.

Until 31 March 2014, the Commissioners were the managing employer for staff working in the following shared service departments: finance and resources, information technology, records and office services. From 1 April 2014 these staff transferred managing employer to another NCI, Church of England Central Services (a company limited by guarantee and registered charity number 1155158) which provides central services for the Church of England.

Shared service costs
The Commissioners shared the costs of the shared services departments managed by The Archbishops' Council and the Church of England Pensions Board on behalf of the NCIs until 31 March 2014. Those departments provided communications, human resources, legal and internal audit services to the NCIs and, in some areas, to bishops and their offices.

The average number of staff employed in shared service departments managed by The Archbishops' Council and the Church of England Pensions Board was 38 (2012: 40) and the Commissioners' share of these departments' costs was £1.0m – 40.7% of the total costs (2012: £1.0m – 37.8%). This cost is included in internal asset management costs (note 3), support costs (note 4) and governance costs (note 6).

Asset management and national Church functions
The cost of the planning and management of the Commissioners' assets is included in external management costs (note 3) and for the administration of national Church functions is included in support costs (note 4).

Local property management
The net cost of on site management and servicing of residential blocks of flats is included in other operating costs (note 3).

Staff loans
In addition to the amounts shown above, the Commissioners provide loans under the staff house mortgage scheme. These loans are included in loans (note 12) at £0.3m (2012: £0.3m). The scheme, which was closed to new business in 2004, has 11 (2012: 15) loans outstanding to 11 (2012: 13) members of staff.

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

8. COMMISSIONERS' EMOLUMENTS AND EXPENSES
The First Commissioner is paid a salary in accordance with the Church Commissioners Measure 1947 (as amended), although he waives his entitlement to a pension. Legislative provision is made for payment of a salary to the Third Commissioner, but the Commissioners have determined that no salary should be paid. Other Commissioners have no entitlement to a salary or pension in their capacity as Commissioners.

	2013 £000	2012 £000
First Church Estates Commissioner		
Salary	**58**	58
National Insurance costs	**7**	7
Third Church Estates Commissioner		
Salary	**–**	40
National Insurance costs	**–**	5
Pension contributions (note 9)	**–**	7
Total Church Estates Commissioners' costs	**65**	**117**

Pensions paid to former First and Third Church Estates Commissioners of £92,000 (2012: £90,000) were charged to the staff pension provision (note 9).

8. COMMISSIONERS' EMOLUMENTS AND EXPENSES CONTINUED

Expenses incurred in attending Board and committee meetings and on other business of the Commissioners were reimbursed to 17 Commissioners (2012: 20). Claims amounting to £13,000 (2012: £12,000) were submitted in respect of travel and subsistence.

9. STAFF PENSIONS

Staff of the Commissioners, bishops and the Church of England Pensions Board who commenced service before 1 July 2006 are entitled to pension benefits based on final pensionable pay for service up to 30 June 2010 and career average for service from 1 July 2010. Increases of pensions in payment and preserved pensions are linked to the consumer and retail prices indices. There are no other post retirement benefits.

The Third Church Estates Commissioner and staff who commenced service after 30 June 2006 are entitled to pensions earned from the contributions paid into a personal pension scheme by their employers and by themselves. The contribution rate payable by the Commissioners is between 8% and 18%. None of the figures below relate to these arrangements.

Service before 2000

Benefits based on years of service until 31 December 1999 for staff and benefits in respect of former First and Third Church Estates Commissioners are not separately funded but are provided for in the balance sheet in accordance with FRS 17: Retirement Benefits. A full valuation of the provision was carried out as at 31 December 2012 and has been rolled forward in estimating the obligation at 31 December 2013. This provision is calculated annually using the projected unit method by Hymans Robertson LLP, independent qualified actuaries.

The movements on the provision during the year were:

	2013 £m	2012 £m
At 1 January	**111.8**	104.3
Pensions and lump sums paid	**(5.4)**	(5.3)
Interest on provision – charged to general fund	**4.8**	5.0
Actuarial loss – charged to endowment capital	**1.6**	7.8
At 31 December	**112.8**	**111.8**

Analysis of actuarial loss charged to endowment capital:

	2013 £m	2012 £m
Experience loss on provision	–	3.4
Loss due to effect of change in financial assumptions	**1.6**	1.7
Loss due to effect of change in mortality assumptions	–	2.7
Actuarial loss	**1.6**	**7.8**

The principal assumptions used in estimating the provision were:

