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

Church Commissioners Annual Report 2011

The Church Commissioners for England

Church Commissioners' annual report 2011

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

Contents

The Church Commissioners – helping parishes and dioceses across the Church of England

The Church Commissioners manage an investment fund of some £5.2 billion, held mainly in property and shares. The fund and the obligations attached to it derive from the Commissioners' parent charities of the 18th and 19th centuries, respectively Queen Anne's Bounty and the Ecclesiastical Commissioners, which were set up to improve the incomes and housing of clergy and to extend their ministry into new urban areas. The Commissioners' work today supports the Church of England as a Christian presence in every community.

The Commissioners are a statutory body, governed by the Church Commissioners Measure 1947, and a registered charity (number 1140097).

Our 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's network of 12,000 parishes, 16,000 churches, 8,500 priests, and 10,000 readers, pastoral assistants and other serving lay officers 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 wellbeing for all.
- Its buildings are a focus for their localities and a base for Church-run activities that foster community development and social cohesion. Typically these include projects that support children, families and the elderly through clubs, social gatherings, cultural events, outreach activities and community services.
- Churches and cathedrals speak of the social history of the country. They are open for visitors who wish to study them from an architectural or historical perspective and to find spiritual refreshment.

The Commissioners have had regard to Charity Commission guidance on public benefit.

Introduction by the First Church Estates Commissioner

In 2011 the total return on the Church Commissioners' £5 billion portfolio was small. The income received plus capital gain came to 2.9%. But then in the economy at large, wages and salaries rose by only 2% last year and these can be taken as a proxy for the movements in the costs borne by those for whom our charity provides financial support, chief among them bishops, dioceses and parishes. In a rather minimal sense, we kept pace with these objectives.

Our newly refurbished loft-style apartments at The Brassworks, Hyde Park.

In what was a difficult year for investors like us who take a long-term view, we did succeed in edging ahead even though our portfolio contained none of the types of assets that are favoured when fear displaces optimism as happened during much of 2011. We had no long-dated British government securities, which were up by 15.6%, or US Treasuries (+7.6%) or gold (+ 10.5%). We prefer assets that directly reflect economic activity around the world. But in 2011, UK equities, global equities and emerging market equities were down 3.5%, 6.2% and 17.6% respectively.

Nevertheless, as far as our securities were concerned, we performed somewhat better than these numbers would suggest. For our holdings lost just 2.6% in value. What helped us was that the Commissioners' private equity investments rose by 12.5% and the specialist managers we employ who trade in a wide variety of assets classes produced an increase of 6.6%.

We also made our own luck. The Assets Committee made changes in the Commissioners' external investment managers that proved to be beneficial. In addition we made timely reductions in our exposure to equities and held the proceeds in cash. But what helped us most of all is that real estate makes up one third of our portfolio.

Property assets advanced by 13.1% last year. And among them are two particularly choice sectors, inner London residential and a substantial holding of rural let land, which are also the types of assets that are favoured when uncertainty is rife. Both classes gained from substantial overseas interest. The former provided a return of 14.9%, and the latter 24.6%.

As well as seeking to increase the value of our portfolio in real terms, for which we set the demanding long-term target of exceeding inflation by five percentage points per annum, we also prize consistency. We want our beneficiaries to feel that they can rely upon us. Over the past 20 years, the Commissioners' assets have grown by 9.5% per annum whereas inflation rose by 2.9% per annum during the same period. Even in the difficult three years that have just elapsed, beset by banking crises and sovereign debt problems, the Commissioners' assets increased by 10.9% per annum compared with a rate of inflation averaging 4% per annum.

As I write, financial markets have made a good start to 2012. But investors will require a good deal of convincing that a clear way lies ahead. Moreover there are two aspects of our own situation that impart a degree of caution. Low interest rates have increased our liability for clergy pensions earned up to 1998 - when the Commissioners' scheme was closed to new entrants and a separate scheme was set up by the Church of England Pensions Board. At the same time, a growing number of pensioners from the Commissioners' scheme are now moving into retirement.

However we try never to forget the reasons we are managing these historic assets, in other words, what the Commissioners are for. Out of £200 million or so of annual distributions, of which a little over £100 million goes to clergy pensions, we have, for instance, set aside some £11 million for the funding of mission initiatives in the three years 2011 to 2014. This is specifically to support expanding churches in deprived areas. And under this heading, we have recently made ten grants of £100,000 each to parish mission schemes of a kind which, if successful, could be replicated widely.

I have recently been to see seven of these projects. These journeys took me to Bradford, to Cliftonville in Margate, to two post-war outer estates in Leicester, twice to Liverpool (the Cathedral and St Andrew's Clubmoor), to North Kensington in London and to a difficult area in Worcester. In Bradford, the Church Army is running a youth evangelism project called 'Sorted'. In Margate, the 'Ignite' project is reaching unchurched people through the medium of a 'café-style church'. Many of those attending services and other events are unemployed.

In Leicester, traditional parochial ministry done to a high standard in the Anglo-Catholic tradition is producing good results. Liverpool Cathedral stages informal services at the same time as traditional ones. In St Andrew's Clubmoor, church members have developed an impressive array of community projects including debt counselling and a food bank. In North Kensington, St Francis Dalgarno Way will shortly employ a children and families worker in what is a deprived area with a high proportion of young people. And in Worcester, a ministry for young people has been successfully developed despite a lack of parental involvement.

From which can be drawn the conclusion that as the Church can grow in such challenging areas, it can succeed anywhere. Nowhere is out of bounds, nowhere is beyond reach. Moreover it seems that different traditions of churchmanship can have equally good results. What mattered above all was the quality of local leadership, clergy and lay people alike, with the diocese providing backing where needed.

The Church Commissioners stand behind the dioceses, far back from the sort of missionary activity described above, yet daily involved in another testing activity, the financial markets, understanding them and profiting from them. To the extent that we are successful, we can help the Church to grow and retain its presence in every neighbourhood. This is also what we are for.

Andreas Whittam Smith
First Church Estates Commissioner
19 April 2012

Supporting the Church's ministry

The Commissioners help to fund the work of Portsmouth Cathedral's Education Officer, here conducting one of a successful series of schools workshops.

Objectives

i. to manage our financial commitments

ii. to provide sustainable financial support to our beneficiaries

iii. to target resources on areas of need

iv. to identify and help to meet new needs

v. to research and share news of effective spending

vi. to provide an administrative resource and skills base to the church

Overview

HM The Queen told an inter-faith reception at Lambeth Palace marking her Diamond Jubilee, "Faith plays a key role in the identity of many millions of people, providing not only a system of belief but also a sense of belonging. Indeed, religious groups have a proud track record of helping those in the greatest need, including the sick, the elderly, the lonely and the disadvantaged. They remind us of the responsibilities we have beyond ourselves.

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

"[The Church of England] certainly provides an identity and spiritual dimension for its own many adherents. But also, gently and assuredly, the Church of England has created an environment for other faith communities and indeed people of no faith to live freely. Woven into the fabric of this country, the Church has helped to build a better society – more and more in active co-operation for the common good with those of other faiths."

The spiritual and numerical growth of the Church includes growing its capacity to serve the *whole* community of the country, and we need carefully to identify areas of need and opportunity in all contexts. The two goals of investing in growth and maintaining nationwide presence do not always align neatly. Our remit is not to drive growth but to help parishes and dioceses to do so, to support talent and initiative and to seek to put money behind effective programmes rather than to subsidise unsuccessful activity.

Around three-quarters of the Church's annual £1.3 billion spending on its mission and ministry comes, via dioceses, cathedrals and parishes, from parishioners' generous giving.

In 2011 our own contribution to that sum was £197.9 million, around 15% of the Church's overall costs. As much as possible of our funding for the Church's serving ministry is weighted towards need and new opportunity.

To quote Her Majesty again: "We should remind ourselves of the significant position of the Church of England in our nation's life. The concept of our established Church is occasionally misunderstood and, I believe, commonly under-appreciated. Its role is *not* to defend Anglicanism to the exclusion of other religions. Instead, the Church has a duty to protect the free practice of all faiths in this country."

Spending plans 2011-13

The 2011-13 spending plans jointly developed by the Archbishops' Council and the Commissioners are designed to promote the three strategic themes set out in the Archbishop of Canterbury's November 2010 statement to General Synod:

- To take forward the spiritual and numerical growth of the Church of England – including the growth of its capacity to serve the whole community of the country;
- To re-shape or re-imagine the Church's ministry for the century ahead, so as to make sure that there is a growing and sustainable Christian witness in every local community; and
- To focus resources where there is both greatest need and greatest opportunity.

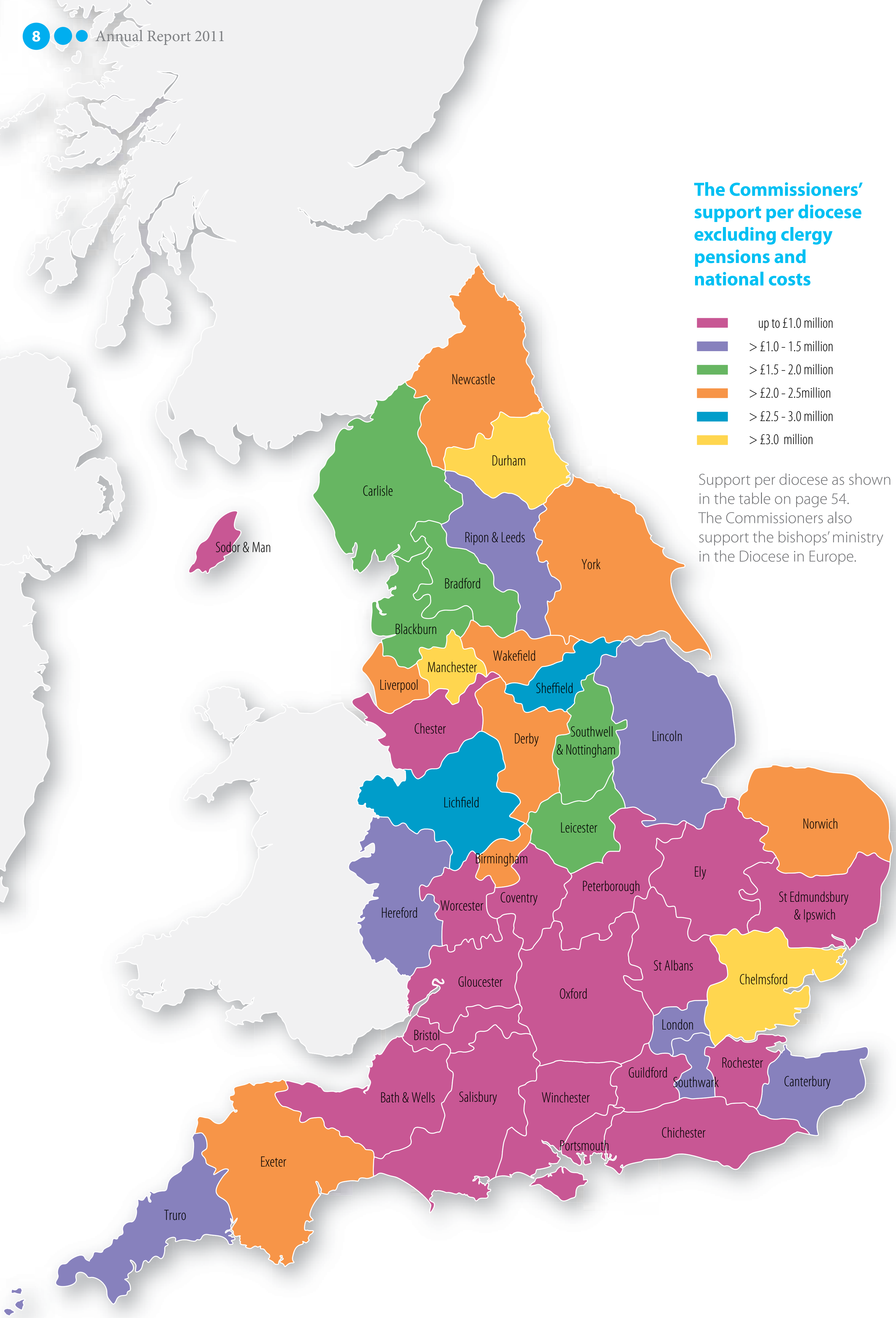
As one triennium ended and a new one began, we and the Council jointly invited dioceses to respond to a questionnaire on their 2008-10 funding outcomes and on their strategic objectives and hoped-for outcomes for 2011-13. We invited cathedrals to do likewise in the context of our funding for them.

Dioceses identified the need for church growth; the sustainability of existing ministry; the need for new patterns of ministry and training; and finances as amongst the key overall challenges which are facing the Church. Their responses to these challenges centre around plans for change management, parish development, ministry development and the expansion of mission through church planting, fresh expressions, pioneer ministry and schools.

Cathedrals' overall priorities also related to growth (many have been flourishing in terms of attendance and visitor numbers), with many putting emphasis on extending their educational work with children and young people; the support of episcopal mission and ministry; and the efficient management of resources.