	2013 %	2012 %	2011 %	2010 %	2009 %
Discount rate (annual rate of return on AA rated corporate bonds)	**4.3**	4.4	4.8	5.5	5.7
Rate of salary increases	**4.3**	4.0	4.6	5.1	5.3
Rate of increase of pensions in payment:					
for service before 1 April 1997	**2.3**	2.3	2.6	3.1	3.8
for service since 1 April 1997	**3.3**	3.0	3.1	3.6	3.8
Consumer price inflation	**2.3**	2.3	2.6	3.1	–
Retail price inflation	**3.0**	3.0	3.1	3.6	3.8

9. STAFF PENSIONS CONTINUED

In their assessments of the pensions liability, Hymans Robertson LLP used bespoke Club Vita mortality tables. In respect of future improvements in mortality rates, the projection model from the 2010 Continuous Mortality Investigation has been used, with advanced parameters with starting rates calibrated to the July 2012 Club Vita dataset.

History of experience gains and losses:

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Actuarial loss/(gain)	**1.6**	7.8	4.0	(7.0)	15.8

Service from 2000

Benefits for staff arising from service from 1 January 2000 are provided by the Church Administrators Pension Fund, administered by the Church of England Pensions Board, which publishes the Fund's financial statements. The assets of the Fund are held separately from those of the Commissioners.

The contributions to the Fund are assessed by an independent qualified actuary using the projected unit method of valuation. A full valuation of the Fund as at 31 December 2011 showed a deficit of £32.4m (2008: £30.2m). Despite the increase in the Scheme deficit no adjustment to the existing recovery plan was deemed necessary. The level of additional contributions to be made by the employers will be £2,373,000 per annum from 1 July 2013 to 30 June 2025, increasing on 1 January each year by 5.0% (2008: £2,050,000 per annum from 1 July 2010 to 30 June 2025, increasing on 1 January each year in line with general salary inflation). The Commissioners' share of the deficit payment is £1,415,000 (2012: £1,350,000).

In addition the employers are responsible for making contributions towards the administration costs of the Scheme of £210,000 (2012: £200,000) and the cost of Pension Protection Fund levies of £46,000 (2012: £33,000). In 2013 the Commissioners' share of these costs was £153,000 (2012: £139,000).

10. NON INVESTMENT ASSETS

	IT systems	Administrative offices		Lambeth Palace and see houses	Total
Consolidated and Commissioners	**£m**	**Freehold property £m**	**Leasehold improvements £m**	**£m**	**£m**
Cost or valuation					
Balance at 1 January	1.7	2.9	2.1	89.3	**96.0**
Additions	0.2	–	–	2.3	**2.5**
Proceeds from disposals	–	–	–	–	**–**
Realised gains	–	–	–	–	**–**
Unrealised gains	–	–	–	10.2	**10.2**
Balance at 31 December	**1.9**	**2.9**	**2.1**	**101.8**	**108.7**
Accumulated depreciation					
Balance at 1 January	(1.0)	(0.1)	(1.2)	–	**(2.3)**
Charge for the year	(0.3)	(0.1)	(0.3)	–	**(0.7)**
Balance at 31 December	**(1.3)**	**(0.2)**	**(1.5)**	**–**	**(3.0)**
Net book value					
Balance at 1 January	0.7	2.8	0.9	89.3	**93.7**
Balance at 31 December	**0.6**	**2.7**	**0.6**	**101.8**	**105.7**

The original cost of non-investment fixed assets is not disclosed given the historic nature of many of the assets owned. Lambeth Palace is valued at £1 as explained in note 1(f). Other see houses were valued by Knight Frank LLP as at 31 December 2013. Freehold see houses are valued at £96.5m (2012: £83.7m) and leasehold see houses at £nil (2012: £0.3m). The contents of the see houses were valued by Gurr Johns as at 31 December 2007.

All non investment assets are located in the United Kingdom.