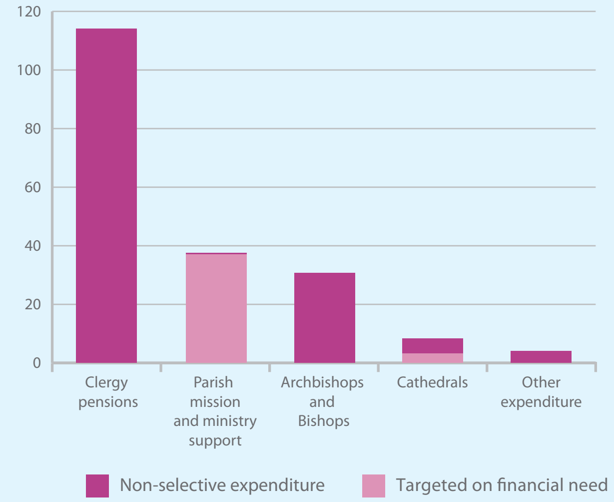
We and the Archbishops' Council will consider how the parish mission and ministry support funding and our funding for cathedrals can best be deployed beyond 2011-13 to help dioceses and cathedrals to meet the challenges that they have identified.

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



Support per diocese as shown in the table on page 54. The Commissioners also support the bishops' ministry in the Diocese in Europe.

Support for the Church in 2011 *(£ million):*



Clergy pensions	**114.6**
Parish mission and ministry support	
Selective grants to low income dioceses	*31.6*
Mission development funding	*5.5*
Development funding	*0.1*
Other grants	*0.1*
Payments direct to parish clergy	0.4
	37.7
Archbishops and Bishops	
Archbishops' and Bishops' ministry (office and working costs and stipends)	24.5
Housing and office premises and Lambeth Palace Library	6.3
	30.8
Cathedrals	
Stipends and associated costs	5.2
Grants towards staff and other costs	*3.2*
	8.4
Other costs	
Church buildings and pastoral reorganisation	3.1
Support for other Church bodies etc	0.2
Administration of national Church functions	0.8
	4.1
Total charitable expenditure	**195.6**
Governance and other costs	2.3
Total	**197.9**

Headings in italics show funding distributed on a selective basis

Parish ministry and mission

In 2011 direct parish mission and ministry distributions totalled £37.7 million. Most of this sum comprised grants made through the Archbishops' Council and £31.6 million was distributed as block grants to the least resourced dioceses. Dioceses generally use this money for clergy stipends, targeted on parishes least able to meet their ministry costs. Sixteen dioceses received grants of more than £1 million in the year.

The mission development funding stream helps dioceses invest in new mission opportunities and may also be used for stipend support. The funding (£5.5 million in 2011) is weighted towards areas of need but all dioceses receive a share.

Each year dioceses report how these grants have been spent and the information is collated into a report which is circulated to General Synod members and senior diocesan staff and made available on the Church of England website.

Since its inception in 2002 most of the mission development funding has been channelled through diocesan mission funds and has supported local mission initiatives, particularly children's and youth work. Where dioceses have evaluated the funding rigorously, using measures such as attendance figures and other performance indicators, clear evidence has been revealed of substantial attendance turnaround at the churches receiving funds, particularly where family workers have been deployed.

Other expenditure included £0.1 million to Fresh Expressions, paid via the Archbishops' Council, and the direct expenditure of £0.2 million in time-limited payments included, for historic reasons, in the stipend of (at the year-end) 305 clergy.

The Commissioners provide more than £37 million each year in support for parish ministry, mainly to less-resourced dioceses

Examples of the use of mission development funding

Playing with Purpose (Bradford diocese)
The Playing with Purpose project in Bradford supports seriously underachieving children with inadequate language and communication skills and also helps parents to learn to talk to their children. The project has attracted funding from two other partners, pump-primed by the mission development funding.

New housing and other development areas

In 2008-2010 £7.25million 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 held up in 2008 and 2009, and there is still a significant amount to be distributed; £0.8 million was spent in 2011 and there remains £4.5 million committed which will be drawn down over several years.
In 2011 staff visited five of the dioceses receiving money from this stream and held a conference for those involved with planning for ministry in new housing areas to share learning. A report summarising the emerging learning can be found on the Church of England website.

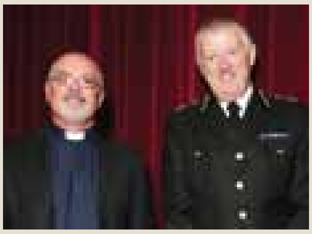
Peterborough diocese has created a learning tool focused on using "Milestones" to help structure pioneer ministry, and this too can be found on the Church of England website.

Kairos Church, Harrogate (Ripon and Leeds diocese)
When St Mary's, Low Harrogate closed in January 2007 because of severe structural problems, it began its transition from a parish church to a fresh expression of church serving the whole deanery of Harrogate, supported by the mission development funding. Although Kairos is one church which gathers for regular services, it is also a group of smaller network churches known as mid-sized/mission-sized community churches (MSCs) which meet in places such as homes, cafés or pubs. Kairos has approximately 70 people of all ages in the MSCs and around 100 involved in Sunday gatherings.

St Luke's Longsight (Manchester diocese)
The St Luke's centre in Longsight received a grant of £22,500 over three years towards the salary of the centre manager. The parish provides informal day care for those with long-term mental health needs, including an arts project, a treatment room offering affordable complementary therapies, a community café offering training in food preparation and serving affordable healthy food, a women's group, and youth clubs. In an average week more than 400 people go through the doors.

Liverpool diocese

The Revd Keith Hitchman has been appointed pioneer minister to Liverpool city centre. His work includes a police chaplaincy network, outreach into the business community and Street Pastors work (for which the police force have donated a car). Keith uses Twitter and other social networking to build his presence in his city centre ministry.



Peterborough diocese

Andrew Dunlop works in the Duston area of Northampton, where 1,500 new homes have been built with more planned. He has recently set up the community-centred Berrywood church which offers groups and activities to local residents and beyond, including baby signing courses, a baby-friendly Bible study group, book groups and friendly football for adults.

Research and development (R&D) funding

A total of £12 million has been earmarked in 2011-13 for R&D to help the Church understand better which parts of the Church are growing and why, and to seek to develop that growth.

An invitation to tender has been issued for a significant and comprehensive research programme to explore church growth. The research will involve three main strands. First, churches' attendance and other data will be analysed in detail to test hypotheses relating to church growth. The second strand will involve detailed profiling of a sample of growing churches. The third strand will look at a range of specific issues including church planting, unions of benefices and factors relating to growth at cathedrals.

We have earmarked £3 million of R&D funding to help replicate church growth in areas of deprivation. Ten projects across nine dioceses were identified for support in 2011. We plan to choose another 20 projects in May 2012, following a further invitation to dioceses and other Church bodies to submit proposals, with grants of £100,000 each distributed during 2012.

Examples of projects receiving development funding

St Andrew's, Clubmoor (Liverpool diocese), situated in one of the most deprived areas of the UK, links with its community by providing vital services. These include food banks, debt advice, self-help groups and parent and toddler groups. The church also runs missional communities that work alongside particular groups in the community. The grant will be used to bring the mission and practical work closer together, establishing work patterns and practices that can be used elsewhere.

In Leicester, the grant has been awarded to two parishes with high levels of multiple deprivation which propose to use mission workers to help develop lay ministry through pastoral centres in parts of the parish situated further away from the parish church.

Evaluation

A small part of the R&D funding has been allocated to help dioceses evaluate their use of resources and to help a more intentional re-allocation of resources to support mission and growth. Part of this funding is being made available for a web-based intelligence function to assist dioceses in evaluating parish health and viability and resource planning, and to support some dioceses in developing the evaluation of their mission/growth funds through the appointment of external assessors.

Bishops and cathedrals

The Commissioners fund the work of the archbishops and bishops. Stipends and associated contributions for the archbishops totalled £0.2 million and £4.8 million for the bishops. Support staff plus office and working costs were £4.7 million for the archbishops and £14.3 million for the bishops. Full details of bishops' office and working costs will be published later in the year.

In 2011 there was a step change in the way we organise the funding to support bishops' ministry. The House of Bishops has agreed that the total amount of funding should be a fixed percentage of the Commissioners' overall distribution to their beneficiaries. A block grant is made to diocesan bishops to cover bishops' stipends and working costs, providing them with more flexibility to set their own budgets and to direct funding to their suffragan, area and assistant bishops.

We continue to 'green' the bishops' car fleet. Replacements during the year have enabled us to reduce the average CO_2 emission for the car fleet from 130g/km to 120g/km and to increase fuel efficiency to an average 61 mpg.

2012 is the 350th anniversary of the 1662 Book of Common Prayer. Queen Elizabeth I's own prayer-book is a treasure in the collection of Lambeth Palace Library, for which the Commissioners are responsible.

Bishops' houses

The Commissioners continually review the suitability of the official houses and office accommodation provided for bishops to ensure they meet the operational needs of the Church in the 21st century. During the year the houses at Hereford, Lincoln and Bishop Auckland (Durham) were reviewed. While the Hereford house continues to be suitable, those at Lincoln and Bishop Auckland were not.

Auckland Castle was the largest and historically has been the most expensive property to maintain in the See house portfolio. Having found it unsuitable as a house, we have agreed, in principle, for the Castle and the Zurbaran paintings held within to be sold. It has also been agreed that the Bishop's office will remain at the Castle and that the Bishop will continue to use the chapel for worship.

A temporary house near Auckland Castle was purchased for the new Bishop of Durham retaining the locally important link of the Bishop residing in Bishop Auckland. A new See house was also purchased in Lincoln, providing good family accommodation within five minutes' walk of the Diocesan Offices and Cathedral. In addition, essential repair and refurbishment work was undertaken to the houses at Bradford, Ely, Salisbury, Southwark and Winchester.

The ongoing programme of major repairs to Lambeth Palace has continued in 2011 with the completion of the roof works and stone repairs to the main Palace building. The roofing works and stone repairs to the Great Hall are scheduled to begin in 2012.

See houses provide bishops with homes and offices which enable and equip them to undertake their ministry effectively in the 21st century and Rose Castle was no longer suitable for that purpose.

Cathedrals

The Commissioners have given cathedrals a commitment in relation to their funding for the full period of the triennium 2011-2013 and have agreed that funding should increase by 4% per annum subject to annual confirmation that the sums are available.

We fund the stipends and pension costs for the dean and two residentiary canons at most cathedrals. The funding has been made more flexible so if a cathedral is carrying a vacancy, the cathedral chapter can apply for the unspent monies to be redirected to the cathedral for other purposes within our powers to fund. This stream of funding amounted to £5.2 million.

We also provided a total of £3.2 million in 'section 23' grants to cathedrals, targeted on those with the lowest unrestricted income. Cathedrals generally use the grants to fund lay staff posts ranging from administrative and finance officers to musicians and leaders of educational and outreach programmes.

In their responses to our questionnaire, cathedrals highlighted the important part that the section 23 funding plays in supporting their core administrative costs (for which it would be difficult to attract external funding) which in turn enables them to have a firm foundation for mission and ministry.

Bishop's House at Keswick (as the new house is now called) is a former vicarage which has been refurbished to provide a comfortable home and office accommodation for the present and future Bishops of Carlisle.

Examples of use of section 23 funding

Blackburn Cathedral
In 2008-10 Blackburn Cathedral's section 23 funding enabled it to establish four new choirs, bringing the total number of new choirs set up by the cathedral in the last decade to nine. The choirs draw children from schools across the district, including some of the most deprived areas of the country.

Portsmouth Cathedral
Funding of an Education Officer enables Portsmouth Cathedral to offer regular schools workshops, each attracting 150 children from schools around the diocese and beyond. Schools visits are tailored to fit in with the national curriculum.

One of Portsmouth Cathedral's schools workshops, with funding from the Commissioners.

Supporting clergy in retirement

The Commissioners pay for all clergy pensions earned up to 1998 – pensions since then are paid for by dioceses, largely from money donated by parishioners

The Commissioners' largest single expenditure is in funding clergy pensions. We fund all pensions earned from service before 1998; pensions for service since the start of 1998 are paid from a stand-alone scheme funded by Church members and managed by the Church of England Pensions Board. Our pensions expenditure is likely to peak within the next 10 to 15 years.

Our total spending on pension benefits for clergy, spouses and dependants in 2011 was £114.6 million – still by far the largest proportion of the Church's total outgoings on pensions currently in payment. This reflected increases from April 2011of 1.0% in the basic initial pension, in line with the previous year's increase in the National Minimum Stipend, and 4.6% for pensions in payment, in line with the increase in the retail prices index (such increases are capped at 5% for pensions arising from service for which the Commissioners are responsible).

National administration

Clergy payroll

The Commissioners manage the national payroll for serving and retired clergy

The Commissioners administer the national clergy payroll and are responsible for ensuring that stipends and pensions for the Church of England's 18,000 serving and retired clergy are paid accurately and on time.

In 2011 we began to introduce new software to replace a number of legacy systems, including the clergy payroll. This is a major project, engaging partners across the National Church Institutions. The new software is expected to be introduced in the summer of 2012.