11. INVESTMENT ASSETS

	Notes	At 1 January £m	Net additions £m	Proceeds from disposal £m	Realised gains £m	Unrealised gains/(losses) £m	Realised and unrealised surplus on forward foreign currency contracts £m	At 31 December £m
Consolidated								
Securities portfolio	11(a)	3,252.9	1,245.3	(1,362.8)	228.2	288.4	13.2	**3,665.2**
Investment properties	11(b)	1,259.1	13.3	(54.5)	25.6	115.4	–	**1,358.9**
Shared and partnership property interests	11(c)	450.8	55.2	(42.9)	9.1	36.8	3.7	**512.7**
Value linked loans	11(d)	124.9	0.4	(12.8)	4.0	8.9	–	**125.4**
Timberland	11(e)	96.4	6.7	(0.2)	0.1	3.9	–	**106.9**
Infrastructure	11(f)	–	2.7	–	–	(0.7)	–	**2.0**
Total investment assets		**5,184.1**	**1,323.6**	**(1,473.2)**	**267.0**	**452.7**	**16.9**	**5,771.1**
Commissioners								
Securities portfolio	11(a)	3,165.6	1,175.3	(1,362.7)	228.1	284.7	13.2	**3,504.2**
Investment properties	11(b)	1,168.9	11.9	(35.8)	20.3	102.4	–	**1,267.7**
Shared and partnership property interests	11(c)	421.2	54.9	(40.8)	9.1	31.7	3.7	**479.8**
Value linked loans	11(d)	124.9	0.4	(12.8)	4.0	8.9	–	**125.4**
Timberland	11(e)	44.0	2.1	–	–	(0.5)	–	**45.6**
Infrastructure	11(f)	–	–	–	–	–	–	**–**
Subsidiary undertakings	11(g)	91.0	–	–	–	26.8	–	**117.8**
Total investment assets		**5,015.6**	**1,244.6**	**(1,452.1)**	**261.5**	**454.0**	**16.9**	**5,540.5**

The original cost of investments is not disclosed given the historic nature of many of the property investments. Future commitments are disclosed in note 15.

The Commissioners have investments denominated in foreign currencies and are impacted by changes in foreign currency exchange rates. Non-sterling assets exposed to currency risk represented 42.1% (2012: 41.0%) of the investment portfolio.

Forward foreign currency contracts are used to hedge the risk of changes in exchange rates which might adversely affect the value of some of these non-sterling assets. This currency hedging programme covers 95% (2012: 95%) of developed currency exposures. Forward contracts are also used by some fund managers to manage the risk of not achieving overall performance benchmarks.

11. INVESTMENT ASSETS CONTINUED

Outstanding contracts are included in the value of the assets covered by the currency management programme:

	Consolidated and Commissioners					
	2013			2012		
	Non-sterling assets £m	Outstanding contracts £m	Total £m	Non-sterling assets £m	Outstanding contracts £m	Total £m
Securities portfolio	**2,215.5**	**12.4**	**2,227.9**	1,929.6	2.0	1,931.6
Shared and partnership property interests	**185.9**	**2.3**	**188.2**	178.3	0.6	178.8
Total non-sterling assets	**2,401.4**	**14.7**	**2,416.1**	**2,107.9**	**2.6**	**2,110.5**

The net income from operating the hedging programme was £2.9m (2012: £7.5m), after deducting fees of £1.3m (2012: £1.2m).

(a) Securities portfolio

	Consolidated		Commissioners	
	2013 £m	2012 £m	2013 £m	2012 £m
Quoted UK equities	**1,166.5**	991.3	**1,166.6**	991.3
Quoted overseas equities	**1,749.1**	1,499.3	**1,663.8**	1,412.0
Unquoted UK equities	**79.8**	48.6	**45.3**	48.6
Unquoted overseas equities	**328.6**	249.2	**287.3**	249.2
Quoted UK fixed interest securities	**191.0**	281.4	**191.0**	281.4
Quoted overseas fixed interest securities	**147.5**	180.4	**147.5**	180.4
Unquoted overseas fixed interest securities	**2.7**	2.7	**2.7**	2.7
Total securities	**3,665.2**	**3,252.9**	**3,504.2**	**3,165.6**

The market value of listed investments includes stock on loan of £12.4m (2012: £37.8m).

(b) Investment properties

	Consolidated		Commissioners	
	2013 £m	2012 £m	2013 £m	2012 £m
Freehold interests	**1,342.5**	1,246.4	**1,251.3**	1,156.2
Leasehold properties with more than 50 years to run	**17.5**	13.8	**17.5**	13.8
Total carrying value	**1,360.0**	1,260.2	**1,268.8**	1,170.0
Adjustment for concessions to tenants (see note 12)	**(1.1)**	(1.1)	**(1.1)**	(1.1)
Total investment properties	**1,358.9**	**1,259.1**	**1,267.7**	**1,168.9**

The valuers of the properties were:
Let and strategic land properties: Savills
Commercial properties: DTZ Debenham Tie Leung
Residential properties: Jones Lang LaSalle
Mineral portfolio: Wardell Armstrong.
All investment properties are located in the United Kingdom.

11. INVESTMENT ASSETS CONTINUED

(c) Shared and partnership property interests

	Consolidated		Commissioners	
	2013 £m	2012 £m	2013 £m	2012 £m
Shared interests				
Properties	**268.3**	229.7	**268.3**	229.7
Borrowings	**(40.3)**	(40.6)	**(40.3)**	(40.6)
Other net assets	**2.9**	3.4	**2.9**	3.4
Total shared interests	**230.9**	**192.5**	**230.9**	**192.5**
Property funds				
Unquoted UK funds	**93.6**	97.0	**77.2**	87.3
Unquoted overseas funds	**166.6**	128.9	**150.1**	109.0
Quoted overseas funds	**21.6**	32.4	**21.6**	32.4
Total partnership interests	**281.8**	**258.3**	**248.9**	**228.7**
Total shared and partnership property interests	**512.7**	**450.8**	**479.8**	**421.2**

Shared and partnership property interests are valued independently by valuers appointed by the partnerships and shared interest holders.

(d) Value linked loans

	Consolidated and Commissioners	
	2013 £m	2012 £m
To provide and improve Church property and for other purposes	**27.8**	27.9
To Church of England Pensions Board	**97.6**	97.0
Total value linked loans	**125.4**	**124.9**

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

All value linked loans were valued by DTZ Debenham Tie Leung.

(e) Timberland

	Consolidated		Commissioners	
	2013 £m	2012 £m	2013 £m	2012 £m
UK forestry				
Directly held	**45.6**	44.0	**45.6**	44.0
Total UK forestry	**45.6**	**44.0**	**45.6**	**44.0**
Overseas timber				
Directly held	**41.3**	38.6	**–**	–
Partnership interests	**20.0**	13.8	**–**	–
Total overseas timberland	**61.3**	**52.4**	**–**	**–**
Total timberland	**106.9**	**96.4**	45.6	**44.0**

Timberland is valued in line with the accounting policy described in note 1(f).

11. INVESTMENT ASSETS CONTINUED
(f) Infrastructure

	Consolidated		Commissioners	
	2013 £m	2012 £m	2013 £m	2012 £m
Unquoted overseas funds	2.0	–	–	–
Total infrastructure	**2.0**	**–**	**–**	**–**

Infrastructure is valued in line with the accounting policy described in note 1(f).

(g) Subsidiary undertakings
The Commissioners' principal subsidiary undertakings, held to undertake property purchase, development and management and certain shared and partnership property interests and timberland investments, are:

Registered in England and Wales
CC Trading Ltd, CC Lincoln Ltd, CC Projects, Cedarvale, CC Licensing, Quivercourt, Easton Tree Ltd and Weston Tree Ltd.

Registered in the US
Cherry Tree Timber LLC.

The Ashford Great Park Partnership, held through intermediate companies, has its principal offices at 29 Great Smith Street, London SW1P 3PS.

The Commissioners also own 80% interests in Lone Rock Timber Investments MBD-Landco Limited Partnership and Lone Rock Timber Investments MBD-Logco Limited Partnership, both of which are registered in the US. These entities are not solely controlled by the Commissioners and therefore meet the definition of "joint venture" in FRS 9, but fall within the exemption for investment funds in paragraph 49 of FRS 9.

The Commissioners have no associated undertakings.

12. DEBTORS

	Consolidated		Commissioners	
	2013 £m	**2012 £m**	**2013 £m**	**2012 £m**
Trade debtors	**7.8**	9.8	**7.1**	9.6
Subsidiary undertakings	**–**	–	**271.8**	196.9
Dioceses (Clergy Stipends and Diocesan Debtors Accounts)	**0.8**	1.7	**0.8**	1.7
Loans	**8.7**	9.7	**8.7**	9.7
Other debtors	**2.9**	21.7	**2.8**	21.7
Prepayments and accrued income	**26.4**	17.8	**25.0**	17.2
Total debtors	**46.6**	**60.7**	**316.2**	**256.8**

Consolidated trade debtors of £7.8m (2012: £9.8m) is after deducting a provision for bad and doubtful debts of £0.6m (2012: £0.7m).

Other loans, which are interest bearing and consist of mortgages to Church bodies and staff and car loans to clergy, are reported within debtors. Of the £8.7m total (2012: £9.7m), £7.4m (2012: £8.6m) is due after one year.

In 2012 other debtors included £19.7m relating to amounts paid to but not yet invested by investment funds. They also include £1.1m (2012: £1.1m) relating to concessions to tenants which are amortised over the shorter of the period to the first break clause or the period to the first rent review. Accordingly, the independent valuation of investment properties is reduced by this amount.