Pastoral administration

The Commissioners' role in pastoral administration underpins the Church's work across the country by helping to adapt local structures and deploy resources to meet changing pastoral and mission needs. We offer advice on supporting the range of traditional and innovative expressions of church which form part of the mixed-economy landscape and are also responsible for settling the future of church buildings closed for regular public worship. The Mission and Pastoral Measure 2011, expected to come into effect shortly, has consolidated the relevant legislative provisions which guide this work. We have consulted on an updated Code of Recommended Practice to accompany the consolidated Measure and will be holding a number of seminars with dioceses to mark its introduction and forge closer working relationships.

Pastoral Reorganisation

We draft and publish schemes providing for the closure of churches for regular public worship, while other schemes and orders for reorganising benefices and parishes and related matters are now handled by dioceses, with the Commissioners exercising a validating role. We continue to provide training for diocesan staff on the new procedures.

During the year there were 153 new cases (165 in 2010), and 95 brought forward from the previous year. We completed 144 cases, resulting in a net reduction of 58 benefices and 25 parishes. During the year 24 of nearly 16,000 churches in use were declared closed for regular public worship. Figures for newly opened places of worship are not collected centrally.

Our Adjudicatory Role

Nineteen published schemes or orders (13%) drew objections. Our Pastoral Committee considered eight cases during 2011, in all of which representors or diocesan representatives attended and spoke to the Committee under our procedure for public hearings.

It decided in six cases that the Scheme or Order should proceed and two cases were referred back to the bishop for further consideration. Eleven cases were resolved without adjudication: in seven of these the objections were withdrawn, and in four the diocese withdrew the draft Scheme. The right to apply to the Judicial Committee of the Privy Council for leave to appeal against our decisions was unused.

Pastoral representation cases dealt with 2007 - 2011

Outcomes	2007	2008	2009	2010	2011
Scheme to proceed	19	17	11	7	6
Scheme not to proceed	1	1	1	1	0
Representations withdrawn	9	8	8	9	7
Draft amended	2	1	1	3	0
Draft withdrawn by Bishop	0	2	4	4	4
Draft referred back to Bishop	2	4	0	1	2
Decision deferred	0	0	1	0	0
Totals	**33**	**33**	**26**	**25**	**19**

Clergy Housing and Glebe

Transactions involving parsonages and glebe land are referred to us if they draw objections or fall outside other criteria. Objections to one proposed parsonage replacement were withdrawn after correspondence. We approved two parsonage transactions (as in 2010), and five glebe sales (two in 2010) involving connected persons. We also approved two (11 in 2010) releases of covenants where the Commissioners were a party.

An enthusiastic congregation is breathing new life into the former Churches Conservation Trust church of St Luke's, Kentish Town, now restored to use. The building had been formally closed for worship in 1996 and vested in the Trust in 2000. © HTB

Church buildings closed for regular public worship

The Commissioners settle the future of closed church buildings and our specialist casework team deployed locally assists dioceses in securing suitable alternative uses. Where no such use can be found we normally have to decide, following advice, between preservation in the Churches Conservation Trust and demolition. If 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 £48.5 million has been raised since 1969 in proceeds from the disposal of closed churches and sites. More than £35.6 million has gone to diocesan pastoral accounts to fund the living Church, nearly £12 million to funding the Churches Conservation Trust, and a little over £1.1 million to the temporary maintenance account, which part-funds the care of closed churches the future of which is yet to be settled. Net sale proceeds continued to hold up in another difficult year at £1.4 million.

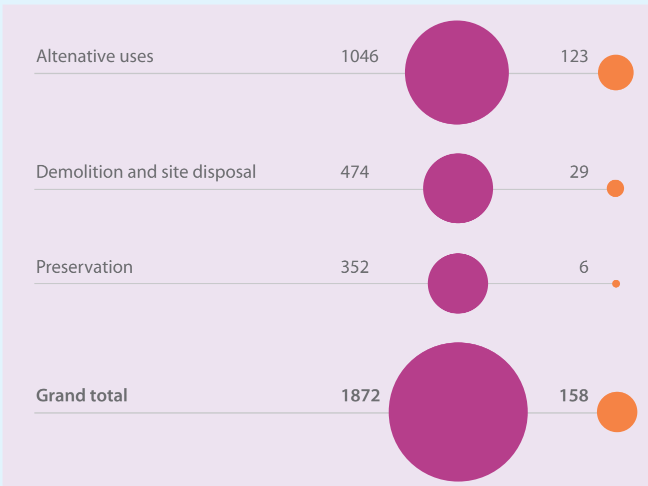
We made 26 schemes in 2011 (21 in 2010) determining the future of closed church buildings or their sites, with 18 providing for alternative uses, one for preservation in the Churches Conservation Trust, five for demolition and two for restoration to use as places of worship. These included six schemes amending earlier provisions for alternative uses for those buildings. Much of our work takes place before or after the statutory scheme-making process and there were 226 current cases at the year end (220 at the end of 2010).

The table shows how the futures of 1,872 closed churches have been settled since 1969 when the Pastoral Measure took effect. Suitable alternative uses are found in most cases.

The Commissioners encourage innovative uses for churches no longer in use for Church of England worship

The future of church buildings closed since 1969 and in the last five years

	1969-2011	2007-2011
Alternative Use		
Adjuncts to adjoining estates	7	0
Arts and crafts	19	4
Civic, cultural or community	151	16
Educational	36	3
Light industrial	10	2
Monument	148	9
Museums	16	0
Music or drama	16	0
Office or shopping	59	13
Other	5	0
Parochial or ecclesiastical	79	9
Private and school chapel	23	2
Residential	280	28
Sports	15	5
Storage	21	0
Worship by other Christian bodies	161	32
	1046	**123**
Demolition and Site Disposal		
Additions to Churchyards	51	3
Housing Associations	81	2
Local Authorities	70	3
New Places of Worship	65	0
Not Yet Decided	10	8
Other Community Purposes	31	4
Other Purchasers	166	9
	474	**29**
Preservation		
Churches Conservation Trust	342	6
Diocesan Board of Finance	6	0
Secretary of State	4	0
	352	**6**
Grand Total	**1872**	**158**



The Church Buildings (Uses and Disposals) Committee considered objections in four cases, and decided in each that the scheme should proceed.

Each year the Committee, with diocesan colleagues and representatives of heritage bodies, visits an area to see churches that have closed, or face significant challenges, or have been adapted to a new use. Last year's tour of buildings in the dioceses of Sheffield and Bradford highlighted the challenges facing congregations in urban areas where there has been significant population change. We saw some striking examples of successful uses of closed churches but also a number of uses which have failed to prosper, leaving difficult situations to be grasped in areas often of significant urban deprivation. Across the two days we visited 13 Church of England church buildings, of which five were in use and eight had been closed, and one former Methodist church.

A common theme of diocesan presentations on strategies for mission and ministry was the creation of small, pioneering missional communities and the possible impact on traditional church buildings. These visits not only inform our work in relation to current closed churches but also highlight the number of future church closures expected in areas which contained many churches, all close to the edge of viability.

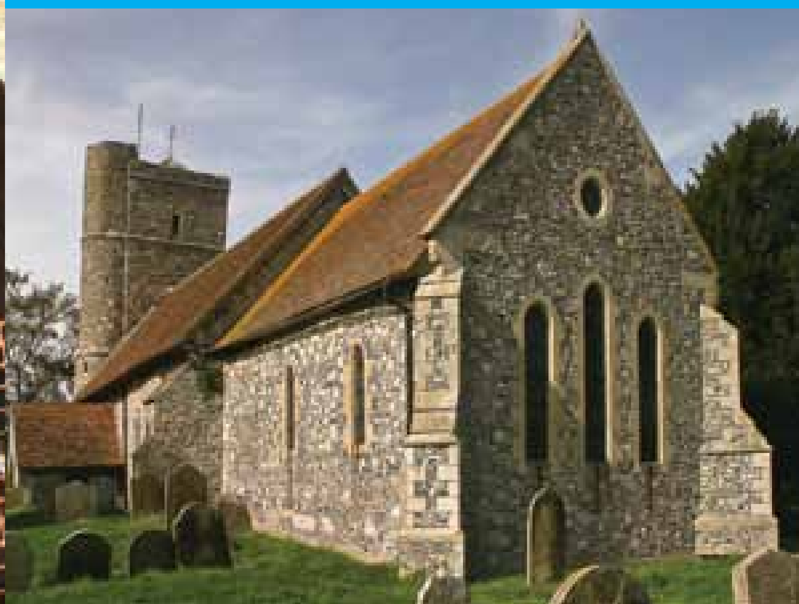
Churches Conservation Trust

With the Government we co-sponsor the Churches Conservation Trust, which preserves 342 outstanding closed church buildings for which no suitable new use has been found.

In July General Synod approved The Payments to the Churches Conservation Trust Order 2011 to maintain the Church's grant to the Trust at the current £1.36 million per annum up to 31 March 2015, notwithstanding a cut in the Government's grant in real terms of some 20%. This will result in a slight shift in overall core funding met by the State and the Church to a 68:32 basis. It does not constitute a step change but maintaining the Church's grant at its current level should assist the Trust as it seeks to widen its funding basis and, in future, reduce its reliance on core funding. While our continuing ability to transfer buildings to the Trust is a key element in redeploying resources in response to local needs, we also work closely with the Trust on opportunities to divest its churches for new use or to lease them so as to reduce its liability.

The generosity of the local community supported the transfer of Thornton le Beans church (York diocese) to The Friends of Friendless Churches.

The church of St Peter, Swingfield (Canterbury diocese), transferred to the Churches Conservation Trust (Photograph © Graham Salt)



Financial performance

All of our directly owned timberland properties are operated to the highest international standards of sustainability and forestry management.

Objectives

i to manage the fund so as to ensure sustainable distributions for our beneficiaries

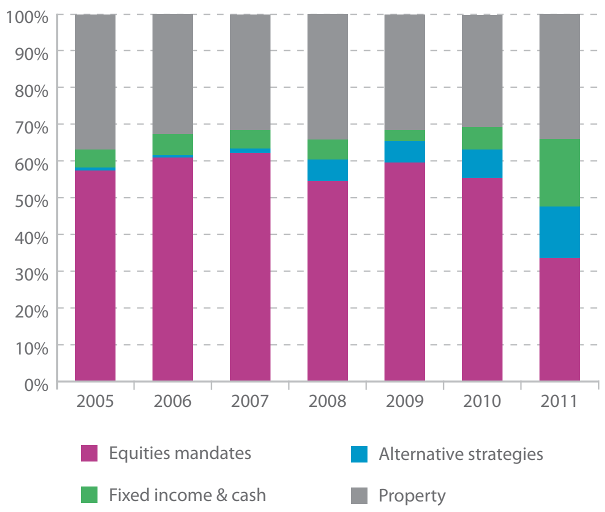
ii. to achieve a total fund return of RPI + 5% per annum measured over the long term

iii. to meet performance benchmarks for individual asset classes

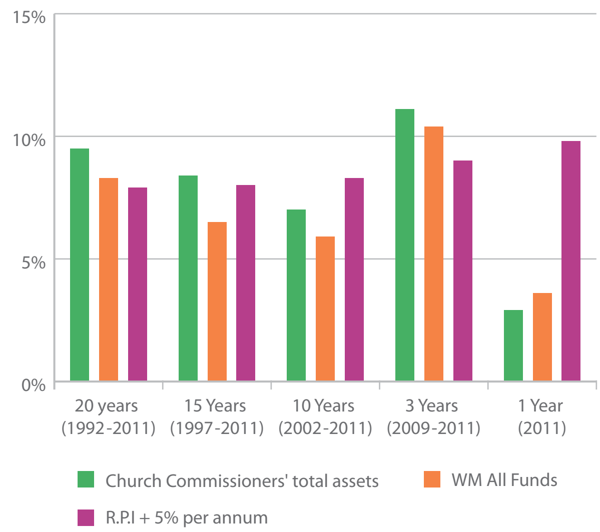
iv. to manage financial risks appropriately

v. to act within our ethical investment guidelines in relation to all classes of investment

Commissioners' asset allocation from 2005



Total returns per annum against an independent comparator and target return



Fund strategy

From the Commissioners' fund, valued at some £5.2 billion at the year-end, we aim for a rate of return that will allow us to meet our pension obligations and to maintain and grow, over time, our support for the Church. Our target is RPI +5% per annum averaged over the long term.

The Commissioners invest across a broad range of asset classes. The chart above shows our asset weightings at the end of 2011 and how these have changed in recent years. During the year we continued to diversify our investments, reducing our equity holdings and investing further in multi-asset strategies and timber. In addition we established a liquidity reserve to reduce the risk of being forced to sell assets at depressed prices to maintain distributions. This reserve is held in treasury bills and short dated gilts and was funded out of equity sales in the first six months of 2011, the timing of which proved beneficial, as equity markets fell sharply in the second half of the year.