13. CREDITORS

	Consolidated		Commissioners	
	2013 £m	**2012 £m**	**2013 £m**	**2012 £m**
Trade creditors	**9.0**	11.9	**8.6**	11.3
Subsidiary undertakings	**–**	–	**40.2**	29.3
Dioceses and other Church bodies	**4.6**	3.7	**4.6**	3.7
Other creditors	**0.8**	1.0	**0.4**	0.6
Taxation and National Insurance contributions	**5.3**	7.2	**5.1**	6.9
Accruals and deferred income	**17.7**	16.6	**16.5**	15.2
Total creditors	**37.4**	**40.4**	**75.4**	**67.0**

14. TRANSFERS BETWEEN FUNDS

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

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

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

	Notes	Base value of endowment £m	Unapplied total return £m	Total endowment fund £m	General fund £m	Total funds £m
1 January		2,964.4	2,538.7	5,503.1	–	5,503.1
Add investment return for the year:						
Income return – gross income	2	–	139.3	139.3	0.4	139.7
Income return – cost of generating funds	3	–	(42.6)	(42.6)	–	(42.6)
Capital return – non investment assets	10	–	10.2	10.2	–	10.2
Capital return – investment assets	11	–	736.6	736.6	–	736.6
Capital return – foreign currency		–	(4.8)	(4.8)	–	(4.8)
Total investment return during the year		–	838.7	838.7	0.4	839.1
Less						
Pensions paid from capital	5	(121.5)	–	(121.5)	–	(121.5)
Transfers out of capital	5	(0.4)	–	(0.4)	–	(0.4)
Losses on defined benefit pension schemes (staff)		(1.6)	–	(1.6)	–	(1.6)
Charitable expenditure: non-pensions	4	–	–	–	(86.3)	(86.3)
Other expenditure	6	–	–	–	(7.1)	(7.1)
Total other movements during the year		(123.5)	–	(123.5)	(93.4)	(216.9)
Add indexation on base value of endowment		80.0	(80.0)	–	–	–
Application of non-applied total return		–	(93.0)	(93.0)	93.0	–
31 December		**2,920.9**	**3,204.4**	**6,125.3**	**–**	**6,125.3**

15. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

		Consolidated		Commissioners	
	Notes	2013 £m	2012 £m	2013 £m	2012 £m
Securities portfolio	11(a)	**160.2**	144.5	**141.9**	115.0
Shared and partnership property interests	11(c)	**63.5**	43.4	**36.5**	35.2
Timberland	11(e)	**80.4**	56.0	**–**	32.4
Infrastructure	11(f)	**27.6**	–	**–**	–
Total capital commitments		**331.7**	**243.9**	**178.4**	**182.6**

The Commissioners have commitments to invest in private equity, private credit, real estate and timberland funds. The timing of draw downs is dependent on the fund managers acquiring underlying assets during the investment periods of the funds.

Contingent liabilities

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

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

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

16. FUNDS HELD ON BEHALF OF OTHERS

	2013 £m	2012 £m
Residential service charges, sinking funds and tenants' deposits	**10.6**	10.9
Trust funds	**5.6**	5.3
Total funds held on behalf of others	**16.2**	**16.2**

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

Residential service charges, sinking funds and tenants' deposits

The service charges and sinking funds are paid in advance by tenants in order that property repairs and maintenance works can be carried out.

Trust funds

The Commissioners are trustees of 40 funds, mainly restricted permanent endowment funds. Their income, £0.2m (2012: £0.2m), is applied in accordance with the terms of the trusts.

Certain other trustees are directed to pay some or all of their income to the Commissioners for specified purposes. The total amount received was £0.1m (2012: £0.1m).

Professional advisors

Bankers:	National Westminster Bank plc
Custodians:	JP Morgan Chase Bank
Auditors:	Deloitte LLP
Actuaries:	Hymans Robertson LLP
Solicitors:	Official Solicitor to the Church Commissioners, Charles Russell, Farrer & Co, Radcliffes Le Brasseur

Money available resolution
As required by the Church Commissioners Measure 1947 (as amended), at the Annual General Meeting of the Commissioners to be held on 25 June 2014, the Board of Governors will recommend that the meeting (i) receives the Annual Report and financial statements; and (ii) notes an update on the spending plans for 2014-2016.

At its meeting on 25 March 2014 the Assets Committee received, from Hymans Robertson LLP, the updated actuarial advice that is required in accordance with the Pensions Measure 1997. In light of this advice, the Assets Committee resolved to inform the Board that the Commissioners' expenditure plans for 2014 could be made firm.

The Commissioners hold assets from which they pay pensions to retired clergy, other licensed ministers and staff and provide money to support the mission and ministry of bishops, cathedrals and parishes and for other purposes. The sums available for non-pensions support are significantly affected by the extent of their pensions obligation.