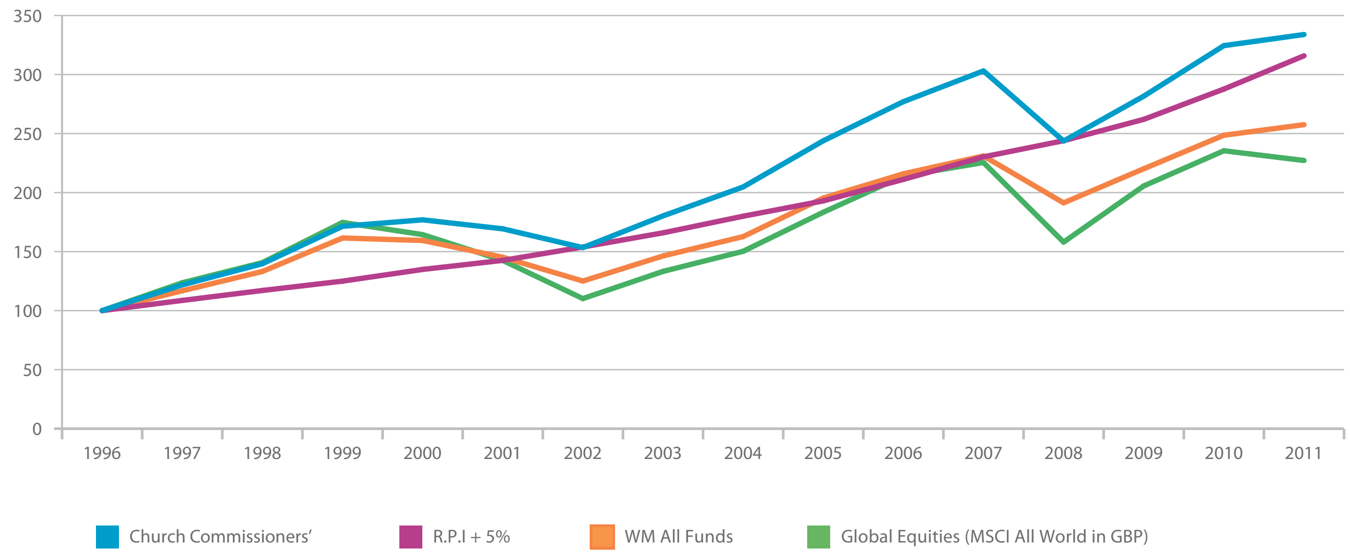
Fund performance

2011 proved to be a challenging year for markets as investors had become much less optimistic about economic growth by the middle of the year. The combined effect of the escalating debt crisis in Europe, the budget deadlock and slowdown in economic activity in the United States caused risk assets to fall sharply in the third quarter of 2011. Perceived 'safe haven' assets, such as UK Gilts and US Treasury Bonds, benefited from these concerns.

The changes to the portfolio made over the last 18 months combined with strong performance from the non-equity assets within the Commissioners' portfolio meant that, despite global stock markets falling on average -6.2%, the Commissioners' portfolio delivered a modest positive return of 2.9% in 2011.

Measured over longer time periods our strong performance record remains intact. Over three, 15 and 20 years we are ahead of our annual long-term target return of RPI +5% although we have fallen short over the last 10 years, largely because equity markets have performed poorly. Over all time periods greater than a year, we have outperformed the comparator peer group as measured by the WM All Funds universe.

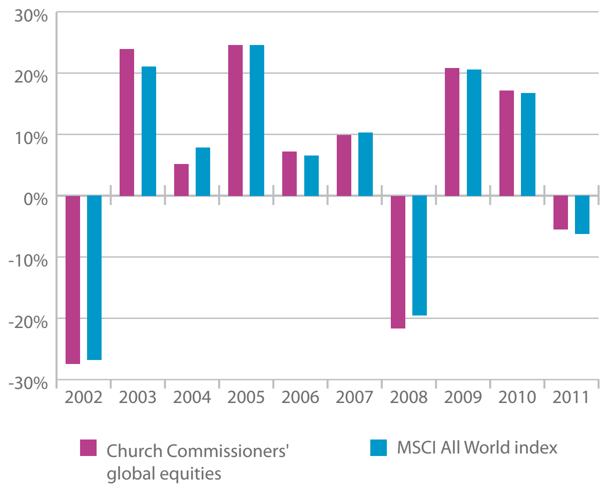
Commissioners' fund performance since 1996 (assuming income reinvested against performance target and comparators)



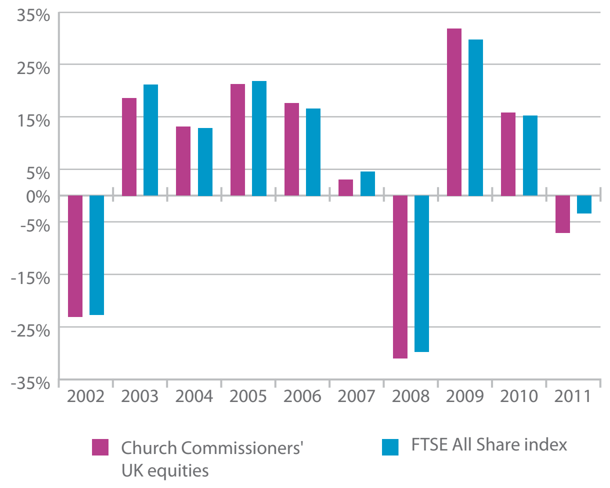
Asset returns, total fund and by asset class, 20, 15, 10, 3 and 1-year averages

Total returns %p.a.	20 years 1992-2011	15 years 1997-2011	10 years 2002-2011	3 years 2009-2011	1 year 2011
Commissioners' total assets	9.5	8.4	7.0	11.1	2.9
WM All Funds Universe	8.3	6.5	5.9	10.4	3.6
Retail price index + 5%	7.9	8.0	8.3	9.0	9.8
Commissioners' main asset classes					
Global equities mandates	8.1	6.4	3.8	10.2	-5.5
UK equities mandates	8.5	5.8	4.0	12.3	-7.1
Commercial property	10.3	9.7	7.9	9.9	6.6
Residential property	15.7	18.1	15.5	14.8	14.9
Rural let land property	15.3	15.2	17.8	15.4	24.6
Rural strategic land	n/a	19.3	16.2	19.3	11.4
Indirect property	10.6	10.5	7.6	1.9	10.7
Value linked loans	7.2	8.5	5.7	11.1	0.0

Global equities returns since 2002



UK equities returns since 2002



Asset classes

Equities

In 2011 our global equities portfolio produced a negative return of 5.5%, ahead of the benchmark which fell by 6.2% in sterling terms. Stock markets were volatile in 2011, particularly in the second half of the year, reflecting investor concerns over the Eurozone sovereign debt crisis.

Over the year, US and UK equities outperformed Eurozone and Japanese markets, whilst emerging markets suffered the largest falls. Our global equities performance was cushioned by the outperformance of our more defensive managers, specifically the new managers added to the portfolio earlier in the year. Our ethical exclusions were a notable drag on the performance of the global portfolio, at an estimated 1.0%, as banned sectors and stocks outperformed the general market.

Our UK equities portfolio fell 7.1% in 2011, compared with a 3.5% decline in the FTSE All Share index. The overweight exposure to smaller companies in the portfolio reduced returns relative to the benchmark. Our ethical exclusions, which make up a larger part of the UK equity market compared with the global universe, significantly affected relative returns. Around 2.0% of performance was sacrificed because of restrictions after tobacco and alcohol related stocks posted strong relative returns.

In the first six months of the year we significantly reduced our allocation to global and UK equities, which helped the performance of the overall fund.

Alternative investments

Our alternative investments generated useful positive returns in a difficult year for stock markets.

The private equity portfolio, which invests in unlisted companies, achieved a total return of 15.6% in 2011. This portfolio is well diversified across a range of managers and strategies and has significantly outperformed quoted equity markets over the long term. We made further commitments totalling £24.2 million to the private equity portfolio during the year.

We increased our allocation to multi-asset absolute return strategies during the course of the year and they now represent around 10% of the total portfolio. These strategies generated a total return of 6.6% in 2011.

We plan to continue improving the diversification of the portfolio by expanding the exposure to alternative investments.

Timberland

A £200 million allocation to timberland had been agreed in November 2010, so 2011 was an active year. We committed an aggregate of £140 million to the US and UK timberland markets. Of this, £43 million has been invested to date, the bulk of it in a UK portfolio of eight forests. Within the US we committed capital to two pooled funds and established a direct separate account with a specialist manager. We also spent considerable time developing a joint venture arrangement in the US Pacific North West which we completed early in 2012.

We acquired 13,700 acres of forest plantations in Scotland. We believe that the fundamental drivers of future returns for that market are attractive. This acquisition has allowed us to gain sufficient critical mass to establish an efficient diversified UK timberland portfolio which we hope to grow over time.

All of our directly owned timberland properties are operated to the highest international standards of sustainability and forestry management.

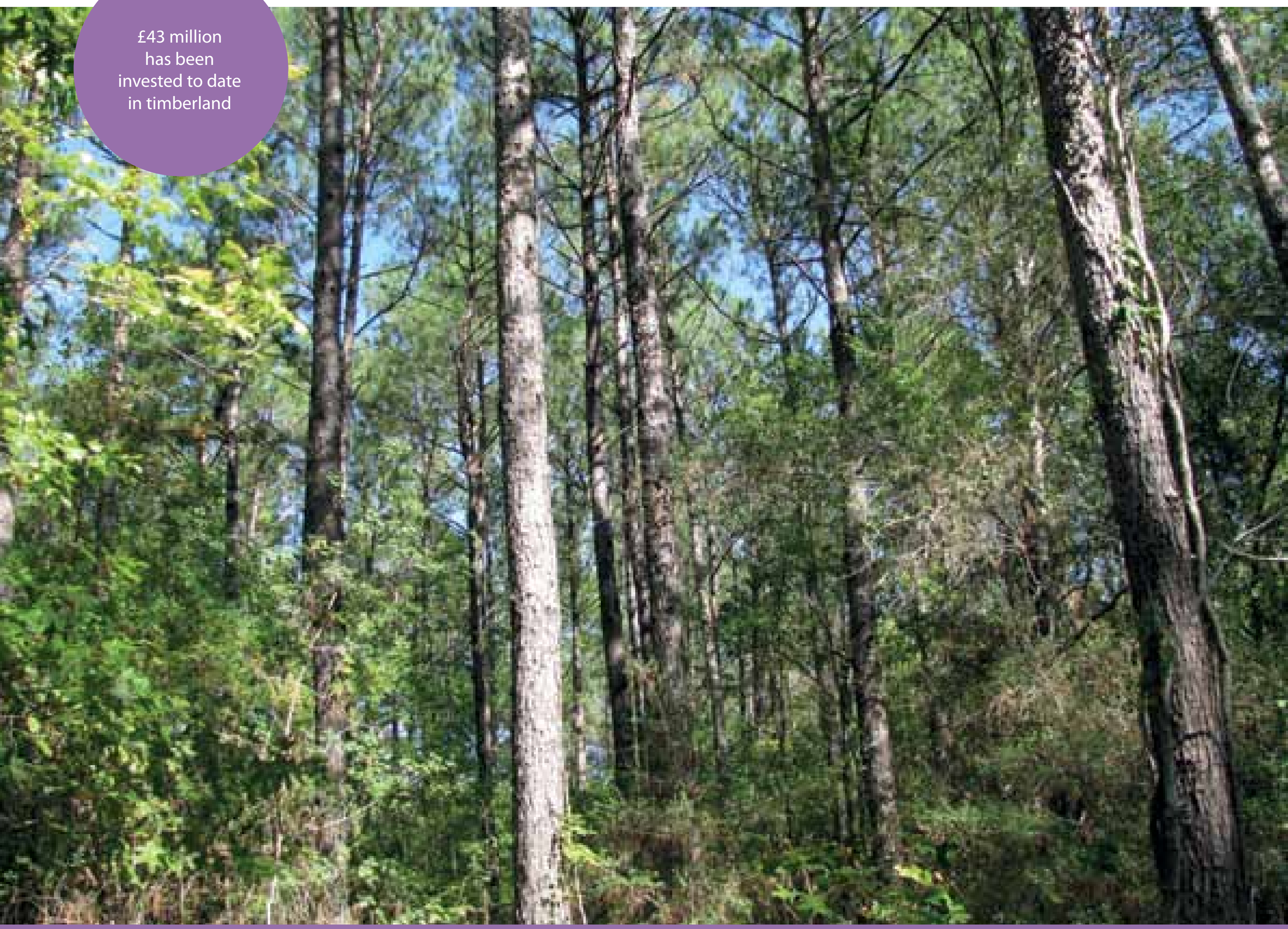
Fixed interest

Our fixed interest holdings posted positive returns in 2011, generating a return of 2.8%. We continued to pursue our strategy of diversifying away from equities and fully funded our allocation to US high yield bonds at the beginning of the year. These holdings in high yield securities performed strongly over the year in an uncertain market. Our investment in emerging market debt also showed a modest positive return in the twelve months.