In order to assist the Commissioners in formulating their distribution policy, we carried out a detailed review of the Commissioners’ fund and pensions obligations as at 31 December 2012. An annual update of this review was carried out as at 31 December 2013. The main purposes of our review were to (i) place a value on the Commissioners’ obligations to pay pensions to clergy; (ii) determine a sustainable level of annual discretionary distribution that can be paid by the Commissioners from their funds after taking into account their pensions obligations; and (iii) recommend maximum distribution levels to the Commissioners’ Assets Committee.

Many occupational pension schemes have actuarial valuations performed using significant margins for prudence. This is done so that the scheme has a funding buffer should future events prove unfavourable, in particular if the pension scheme’s sponsoring employer becomes insolvent. In contrast, our calculations for the Commissioners were made on a “best estimate basis” and did not include such margins of prudence. We consider that margins are not required, as the Commissioners’ assets are significantly larger than their obligation to pay pensions, and no further margin is necessary. Moreover, if margins were to be included, current non-pension distributions would be reduced, with the expectation that they could be increased in the future by more than the planned increases in line with earnings. This would lead to intergenerational inequity, with the future recipients of distributions receiving more in real terms at the expense of current recipients.

It should be noted that the sums which the Commissioners’ assets are able to support by way of sustainable non-pensions distributions are extremely sensitive to a number of factors. These include the Commissioners’ actual investment performance, the assumed average future investment return, actual increases in the national minimum stipend (on which the starting level of pension is based) and pensions in payment and the actual and prospective longevity of pensioners.

The main results of our calculations were that:

(i) As at 31 December 2013, £1,889.1m of the Commissioners’ assets were required to meet their pension obligation.

(ii) Having regard to the Commissioners’ long term objective to increase the level of their support for purposes other than pensions in line with the general level of earnings, we advise that no more than £283.8m should be distributed for these purposes in 2014-2016. In the light of the most recent review as at 31 December 2013, we have no objection to the Commissioners continuing with the planned distributions for 2014. We consider that distributions at this level are not likely to lead to an adverse consequence for the Commissioners’ long term financial position.

(iii) We recommend that the Commissioners should continue to pay some of their non-pensions distributions, say at least between 5% and 10%, in a form that will automatically cease, or can be stopped, at relatively short notice, say within a year or two. This will put the Commissioners in a better position to reduce distributions if necessary because future experience turns out to be unfavourable.

We have been provided with details of the Commissioners’ actual distributions in 2013 and a forecast of proposed distributions in 2014. The proposals are in line with the results of our review set out above.

We recommend that the Commissioners’ situation be reviewed at least annually with a detailed reassessment of the position at three yearly intervals. We recommend that the next detailed reassessment should take place in early 2016.

Richard Crowhurst FIA
For and on behalf of Hymans Robertson LLP
26 March 2014

ANALYSIS BETWEEN DIOCESES OF THE MAIN ELEMENTS OF CHARITABLE EXPENDITURE (EXCLUDING CLERGY PENSIONS)

	Parish mission and ministry support [3]		Bishops' and archbishops' ministry [4]		Cathedrals' ministry		Total	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Bath & Wells	0.1	0.1	0.5	0.6	0.2	0.2	**0.8**	0.8
Birmingham	2.0	2.0	0.4	0.4	0.3	0.3	**2.6**	2.6
Blackburn	1.0	1.0	0.6	0.5	0.3	0.3	**1.9**	1.7
Bradford	1.4	1.5	0.3	0.2	0.3	0.3	**2.0**	2.1
Bristol	0.4	0.3	0.4	0.3	0.3	0.3	**1.0**	0.9
Canterbury	0.8	0.9	0.6	0.6	0.2	0.2	**1.6**	1.6
Carlisle	0.7	0.7	0.4	0.5	0.3	0.3	**1.4**	1.5
Chelmsford	2.9	2.9	0.7	0.6	0.3	0.3	**3.9**	3.7
Chester	0.2	0.4	0.5	0.6	0.2	0.2	**0.9**	1.1
Chichester	0.2	0.2	0.5	0.9	0.2	0.2	**0.8**	1.2
Coventry	0.1	0.2	0.4	0.4	0.2	0.2	**0.7**	0.8
Derby	1.7	1.6	0.4	0.4	0.3	0.3	**2.4**	2.3
Durham	2.7	2.8	0.6	0.9	0.1	0.1	**3.4**	3.9
Ely	0.1	0.2	0.4	0.4	0.2	0.2	**0.6**	0.7
Exeter	1.5	1.5	0.6	0.6	0.2	0.2	**2.3**	2.3
Gloucester [1]	0.0	0.0	0.4	0.4	0.2	0.2	**0.7**	0.6
Guildford [1]	0.0	0.0	0.4	0.4	0.2	0.2	**0.6**	0.7
Hereford	0.5	0.5	0.4	0.4	0.2	0.2	**1.1**	1.1
Leicester	1.5	1.6	0.4	0.4	0.3	0.3	**2.2**	2.3
Lichfield	2.2	2.1	0.6	0.6	0.2	0.2	**3.0**	2.9
Lincoln	1.0	0.8	0.5	0.5	0.1	0.1	**1.6**	1.4
Liverpool	1.7	1.9	0.4	0.4	0.1	0.1	**2.3**	2.5
London	0.3	0.6	0.9	1.0	0.1	0.1	**1.4**	1.7
Manchester	2.9	2.9	0.6	0.5	0.2	0.2	**3.8**	3.6
Newcastle	1.6	1.6	0.4	0.3	0.3	0.3	**2.2**	2.2
Norwich	1.6	1.5	0.6	0.6	0.2	0.2	**2.4**	2.3
Oxford [2]	0.2	0.2	0.6	0.6	0.0	0.0	**0.8**	0.8
Peterborough	0.1	0.2	0.4	0.4	0.2	0.2	**0.7**	0.8
Portsmouth	0.5	0.4	0.3	0.3	0.3	0.3	**1.0**	1.0
Ripon & Leeds	0.9	0.9	0.4	0.3	0.3	0.3	**1.5**	1.5
Rochester	0.2	0.2	0.4	0.4	0.2	0.2	**0.9**	0.8
St Albans	0.2	0.2	0.5	0.5	0.2	0.2	**0.9**	0.9
St Edmundsbury & Ipswich	0.3	0.2	0.4	0.3	0.3	0.3	**0.9**	0.8
Salisbury	0.0	0.1	0.5	0.5	0.1	0.1	**0.7**	0.8
Sheffield	2.1	2.1	0.4	0.4	0.2	0.2	**2.7**	2.7
Sodor & Man [1]	0.0	0.0	0.2	0.2	–	–	**0.2**	0.2
Southwark	0.3	0.4	0.6	0.6	0.2	0.2	**1.1**	1.2
Southwell & Nottingham	1.5	1.5	0.5	0.4	0.3	0.2	**2.2**	2.2
Truro	0.9	0.8	0.4	0.4	0.2	0.2	**1.5**	1.4
Wakefield	1.6	1.6	0.4	0.4	0.3	0.3	**2.3**	2.3
Winchester	0.2	0.2	0.6	0.9	0.1	0.1	**0.9**	1.2
Worcester	0.4	0.5	0.4	0.4	0.2	0.2	**1.0**	1.1
York	2.1	2.2	0.3	0.3	0.1	0.1	**2.6**	2.6
Europe	–	–	0.4	0.4	–	–	**0.4**	0.4
National support	0.4	0.6	10.6	10.0	–	–	**10.0**	9.4
Total	**40.9**	**42.2**	**31.2**	**31.0**	**9.1**	**8.7**	**80.0**	**80.8**

Due to roundings, column and row totals may appear not equal to the sums of the individual figures.

Notes:
(1) Gloucester, Guildford and Sodor & Man received parish mission and ministry support but the amount was less than £50,000.
(2) Oxford received support for cathedral ministry but the amount was less than £50,000.
(3) Parish mission and ministry support comprises grants to dioceses by The Archbishops' Council, payments direct to dioceses and the parishes in the new development initiative, payments direct to clergy and national support (insurance subsidies and minor grant payments).
(4) Bishops' and archbishops' ministry includes, under national support, support costs, housing and office premises costs for Lambeth Palace, Lambeth Palace Library and ancillary properties in all sees, and the office and working costs for the two archbishops, their advisors and the Provincial Episcopal Visitors.

LIST OF LARGER INVESTMENTS
AS AT 31 DECEMBER 2013

The Commissioners' investment policy is to hold a diversified portfolio of investments across a broad range of asset classes. The largest single entity investment is the Commissioners holding in UK Treasury 2.25% 2014 of £125.4m which represents 2.2% of the total investment portfolio. The table below shows the largest 20 public equity holdings and property holdings (including shared, partnership, forestry and timberland).