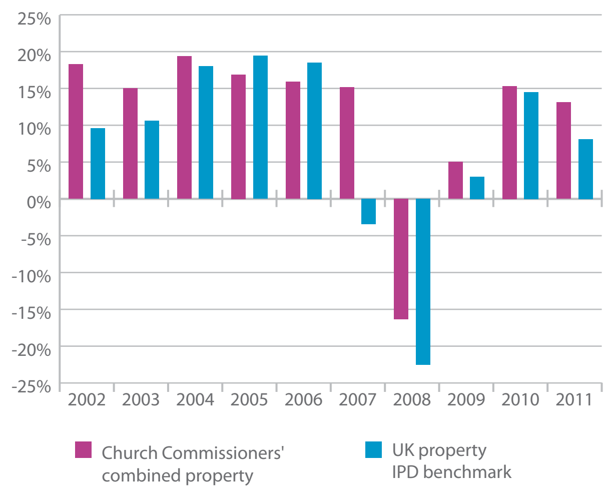
Currency management

The Commissioners employ a specialist currency hedging manager actively hedging the foreign currency exposures in the portfolio to help protect the total fund from an appreciation in sterling. Over 2011, sterling depreciated against most major currencies apart from the euro. We received a net £2.8 million from settling foreign exchange contracts over the year, and the cost of running the programme was £1.3 million.

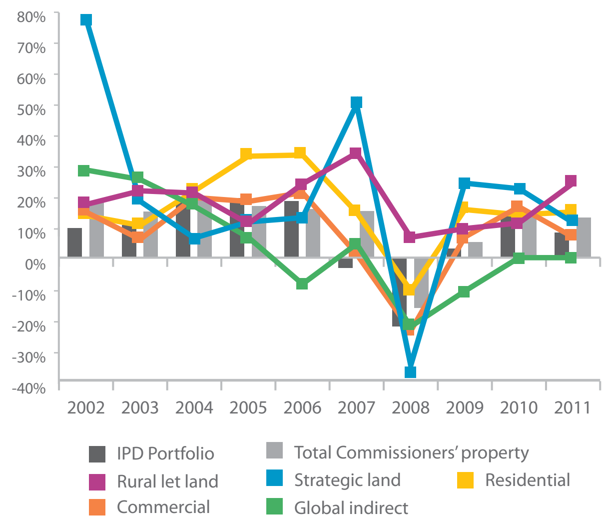
£43 million has been invested to date in timberland



Total commercial property returns since 2002 compared with IPD index



Investment property returns by individual class since 2001



Investment property

Our diverse and high quality property investment portfolio played a significant part in our financial performance for 2011, generating a total return of 13.1%. This followed a strong performance in 2010 of 15.3%, in recognition of which the Commissioners received an award from the Investment Property Databank for the fourth year in a row.

The Commissioners received an award from the Investment Property Databank for the fourth consecutive year.

Commercial

In 2011 we continued to focus on maintaining the portfolio's income return by actively managing rents. At the year-end the vacancy rate stood at 5.6%, comparing favourably with the industry average of 9.7%. What limited vacancies we do have are mainly on our multi-let industrial estates where demand has been low because of the economic difficulties in the manufacturing sector.

We sold two commercial properties during the year at Poole and Croydon.

We purchased 17 Moorgate EC2, a prime City freehold multi-let property comprising six floors of refurbished office accommodation and a Starbucks coffee shop on the ground floor. At the time of purchase one of the office floors was vacant and this has since been let in line with our expectations.

Residential

Our attention across our central London Hyde Park Estate has focussed on refurbishing and redeveloping properties and selectively re-investing within the core of the estate. We have continued to develop the standing of the estate's Connaught Village, supported by its dedicated website, and the Village is a popular boutique shopping destination, as well as serving the needs of the estate's residents.

Selective re-investment in the estate allows us to maintain and extend this key long-term property holding. We completed the purchase of a house in Kendal Street and placed under offer a house in Connaught Square and the connected mews house on Frederick Close. As well as undertaking selective refurbishments we re-developed the Brassworks (at 10 Frederick Close) into eight loft-style apartments.

Our strategy for Connaught Village focusses on boutique fashion and specialist retailers, galleries and high quality restaurants. We have invested in promoting Connaught Village, including funding a summer festival and other events, producing newsletters and maintaining its dedicated website, all of which show how the estate is an attractive, vibrant community. We have very few vacant properties in the estate and we will be pleased to announce a number of exciting new retailers in 2012.

The Metrocentre, our largest commercial property, celebrated its 25th anniversary in 2011.

Rural

Our rural portfolio has performed well throughout the financial crisis and saw significant gains in value during 2011, as land prices and farm rents reached new highs. Over the last 12 months we have continued active management of the portfolio, as well as selectively selling land identified as having little long term change of use potential. At a portfolio level we saw rents rise by 3.9% over the course of the year.

The rural portfolio has a surface estate of over 100,000 acres and includes reserved minerals together with further substantial areas of severed minerals arising from reservations out of sales of surface estates or derived from manorial title. Over the past eight years all of our surface title has been researched and we are working to register our minerals interest with the Land Registry before October 2013. This will safeguard the Commissioners' assets for future generations.

Farm land now accounts for roughly one third of our property investments by value.

Strategic Land

The Strategic Land Portfolio performed well during 2011. The planning system remains in a state of flux, but promotional activities achieved notable successes and the size of the portfolio increased to 45 sites, from 40 last year. After the strong year for disposals in 2010, things were quieter in 2011, and returns from phased site sales provided a reasonable level of receipts.

Having looked carefully for some years for opportunities to buy land we were pleased to secure the purchase of five sites from Haworth Estates for £12.6 million. These are located in the north of the country and should offer excellent opportunities for change of use in the medium- to long-term.

As already mentioned, our building licence agreements at Ely (Cathedral View) and Lincoln (North Hykeham) continued to perform well throughout 2011, providing stable receipts for the portfolio of £2.6 million. In addition, a tranche of land at Lincoln was sold to David Wilson Homes for £1.3 million. Further receipts (£5 million) have come from the phased land disposal to Persimmon/Taylor Wimpey at Leighton Buzzard.

Our proposed housing scheme at Ely will include a church, primary school and community hall.

Indirect Property

Our indirect property holdings performed strongly in 2011. We have seen good performance from the majority of our indirect property holdings, here in the UK, as well as in the US and mainland Europe. We also saw very strong returns from our investment in a fund with two large Singaporean office buildings, whilst two smaller investments in the region remained under pressure.

Our commitment to a European real estate debt fund saw increased activity during 2011 and is now in a position to cherry-pick potential transactions. Here in the UK our investment with a senior living care provider has seen a promising start with a number of attractive sites secured and planning permissions achieved.

During 2011 we raised £10 million from the sale of property shares in June, before the sovereign debt downgrades and market turmoil. We also sold £2.6 million of units in a UK shopping centre fund at a small premium to value after a strong run of performance.

All the funds in which we are invested are keenly focussed on the environmental sustainability of the underlying properties. A case in point is the MGPA development in Singapore which has been awarded a Platinum LEED rating and is considered one of the most technologically advanced and efficient buildings within Asia.

In partnership with a senior living operator, the Commissioners are providing specialist senior and dementia care homes in the South East.

Managing financial risk

We have a single general fund into which all investment income is paid and from which we fund expenditure, other than any clergy pensions expenditure paid from endowment capital. In 2011 we decided to build up the general reserve held to manage liquidity risk to give greater protection against the risk of future falls in income by meeting all pensions expenditure from capital. At the end of 2011, the general reserve was £35.2 million, around four and a half months' planned non-pensions expenditure in 2012. All our other reserves are held as endowment capital.

We have legal power, subject to periodic renewal and currently in force until the end of 2018, to spend capital on pensions. This power is essential to funding pensions while sustaining other support for the Church. Otherwise we would be under pressure either to cut other spending or to maximise short-term income thus risking eroding our capital base and reducing capacity for future distributions.

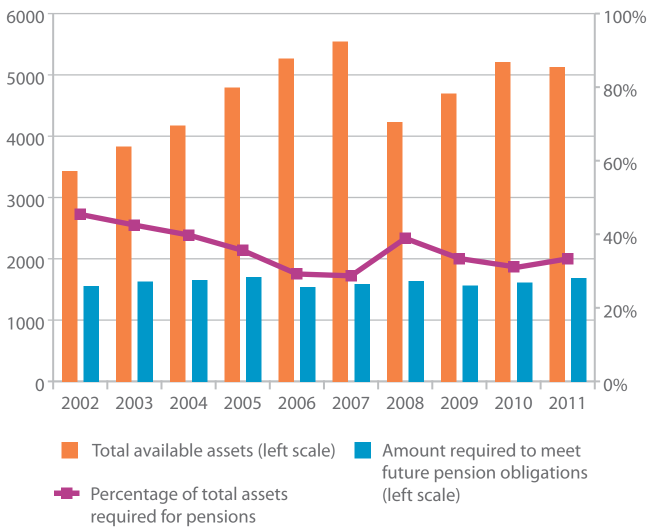
During 2012 we shall ask the Charity Commission to grant a Total Return Order to enable us to maintain distributions even when portfolio switches result in a greater proportion of the return arising from capital growth rather than income. The existence of an Order will still require us to seek periodic approval from General Synod and Parliament for the expenditure of capital for pension purposes, but we will no longer need a general reserve. The Order will mean that our investment strategy can be focussed on maximising total return without being driven to seek a particular level of income return and will put us in line with the approach adopted by our actuaries when advising on the level of non-pension distributions that is sustainable.

The Commissioners' distributions policy smoothes fluctuations in the financial markets to help provide stable support to beneficiaries

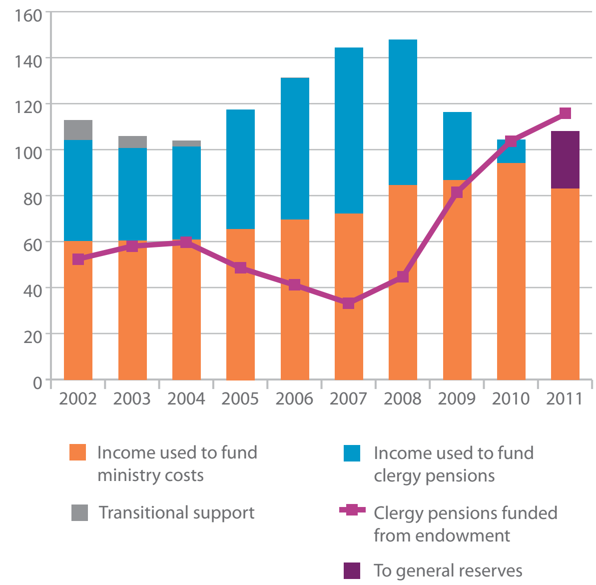
Our actuaries, Hymans Robertson, review the fund's pension obligations (around half of which are expected to be paid by 2026) in detail every three years, with annual updates. They consider factors such as prospective investment returns and longevity estimates, to establish if our expenditure plans are likely to remain affordable in the long term. The last detailed review concluded that our non-pensions distributions in 2011-2013 could remain at the 2010 level, but not increase.

The end-2011 review concluded that an estimated 32.9% of our fund was expected to be needed for pensions. This review also allowed us to conclude that planned distributions for 2012 remain affordable. But the risk remains that a run of poor investment market returns would severely reduce our spending capacity. We manage that risk via a mechanism that smoothes the impact of both strong and poor returns. We increase spending only if we believe we can do so without risk to our long-term objective of growing non-pensions distributions in line with forecast average earnings. The latest annual update indicates that such increases are unlikely to be affordable in the next triennium (2014-2016).

Value of funds needed to meet clergy pension obligations



Income and expenditure over last 10 years



Governance

Pioneer ministry to Liverpool City Centre, assisted by a grant from the Commissioners

Objectives

i to ensure the cost-effective administration of the Commissioners' responsibilities

ii. to identify and manage organisational risk

iii. to be transparent and accountable in organisational activity and internal governance

iv. to ensure trustees are properly resourced for their role

v. 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; 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.

Risk Management

The Church Commissioners' risk management framework is an ongoing process involving staff, management groups and committees. In 2011 the Board approved a revised risk management framework, including a new risk management policy, which set out roles and responsibilities, a new risk management methodology and reporting process.

The Board reviews the risk register and risk management process annually. The Board is supported by the Audit Committee, which regularly reviews the risk registers and the adequacy of the risk management and assurance arrangements. Risks related to investments are also subject to regular review by the Assets Committee.

At operational level, departments review and evaluate the key risks in their respective areas quarterly and identify and assess current and planned steps to manage the risks identified.

The Internal Audit and Risk Management Department provide insight and assurance over the management of selected key risks through delivery of internal audit assignments and the evaluation of additional sources of assurance.

Major risks under ongoing review and management include those around the delivery of selected business change projects, the potential impact of investment performance on our ability to sustain expenditure, and the security and robustness of information management systems. We currently mitigate these risks through the implementation of appropriate project management procedures, relevant internal controls and ongoing monitoring and reporting of performance by experienced staff and Trustees.

Trustees

All new members are inducted into our work. They receive documentation about their responsibilities, setting out policies on procedures such as handling conflicts of interest. Trustees' attendance at each meeting is set out overleaf.

During the year we bade farewell to three Commissioners: Peter Parker, the Dean of Truro and the (then) Dean of Rochester. All three had served on the Bishoprics & Cathedrals Committee and Mr Parker in addition sat on the Church of England Pensions Board. In their places, the Deans elected the Deans of Wakefield and Wells, both of whom have also been appointed to the Bishoprics & Cathedrals Committee, and the two Archbishops selected Jeremy Clack, who has since been nominated to the Pensions Board.

We also lost two non-Commissioner committee members in 2011: Mrs Hilary Hill (representative of bishops' wives on the Bishoprics & Cathedrals Committee) and Mrs Christine McMullen (Pastoral Committee). They were succeeded by Mrs Rosemary Butler and Mrs Stephanie Ridge respectively.

We are grateful for the faithful service of our former colleagues and welcome their successors, all of whom have taken to their roles with great dedication and enthusiasm.

Attendance at Board and committee meetings in 2011

Board / Committee	Board	Assets	Audit	Bishoprics & Cathedrals	Pastoral	Church Buildings (Uses & Disposals)	Nominations & Governance
Governors	**5 meetings**	**6 meetings**	**4 meetings**	**5 meetings**	**5 meetings**	**5 meetings**	**1 meeting**
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 chair is elected annually by the Board.						
Archbishop of York	2	-	-	-	-	-	-
Mr A Whittam Smith*†	5	6	-	-	-	-	0
Mr A B Baldry MP	3	4 **a**	-	-	-	-	-
Mr T E H Walker	5	-	-	5	5	4	1
Bishop of Bristol	4	3	-	-	-	-	-
Bishop of Birmingham	3	-	-	4	-	-	-
Bishop of London	5	-	-	-	-	-	0
Bishop of Chester	2	-	-	-	5	-	-
Dean of Rochester	3 (of 3)	-	-	1 (of 3)	-	-	-
Dean of Truro	2 (of 3)	-	-	2 (of 3)	-	-	-
Dean of Wakefield	2 (of 2)	-	-	-	-	-	-
Dean of Wells	2 (of 2)	-	-	-	-	-	-
Mr P Harrison QC	3	-	-	-	4	-	-
Revd Canon R M Baker	4	4	-	-	-	5	-
Revd Canon D J Stanton	4	-	-	-	2 (of 4)	-	-
Revd S J Trott	5	-	-	-	3	3	1
Canon P N E Bruinvels	4	-	-	-	4	-	1
Mrs A R Alexander	4	1 **b**	4	-	-	-	-
Mr B Carroll †	5	5	-	-	-	4	1
Mr H Hart	4	4 (of 4)	-	-	-	-	-
Mr H Rees-Jones	3	0 **b**	4	-	-	-	-
Mr G D R Oldham †	5	6	-	-	-	-	-
Mrs E C Osborne	5	6	-	-	-	2	-
Mr P W Parker	5	-	-	5	-	-	-
Mr J N Sykes †	2	6	-	-	-	-	-
Canon J A Spence	5	1 **b**	4	-	-	-	0
Mr J P Vince	5	-	-	-	-	4	-
Mr J Wythe *	4	6	-	-	-	-	-
Non-Commissioners							
Bishop of Grimsby	-	-	-	5	-	-	-
Bishop of Oxford	-	-	-	-	0	-	-
The Ven R Treweek	-	-	-	-	1	-	-
The Revd Canon S Evans	-	-	-	-	4	-	-
The Revd Canon J M Haselock	-	-	-	4	-	-	-
The Revd M Bide	-	-	-	4	-	-	-
The Revd P Cavanagh	-	-	-	-	-	4	-
The Revd J J Swanton	-	-	-	-	-	2	-
The Revd S Talbott	-	-	-	-	-	3	-
Ms S Bassham	-	-	-	5	-	-	-
Mrs R Butler	-	-	-	1 (of 1)	-	-	-
Mr C G Daykin	-	1 **b**	3	-	-	-	-
Mr S East	-	1 **b**	4	-	-	-	-

Attendance at Board and committee meetings in 2011 (continued)

Board / Committee	Board	Assets	Audit	Bishoprics & Cathedrals	Pastoral	Church Buildings (Uses & Disposals)	Nominations & Governance
Governors	**5 meetings**	**6 meetings**	**4 meetings**	**5 meetings**	**5 meetings**	**5 meetings**	**1 meeting**
Non-Commissioners							
Mrs J Flack	-	-	-	-	5	-	-
Mrs H Hill	-	-	-	5	-	-	-
Mr G Lynn	-	1 **b**	3	-	-	-	-
Mrs S Ridge	-	-	-	-	1 (of 1)	-	-
Mr J Steel	-	-	-	-	-	4	-
Mr C A Wilson	-	-	-	-	-	4	-

a exercising the Second Commissioner's right to attend any committee meeting
b observers on behalf of the Audit Committee

- not a member
* additionally attended the property group meetings
† additionally attended the securities group meetings

Staff

The number of staff for whom the Commissioners are the managing employer was 166 at the end of the year (2010: 161), with 44% of the staff at Church House female and 16 % from a black or other minority ethnic background. We employ a further 70 staff on our property estates, including porters, cleaners and maintenance staff managed by agents.

HR work included continuing the development programmes for middle and senior managers, along with its continued support and advice for managers on day-to-day operational issues. Work was also completed on a review of the salary structure for posts where the Commissioners have to compete with the external market in professional and technical areas. The Investment Division (Investments and Property Investment) transferred to the sole employment of the Church Commissioners with effect from 1 January 2012 and their remuneration is now set by the Investment Remuneration Committee, overseen by the Board of Governors.

Bishops' training on dealing with capability matters (part of the terms of service programme) was completed. Bishops employ a total of 137 staff; and three restructurings were undertaken in bishops' offices.

During 2011 two all-staff forums were held at which the National Church Institutions' chief executives shared strategic objectives, hopes and challenges, along with taking questions from staff members. Another two are planned for 2012.

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Accountability

The Commissioners are accountable to the Church's General Synod, to Parliament and to the Charity Commission. Synod debates our annual report each year at its July group of sessions. It regularly puts questions to the Commissioners and its members engage with our trustees and staff at fringe events and on other informal occasions.

In the House of Commons, topics raised with the Second Church Estates Commissioner, Tony Baldry MP, at the four-weekly question time range across all aspects of the Church's ministry and structures. During 2011 questions were most frequently asked on women bishops, Christian communities overseas, the Commissioners' assets and ethical investment, the upkeep of church buildings, clergy deployment and retirements, chaplaincy, marriages and civil partnerships in church, and religious education. The rise in oral and written questions to the Commissioners has shown an increasing interest on the part of MPs in Church affairs.

Corporate social responsibility

Ethical investment policy

The Commissioners manage their investments within ethical guidelines, advised by the Church's Ethical Investment Advisory Group (EIAG). EIAG members bring to the Group expertise in theology, ethics, investment and business. They are nominated by the General Synod, the Archbishops' Council and the national investing bodies who sponsor it. The EIAG co-opts members with additional expertise when needed.

The Commissioners manage their investments within ethical guidelines, advised by the Church's Ethical Investment Advisory Group

Voting and engagement

The Commissioners are active stewards of their equity investments. We vote at the general meetings of the companies in which we hold shares. The issues we scrutinise most closely are executive remuneration; resolutions put forward by shareholders on environmental, social and governance concerns; and the election of directors.

In 2011 we voted on more than 23,500 resolutions at more than 2,100 company meetings, and wrote to more than 200 of the UK's largest companies to explain our voting decisions. In the UK we supported only 35% of remuneration reports, reflecting our continuing concern about excessive bonuses and long-term incentive awards. The Commissioners have been active participants in the consultations with investors on executive remuneration by the Department for Business Innovation and Skills. We welcome the government's efforts to increase the accountability of companies to shareholders on executive remuneration.

We use our influence as shareholders actively to promote ethical business practice. A programme of engagement meetings with companies is conducted by the EIAG on the Commissioners' behalf. In 2011 the EIAG held 35 engagement meetings. The focus was on our largest 30 holdings and issues covered included environmental sustainability, human rights, health and safety, human trafficking, respect for communities, access to medicines, responsible banking and executive remuneration.

Companies prioritised for engagement in 2011 included BP and News Corporation. Important progress was made in these engagements. BP provided robust assurance that the company is improving its safety and operational risk management systems. Board-level dialogue with News Corporation has commenced as a result of the EIAG's expressions of concern about ethical and governance standards (including in person at the company's AGM in the US in October).

Partnerships

The Commissioners are active members of several ethical and responsible investment initiatives. We are represented on the steering group of the ecumenical Church Investors Group (CIG) for church investors in the British Isles, the hedge funds working group of the UN Principles for Responsible Investment (PRI), and the policy group of the Institutional Investors Group on Climate Change.

In 2011 the CIG, of which the Commissioners are the largest member, extended its climate change engagement programme. Letters were sent to 50 carbon-intensive FTSE 350 companies seeking improvements in the companies' responses to the Carbon Disclosure Project (CDP), an investor-backed initiative which asks companies to disclose and reduce their greenhouse gas emissions. Seven of these companies thereafter responded to the CDP annual questionnaire for the first time and three established emissions reduction targets for the first time.

Given the international nature of our investment portfolio we are keen to deepen links with international church investors and were pleased to participate in September in a conference of church investors from North America, Europe, Australasia and Africa. In 2012 we will build on the links established with a view to increased co-operation on engagement.

Investment exclusions

In 2011 we adopted the EIAG's ethical guidelines on investment in hedge funds, covering a comprehensive range of ethical issues including short-selling, trading in basic commodities such as food and oil, trading around mergers and acquisitions, and trading in the assets of companies in financial distress.

We also adopted revised policies relating to alcohol, pornography and high interest rate lending. The new approach to alcohol covers supermarkets for the first time and will involve actively engaging with supermarkets and assessing the way they retail alcohol against minimum standards of corporate responsibility.

The pornography policy maintains the toughest possible exclusion of companies involved in the production or distribution of pornography. The new policy on high interest rate lending extends the exclusion on investment in doorstep lending companies to cover companies engaged in payday loans and pawnbroking.

We continue to exclude from investment companies involved in indiscriminate weaponry as well as companies involved in conventional weapons if their strategic military supplies exceed 10% of turnover. We avoid investment in any company substantially involved in tobacco, gambling or human embryonic cloning.

In 2012 we expect the EIAG to review its advice on executive remuneration, genetically modified crops and stem cell research.

Financial statements

Financial statements

For the year ended 31 December 2011

Statement of responsibilities of the Church Commissioners

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 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.

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 2011 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 15. 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. 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 2011, 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
19 April 2012

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 2011

	Notes	2011 General fund £m	2011 Endowment capital £m	2011 Total £m	2010 £m
Incoming resources					
Investment and other income	2	148.3	-	**148.3**	135.9
Total incoming resources		**148.3**	-	**148.3**	**135.9**
Resources expended					
Cost of generating funds	3	(34.5)	(4.6)	**(39.1)**	**(31.3)**
Net incoming resources available for charitable application		113.8	(4.6)	**109.2**	**104.6**
Charitable activities	4, 5	(81.0)	(114.6)	**(195.6)**	(200.5)
Governance costs and other resources expended	6	(2.3)	-	**(2.3)**	(2.0)
Staff pension scheme - interest on provision	9	(5.3)	-	**(5.3)**	(5.8)
Total resources expended		**(123.1)**	**(119.2)**	**(242.3)**	**(239.6)**
Net incoming/(outgoing) resources before other recognised gains and losses		**25.2**	**(119.2)**	**(94.0)**	**(103.7)**
Other recognised gains and losses					
Gains/(Losses) on non investment fixed assets	10	-	(4.6)	**(4.6)**	0.7
Gains/(Losses) on investment assets	11	-	18.7	**18.7**	607.4
Gains/(Losses) on foreign currency		-	2.4	**2.4**	(6.9)
Gains/(Losses) on defined benefit pension schemes (staff)	9	-	(4.0)	**(4.0)**	7.0
Transfers out of Church of England Pensions Scheme		-	(0.4)	**(0.4)**	(0.2)
Total other recognised gains and losses		-	**12.1**	**12.1**	**608.0**
Net movement in funds for the year		25.2	(107.1)	**(81.9)**	504.3
Total funds brought forward		10.0	5,309.5	**5,319.5**	4,815.2
Total funds carried forward		**35.2**	**5,202.4**	**5,237.6**	**5,319.5**

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 sheets
as at 31 December 2011

	Notes	Consolidated		Commissioners	
		2011 £m	2010 £m	2011 £m	2010 £m
Fixed assets					
Non investment fixed assets	10	101.0	105.4	101.0	105.4
Investment assets	11	4,974.0	5,122.0	4,895.5	5,118.7
Total fixed assets		**5,075.0**	**5,227.4**	**4,996.5**	**5,224.1**
Current assets					
Debtors	12	51.4	62.6	154.1	99.7
Short term deposits		80.0	10.0	80.0	10.0
Cash at bank and in hand		171.6	161.5	170.7	161.2
Total current assets		**303.0**	**234.1**	**404.8**	**270.9**
Liabilities					
Creditors: amounts falling due within one year	13	(36.1)	(41.7)	(59.4)	(75.2)
Net current assets		**266.9**	**192.4**	**345.4**	**195.7**
Net assets excluding staff pension liability		5,341.9	5,419.8	5,341.9	5,419.8
Defined benefit pension scheme liability (staff)	9	(104.3)	(100.3)	(104.3)	(100.3)
Net assets including staff pension liability		**5,237.6**	**5,319.5**	**5,237.6**	**5,319.5**
Funds of the charity					
Endowment capital		5,202.4	5,309.5	5,202.4	5,309.5
General fund		35.2	10.0	35.2	10.0
Total funds carried forward		**5,237.6**	**5,319.5**	**5,237.6**	**5,319.5**