Twenty most valuable property holdings (including indirect, timberland and infrastructure)
Ashford Estate
Blackrock Asia III (partnership interest)
Canterbury Estate
Carlisle Estate
Castlelake Land Opportunities
CBRE Property Fund Central Europe (partnership interest)
Chichester Estate
Ely Estate
Greenchip Timber
Halsall Estate
Huntingdon Estate
The Hyde Park Estate
Imperial House, 15-19 Kingsway, London WC2
Lendlease Retail Partnership
MetroCentre (10% interest and associated land)
Molpus Timber
The Pollen Estate (shared interest)
Rochester Estate
South Lincolnshire Estate
York Estate

Twenty most valuable direct stock exchange and fixed interest holdings	**£m**
UK Treasury 2.25% 2014	125.4
Royal Dutch Shell	52.4
UK Treasury Bill February 2014	50.0
Vodafone	48.1
HSBC	39.4
BP	36.6
GlaxoSmithKline	28.0
UK Treasury 2.75% 2015	25.6
Unilever	25.0
UK Treasury Bill March 2014	25.0
Tesco	24.2
Qualcomm	23.2
Microsoft	20.7
Oracle	20.1
Lloyds Banking Group	18.8
AstraZeneca	18.7
Prudential	17.8
UK Treasury 1.25% 2017 Index Linked	17.2
Impax Environmental Markets	16.5
MasterCard	15.2

THE CHURCH COMMISSIONERS AND BOARD OF GOVERNORS AT APRIL 2014

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

The Most Reverend and Right Honourable J Welby *Archbishop of Canterbury, Chair*

The Most Reverend and Right Honourable Dr J T M Sentamu *Archbishop of York*

Church Estates Commissioners appointed by

HER MAJESTY

A Whittam Smith CBE
First Church Estates Commissioner

Sir T Baldry MP
Second Church Estates Commissioner

THE ARCHBISHOP OF CANTERBURY

A Mackie
Third Church Estates Commissioner

Elected by the General Synod

HOUSE OF BISHOPS

The Right Reverend and Right Honourable Dr R J C Chartres KCVO *Bishop of London*

The Right Reverend D Walker
Bishop of Manchester

The Right Reverend M Hill *Bishop of Bristol*

The Right Reverend Dr M Warner
Bishop of Chichester

HOUSE OF CLERGY

The Reverend Canon R M Baker
The Reverend A Fairclough
The Reverend S J Trott

HOUSE OF LAITY

A R Alexander
Canon P N E Bruinvels
S Muggeridge
J P Vince MRICS

Elected by the deans

The Very Reverend J D F Greener
Dean of Wakefield

The Very Reverend J M Clarke *Dean of Wells*

Nominated by

HER MAJESTY

H Hart
I Watmore
J Wythe FRICS

THE ARCHBISHOPS OF CANTERBURY AND YORK

S Picken QC
J Clack
M Woolley

THE ARCHBISHOPS OF CANTERBURY AND YORK

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

G Oldroyd
P Allonby
H Rees-Jones

State office holders

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

Secretary to the Church Commissioners and Board of Governors

A C Brown FRICS

Assets Committee

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

A Whittam Smith CBE *Chair*
The Reverend A Fairclough
The Bishop of Bristol
Canon P N E Bruinvels
P Allonby
H Hart
M Woolley
G Oldroyd
J Wythe FRICS

Committee Secretary A C Brown FRICS

Audit & Risk Committee

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

H Rees-Jones *Chair*
A R Alexander
I Ailles
S East
J Clack
G Lynn
Committee Secretary M Cole

Bishoprics and Cathedrals Committee

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

A Mackie *Chair*
The Bishop of Chichester
The Bishop of Warrington
The Dean of Wakefield
The Dean of Wells
Vacancy
The Reverend M Bide
J P Vince MRICS
Canon E Renshaw
R Butler Representative of Bishops' wives
Committee Secretary P Lewis MRTPI

Pastoral Committee

Acts for the Board in matters relating to pastoral reorganisation, parsonages and diocesan glebe

A Mackie *Chairman*
The Bishop of Manchester
The Bishop of Portsmouth
The Dean of Wakefield
The Reverend Canon R M Baker
The Reverend Canon S J Evans
The Venerable P Driver
Canon P N E Bruinvels
S Picken QC
J Flack
Vacancy
Committee Secretary P Lewis MRTPI

Church Buildings (Uses and Disposals) Committee

Acts for the Board in matters relating to the future of church buildings closed for regular public worship

A Mackie *Chairman*
The Reverend S J Trott *Deputy Chairman*
The Reverend Canon R M Baker
The Reverend Canon P Cavanagh
The Reverend S Talbott
I Watmore
A R Alexander
J Steel
S Muggeridge
Committee Secretary P Lewis MRTPI

The Church Commissioners' Annual Report and Accounts for the year to 31 December 2013 have been prepared by the Board of Governors and will be presented to the Commissioners' Annual General Meeting in June 2014. They will be sent to the Lord Chancellor and to the Secretary General of the General Synod in accordance with the Church Commissioners Measure 1947.

Further copies of this report may be obtained free of charge from:

The Secretariat
Church Commissioners
Church House
Great Smith Street
London SW1P 3AZ

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