By order of the Board
Andreas Whittam Smith
First Church Estates Commissioner
19 April 2012

Consolidated cash flow statement
for the year ended 31 December 2011

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

	Notes	2011 £m	2010 £m
Net resources expended before other gains and losses		(94.0)	(103.7)
Depreciation of non investment fixed assets		0.6	0.5
Decrease/(Increase) in debtors		11.2	(16.5)
(Decrease)/Increase in creditors		(5.6)	11.9
Cost of generating funds paid from endowment capital	3	4.6	-
Charitable expenditure paid from endowment capital	5,9	114.6	103.7
Staff pensions and lump sums paid	9	(5.3)	(5.1)
Staff pensions - interest charge on provision	9	5.3	5.8
Net cash inflow/(outflow) from operating activities		**31.4**	**(3.4)**

Cash flow statement

	Notes	2011 £m	2010 £m
Net cash inflow/(outflow) from operating activities		31.4	(3.4)
Capital expenditure and financial investment			
Non investment fixed assets: additions	10	(1.5)	(0.2)
Non investment fixed assets: sale proceeds	10	-	0.5
Investment assets: additions	11	(2,081.7)	(1,445.4)
Investment assets: sale proceeds	11	2,249.1	1,556.5
Net cash inflow relating to capital expenditure and financial investment		**165.9**	**111.4**
Cash inflow before management of liquid resources and financing		**197.3**	**108.0**
Management of liquid resources			
Cash out to short term deposits		(80.0)	(10.0)
Cash in from short term deposits		10.0	-
Net change in short term deposits		**(70.0)**	**(10.0)**
Financing			
Cost of generating funds paid from endowment capital	3	(4.6)	-
Transfers out of Church of England Pensions Scheme	9	(0.4)	(0.2)
Charitable expenditure paid from endowment capital	5,9	(114.6)	(103.7)
Net cash outflow from financing		**(119.6)**	**(103.9)**
Increase/(Decrease) in cash		**7.7**	**(5.9)**

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

	2011 £m	2010 £m
Increase/(Decrease) in cash in the year	7.7	(5.9)
Gain/(Loss) on foreign currency	2.4	(6.9)
Cash movement from change in short term deposits	70.0	10.0
Increase/(Decrease) in net funds in the year	80.1	(2.8)
Net cash and short term deposits at 1 January	**171.5**	**174.3**
Net cash and short term deposits at 31 December	**251.6**	**171.5**

Analysis of movements in cash and short term deposits

	Cash at bank and in hand			Short term deposits	**Total cash and short term deposits**
	Sterling £m	Foreign currency £m	Total £m	£m	**£m**
At 1 January	92.9	68.6	**161.5**	10.0	**171.5**
Movement in cash	30.4	(22.7)	**7.7**	(70.0)	**77.7**
Foreign currency gain	-	2.4	**2.4**	-	**2.4**
At 31 December	**123.3**	**48.3**	**171.6**	**80.0**	**251.6**

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

Notes to the financial statements
for the year ended 31 December 2011

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 Measure requires the Commissioners, as an endowed charity, to separate their capital and revenue transactions. Legal advice has confirmed that this separation should be in accordance with the principles of trust law. The Commissioners have taken and followed, as appropriate at the time, legal advice on the practical application of trust law to the accounting treatment of their transactions.

The Pensions Measure 1997 (as amended) gives the Commissioners power to spend endowment capital on certain pension obligations. Consistent with the Commissioners' status, and their powers under the Pensions Measure 1997, the financial statements do not make provision in the balance sheets for the obligation to pay clergy pensions which fall due after the balance sheet date. Information on this obligation is provided in note 5.

The financial statements are prepared in accordance with the Charities Statement of Recommended Practice (SORP). The statement of financial activities (SOFA) is presented in columns for the general fund and endowment capital, showing the net incoming resources, resources expended, and all other recognised gains and losses in the appropriate column.

The financial statements 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 mission, described on pages 6 -17 of the annual report, the policy on reserves, spending strategy and legislation to allow endowment capital to be spent, the Board has reasonable expectation that the Commissioners have adequate resources and cash flows to meet their spending commitments for the foreseeable future and that as described in note 5 to the financial statements, the obligation for clergy pensions is 32.9% of net assets. 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 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 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, including any recoverable tax, are credited to income on the ex dividend date of the underlying shares.

Property portfolio
Income from investment properties, shared and partnership property funds, value linked loans and timberland 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 out of income for that period (being the grants for parish mission and ministry support, bishops' office and working costs and section 23 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).

Within cost of generating funds are fees payable to investment managers based on managers' out performance in relation to relevant benchmarks. Such costs are charged to endowment capital.

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

Notes to the financial statements
for the year ended 31 December 2011

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 statement of financial activities. 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 capital. 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 statement of financial activities 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. Consequently the amounts charged in the statement of financial activities in respect of staff pension costs are the contributions payable in the year.

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. Consistent with the Commissioners' status, and their powers under the Pensions Measure 1997, no provision is made in the balance sheet for the obligation to pay clergy pensions which fall due after the balance sheet date. Pensions payable in the year are charged to the statement of financial activities and as permitted by the Pensions Measure 1997, as amended, is charged to endowment capital.

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 statement of financial activities represent the contributions payable in the year. 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 statement of financial activities.

f) Fixed assets

Capitalisation of expenditure
Costs incurred on acquiring, improving or adding to assets are capitalised. Other expenditure is charged to the statement of financial activities 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 statement of financial activities 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

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.

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

With regard to strategic land, the valuer has noted in the valuation report, in accordance with Guidance Note 5 of the RICS Standards, if appropriate, that the primary source of evidence for valuations should be recent, comparable market transactions on arm's length terms. The current economic environment means that there have been few comparable transactions for the type of land in the strategic land portfolio owned by the Commissioners. Because of this and the uncertain economic environment, there is a greater degree of uncertainty in respect of the figure reported by our valuer. Until the number and consistency of comparable transactions increases, this situation is likely to remain.

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 individually taking into account current vacant possession values of the properties, estimated future house prices growth and income flows and the anticipated dates of repayment.

Timberland: timberland is valued annually at market value in line with IVS, which is calculated on the timber maturity profile, the species, the geographic location and other environmental considerations. 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. Shared and partnership timberland interests are 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.

Other see houses: stated at their market value as at 31 December 2008 increased in line with the relevant regional Nationwide housing price index. A full market valuation is carried out every five years in accordance with the Appraisal & Valuation Manual issued by the Royal Institution of Chartered Surveyors.

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. The most valuable historic items are held at the trustees' valuation, which is assessed annually.

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 statement of financial activities.

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 statement of financial activities. Contracts relating to future commitments are not included on the balance sheet.

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 revaluation in endowment capital in other gains and losses in the statement of financial activities.

Income received in foreign currencies and converted into sterling is 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 statement of financial activities.

j) Taxation

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

Notes to the financial statements
for the year ended 31 December 2011

2. Incoming resources

	2011 £m	2010 £m
Investment income		
Property portfolio		
UK directly held properties	43.7	43.4
UK shared and partnership property interests	11.9	9.1
Overseas shared and partnership property interests	2.5	1.4
UK value linked loans	5.8	5.7
UK timberland	0.7	-
Total income from property portfolio	**64.6**	**59.6**
Securities portfolio		
Listed UK equities	33.5	40.7
Listed overseas equities	28.7	32.6
UK fixed interest securities	9.8	0.5
Overseas fixed interest securities	9.0	1.1
Interest on investment managers' cash	0.5	0.3
Stock lending income	0.5	0.4
Total income from securities portfolio	**82.0**	**75.6**
Cash portfolio		
Bank interest	0.1	0.1
Total income from cash portfolio	**0.1**	**0.1**
Total investment income	**146.7**	**135.3**
Other income - loans	0.3	0.6
Other income - donations	0.1	-
Other income - legacies	1.2	-
Total investment and other income	**148.3**	**135.9**

3. Cost of generating funds

	2011			2010
	£m General fund	£m Endowment capital	**£m Total**	£m Total deposits
External management costs	20.1	4.6	**24.7**	**16.5**
Support costs	5.3	-	**5.3**	**5.6**
Other property costs	9.1	-	**9.1**	**9.2**
Total cost of generating income	**34.5**	4.6	**39.1**	**31.3**

4. Charitable activities

	2011			2010
	Activities undertaken £m	Support costs £m	Total £m	Total £m
Clergy pensions				
Clergy pensions paid from general fund	-	-	**-**	10.3
Clergy pensions paid from endowment capital	114.6	-	**114.6**	103.7
Total Clergy pensions	**114.6**	-	**114.6**	**114.0**
Parish mission and ministry support				
Selective grants to low income dioceses	31.6	-	**31.6**	30.4
Mission development funding	5.5	-	**5.5**	5.2
Development funding	0.1	-	**0.1**	-
Other grants	0.1	-	**0.1**	0.3
Payments direct to parish clergy	0.4	-	**0.4**	0.6
Extra mission and ministry support	-	-	**-**	4.4
New housing and other development areas	-	-	**-**	5.9
Total parish mission and ministry support	**37.7**	-	**37.7**	**46.8**
Bishops' ministry in the dioceses				
Stipends	4.8	-	**4.8**	4.9
Housing and office premises	4.2	0.6	**4.8**	4.0
Office and working costs	14.3	0.5	**14.8**	11.9
Total bishops' ministry in the dioceses	**23.3**	**1.1**	**24.4**	**20.8**
Archbishops including Lambeth Palace				
Stipends	0.2	-	**0.2**	0.2
Housing and office premises	0.7	-	**0.7**	1.4
Office and working costs	4.7	-	**4.7**	4.4
Lambeth Palace Library	0.8	-	**0.8**	0.7
Total Archbishops including Lambeth Palace	**6.4**	-	**6.4**	**6.7**
Cathedrals' ministry				
Section 21 and 22 grants towards stipends and other purposes	5.2	-	**5.2**	4.6
Grants towards staff and other costs	3.2	-	**3.2**	3.1
Total cathedrals' ministry	**8.4**	-	**8.4**	**7.7**
Church buildings				
Grant to Churches Conservation Trust - statutory grant	1.3	-	**1.3**	1.4
Grant to Churches Conservation Trust - funded from proceeds of closed churches	(0.4)	-	**(0.4)**	(0.5)
Net grant to Churches Conservation Trust	0.9	-	**0.9**	0.9
Chancel repair liability	0.3	-	**0.3**	0.4
Support costs for Church buildings and pastoral reorganisation	-	1.9	**1.9**	1.9
Total Church buildings	**1.2**	**1.9**	**3.1**	**3.2**
Other charitable expenditure *(including national clergy payroll costs)*	0.1	0.9	**1.0**	1.3
Total charitable expenditure	**191.7**	**3.9**	**195.6**	**200.5**

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for the year ended 31 December 2011

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 54.

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 2011" to be issued by the House of Bishops later in 2012.

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 provide 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, 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 2011 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 £1,691.3m (2010: £1,622.8m) 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 2009 and has been rolled forward in estimating the obligation at 31 December 2011. The amount of the obligation represents 32.9% (2010: 31.1%) of the market value of the Commissioners' assets, excluding non investment fixed assets, of £5,136.6m (2010: £5,214.1m).

The principal assumptions were:

	2011	2010
Prospective annual rate of return on investments	6.3%	7.0%
Rate of future stipend and increases in the starting pension	4.1%	4.5%
Rate of post retirement pension increases	2.6%	3.0%
Retail price inflation	2.6%	3.0%

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 the standard tables AM92 and AF92 for mortality before retirement. In respect of mortality in retirement the standard tables PNMA00 and PNFA00 have been used but referring to an age two years younger than a person's actual age as clergy have experienced lighter mortality rates than the UK population as a whole. In respect of future improvements in mortality rates the long cohort assumption, lagged by ten years and scaled (85% for males and 75% for females) with a minimum improvement of 1.5% p.a. for males and 1.0% p.a. for females has been used. This assumes that the accelerated improvements in mortality that have been experienced by the generation of the UK population currently in their 70s will continue until 2040.

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

	2011	2010
	£m	£m
Benefits under the Church of England Pensions Scheme		
Pensions to clergy	79.7	77.9
Lump sum payments on retirement	7.4	9.2
Pensions to clergy widows and children	27.1	26.5
Total benefits under the Church of England Pensions Scheme	114.2	113.6
Benefits under the Deaconesses and Layworkers (Pensions) Measure 1980		
Pensions to deaconesses and licensed lay workers	0.4	0.4
Total clergy pensions	**114.6**	**114.0**

Transfers out of the Scheme amounted to £0.4m (2010: £0.2m) 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, who publish the Scheme's financial statements. The assets of the Scheme are held separately from those of the Commissioners.

The last full valuation of the Scheme, as at 31 December 2009, showed an overall deficit of £262m. As a result of benefit changes in respect of future accrual of pension benefits agreed by the General Synod in July 2010, the contribution rate was changed from 45.0% to 38.2% of pensionable stipends with effect from 1 January 2011.

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 Commissioners' contributions payable to the Scheme totalled £2.3m (2010: £2.8m) 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 capital to meet certain pension payments
The Pensions Measure 1997, as amended, enables the Commissioners to spend endowment capital until 31 December 2018 to meet the costs of paying clergy pensions in respect of service before 1998. Clergy pensions of £114.6m (2010: £103.7m) were paid from endowment capital. More detail about the Commissioners' reserves policy is given on page 25.

6. Governance and other costs

	2011	2010
	£m	£m
Governance costs	2.2	1.7
Other resources expended		
Restructuring costs	0.1	0.3
Total other resources expended	**2.3**	**2.0**

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. Shared service costs of £0.4m which were previously allocated across other activities have been included within governance costs in 2011.

Analysis of audit and non-audit fees to Deloitte LLP:

	2011	2010
	£000	£000
Audit of Church Commissioners	115	120
Audit of subsidiary undertakings	30	35
Audit-related assurance services	2	2
	147	**157**
Taxation compliance services	25	15
Taxation advisory services	114	77
Planning services (Drivers Jonas Deloitte)	85	150
Other services	1	-
	225	**242**

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for the year ended 31 December 2011

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. With effect from 1 January 2012, staff employed to manage the Commissioners' investment assets are employed directly by the Commissioners. Staff in church functions, secretariat and shared services departments continue to be employed by the joint employer. The cost of staff for whom the Commissioners are the managing employer was:

	Asset management		Church functions and secretariat		Shared services		Local property management	
	2011 Number	2010 Number	2011 Number	2010 Number	2011 Number	2010 Number	2011 Number	2010 Number
Average number employed	38	37	37	34	83	87	75	73
	£m	£m	£m	£m	£m	£m	£m	£m
Salaries	2.0	2.0	1.8	1.7	2.6	2.7	1.0	1.2
National Insurance costs	0.2	0.2	0.2	0.1	0.3	0.3	0.2	0.1
Pension contributions	0.3	0.4	0.2	0.4	0.3	0.6	-	-
	2.5	2.6	2.2	2.2	3.2	3.6	1.2	1.3
Recoverable from third parties	(0.2)	(0.1)	-	-	(1.8)	(1.8)	(1.2)	(1.3)
Total cost of staff	**2.3**	**2.5**	**2.2**	**2.2**	**1.4**	**1.8**	-	-

The Commissioners are responsible for managing the following shared service departments: finance and resources, information technology, records and office services.

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

	2011 Number	2010 Number
£60,001 to £70,000	7	7
£70,001 to £80,000	4	3
£80,001 to £90,000	-	1
£90,001 to £100,000	2	-
£100,001 to £110,000	-	1
£110,001 to £120,000	1	1
£130,001 to £140,000	2	2
£140,001 to £150,000	1	1
£230,001 to £240,000	1	-
£300,001 to £310,000	-	1

All 18 (2010: 17) staff above are members of the Church Administrators Pension Fund (note 9). Of these, 4 (2010: 4) accrue benefits under a defined contribution scheme for which contributions for the year were £62,000 (2010: £61,000). The remaining 14 (2010: 13) staff accrue benefits under a defined benefit scheme. The highest paid member of staff earned £233,000 in the year to 31 December 2011, which was thirteen times the salary earned by the lowest paid member of staff and seven times the median salary paid in the year.

Shared service costs
The Commissioners share the costs of the shared services departments managed by The Archbishops' Council and the Church of England Pensions Board on behalf of the NCIs. Those departments provide 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 42 (2010: 41) and the Commissioners' share of these departments' costs was £0.9m – 35.2% of the total costs (2010: £0.9m – 36.4%). 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 net cost of the planning and management of the Commissioners' assets is included in asset 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 property expenses (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 £0.4m (2010: £0.4m). The scheme, which was closed to new business in 2004, has 15 (2010: 16) loans outstanding to 13 (2010: 14) 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

	2011 £000	2010 £000
First Church Estates Commissioner		
Salary	56	55
National Insurance costs	7	6
Third Church Estates Commissioner		
Salary	50	49
National Insurance costs	6	6
Pension contributions (note 9)	9	7
Total Church Estates Commissioners' costs	**128**	**123**

Under the terms of the Church Commissioners Measure 1947 (as amended), salaries are paid to the First and Third Church Estates Commissioners, both of whom are also entitled to pension contributions.

The First Church Estates Commissioner has waived any entitlement to pension.

Commissioners, other than the First and Third Church Estates Commissioners, have no entitlement to salary or pension in their capacity as Commissioners.

Pensions paid to former First and Third Church Estates Commissioners of £84,000 (2010: £84,000) were charged to the staff pension provision (note 9).

Expenses incurred in attending Board and committee meetings and on other business of the Commissioners were reimbursed to 13 Commissioners (2010: 14). Claims amounting to £9,000 (2010: £6,000) 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 indexes. There are no other post retirement benefits.

The Third Church Estates Commissioner and others 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 2009 and has been rolled forward in estimating the liability at 31 December 2011. 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:

	2011 £m	2010 £m
At 1 January	100.3	106.6
Pensions and lump sums paid	(5.3)	(5.1)
Interest on provision - charged to general fund	5.3	5.8
Actuarial loss/(gain) - charged to endowment capital	4.0	(7.0)
At 31 December	**104.3**	**100.3**

Analysis of actuarial (gain)/loss charged to endowment capital:

	2011 £m	2010 £m
Experience loss on provision	1.1	-
Loss/(Gain) due to effect of change in financial assumptions	2.9	(7.0)
Actuarial loss/(gain)	4.0	**(7.0)**

Notes to the financial statements
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9. Pensions (continued)

The principal assumptions used in estimating the provision were:

	2011 %	2010 %	2009 %	2008 %	2007 %
Discount rate (annual rate of return on AA rated corporate bonds)	4.8	5.5	5.7	6.0	5.8
Rate of salary increases	4.6	5.1	5.3	4.5	5.0
Rate of increase of pensions in payment					
for service before 1 April 1997	2.6	3.1	-	-	-
for service since 1 April 1997	3.1	3.6	-	-	-
for service before and after 1 April 1997	-	-	3.8	3.0	3.5
Retail price inflation	3.1	3.6	3.8	3.0	3.5

In their assessments of the pensions liability, Hymans Robertson LLP used the standard mortality tables AMN00 and AFN00 for mortality before retirement and 95% of the standard tables S1NMA and S1NFA for mortality in retirement. In respect of future improvements in mortality rates the medium cohort assumption, subject to a minimum of 1.5%, has been used. The standard medium cohort assumption is that the accelerated improvements in mortality that have been experienced by the generation of the UK population currently in their 70s will continue until 2020.

History of experience gains and losses:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Actuarial loss/(gain)	4.0	(7.0)	15.8	(9.2)	(3.8)

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, who publish 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. The last full valuation of the Fund, as at 31 December 2008, showed an overall deficit of £30.2m (2005: £8.7m). Following the 2005 review additional contributions starting at £250,000 per annum were being made by the participating employers for fifteen years from 1 January 2007 to 31 December 2021, increasing annually in line with general salary inflation. Due to the increased deficit revealed by the 31 December 2008 valuation, the level of additional contributions to be made by the employers has been increased to £2,050,000 per annum from 1 July 2010 to 30 June 2025, increasing annually in line with general salary inflation of which the Commissioners' share is £1,280,000 (2010: £410,000) and the rate at which members accrue benefits prospectively has been reduced. In addition from 1 July 2010 the employers are responsible for making contributions towards the administration costs of the scheme, of £200,000 per annum, and the cost of Pension Protection Fund levies.

A full valuation of the scheme as at 31 December 2011 is currently in progress.

10. Non investment fixed assets

Consolidated and Commissioners	IT systems	Administrative offices		Lambeth Palace and see houses			Total
		Freehold property	Leasehold Improvements	Freehold property	Leasehold Improvements	Contents	
	£m	£m	£m	£m	£m	£m	**£m**
Cost or valuation							
Balance at 1 January	1.2	2.9	2.1	76.2	3.9	20.3	**106.6**
Transfers (note 11)	-	-	-	(0.7)	-	-	**(0.7)**
Additions	0.3	-	-	1.2	-	-	**1.5**
Unrealised gains/(losses)	-	-	-	0.3	0.2	(5.1)	**(4.6)**
Balance at 31 December	**1.5**	**2.9**	**2.1**	**77.0**	**4.1**	**15.2**	**102.8**
Accumulated depreciation							
Balance at 1 January	(0.4)	(0.1)	(0.7)	-	-	-	**(1.2)**
Charge for the year	(0.3)	-	(0.3)	-	-	-	**(0.6)**
Balance at 31 December	**(0.7)**	**(0.1)**	**(1.0)**	-	-	-	**(1.8)**
Net book value							
Balance at 1 January	0.8	2.8	1.4	76.2	3.9	20.3	**105.4**
Balance at 31 December	**0.8**	**2.8**	**1.1**	**77.0**	**4.1**	**15.2**	**101.0**

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 Carter Jonas as at 31 December 2008 and are increased from this date in line with the relevant regional Nationwide housing price index. The contents of the see houses were valued by Gurr Johns as at 31 December 2007. The most valuable historic items are held at the trustees' valuation.

All non investment assets are located in the United Kingdom.

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11. Investment assets

	Notes	At 1 January	Transfers (note 10)	Additions	Proceeds from disposals	Realised gains	Unrealised gains/ (losses)	Realised and unrealised deficit on forward foreign currency contracts	**At 31 December**
		£m	£m	£m	£m	£m	£m	£m	**£m**
Consolidated									
Securities portfolio	11(a)	3,485.8	-	1,972.3	(2,159.7)	190.5	(328.3)	2.3	**3,162.9**
Investment properties	11(b)	1,083.5	0.7	40.5	(64.4)	14.4	121.3	-	**1,196.0**
Indirect property interests	11(c)	409.4	-	27.0	(14.0)	-	23.0	(1.5)	**443.9**
Value linked loans	11(d)	143.3	-	0.4	(11.0)	3.0	(6.0)	-	**129.7**
Timberland	11(e)	-	-	41.5	-	-	-	-	**41.5**
Total investment assets		**5,122.0**	**0.7**	**2,081.7**	**(2,249.1)**	**207.9**	**(190.0)**	**0.8**	**4,974.0**
Commissioners									
Securities portfolio	11(a)	3,485.8	-	1,922.2	(2,159.7)	189.7	(330.7)	2.3	**3,109.6**
Investment properties	11(b)	1,014.5	0.7	25.7	(60.6)	13.9	119.6	-	**1,113.8**
Indirect property interests	11(c)	396.1	-	16.4	(14.0)	-	27.4	(1.5)	**424.4**
Value linked loans	11(d)	143.3	-	0.5	(11.0)	2.9	(6.0)	-	**129.7**
Timberland	11(e)	-	-	37.3	-	-	-	-	**37.3**
Subsidiary undertakings	11(f)	79.0	-	-	-	-	1.7	-	**80.7**
Total investment assets		**5,118.7**	**0.7**	**2,002.1**	**(2,245.3)**	**206.5**	**(188.0)**	**0.8**	**4,895.5**

The original cost of investments is not disclosed given the historic nature of many of the property investments.

Future commitments are disclosed in note 14.

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 38.4% (2010: 43.7%) 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% (2010: 95%) of developed currency exposures. Forward contracts are also used by some fund managers to manage the risk of not achieving overall performance benchmarks.

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

	Consolidated and Commissioners					
	2011			2010		
	Non-sterling assets	Outstanding contracts	**Total**	Non-sterling assets	Outstanding contracts	**Total**
	£m	£m	**£m**	£m	£m	**£m**
Value of non-sterling investments						
Securities portfolio	1,744.5	-	**1,744.5**	2,070.9	0.6	**2,071.5**
Indirect property interests	172.8	0.3	**173.1**	170.8	(0.3)	**170.5**
Total non-sterling assets	**1,917.3**	**0.3**	**1,917.6**	**2,241.7**	**0.3**	**2,242.0**

The net income from operating the hedging programme was £1.5m (2010: cost of £33.2m), after deducting fees of £1.3m (2010: £1.5m).

11(a) Securities portfolio

	Consolidated		Commissioners	
	2011	2010	2011	2010
	£m	£m	£m	£m
Quoted UK equities	864.0	1,342.3	864.0	1,342.3
Quoted overseas equities	1,347.3	1,778.8	1,294.0	1,778.8
Unquoted UK equities	41.5	33.2	41.5	33.2
Unquoted overseas equities	239.1	181.1	239.1	181.1
Quoted UK fixed interest securities	512.9	39.4	512.9	39.4
Quoted overseas fixed interest securities	150.3	96.7	150.3	96.7
Unquoted overseas fixed interest securities	7.8	14.3	7.8	14.3
Total securities	**3,162.9**	**3,485.8**	**3,109.6**	**3,485.8**

The market value of listed investments includes stock on loan of £7.3m (2010: £4.6m).

11(b) Investment properties

	Consolidated		Commissioners	
	2011	2010	2011	2010
	£m	£m	£m	£m
Freehold interests	1,183.3	1,062.5	1,101.1	993.5
Leasehold properties with more than 50 years to run	13.8	22.2	13.8	22.2
Total carrying value	1,197.1	1,084.7	1,114.9	1,015.7
Adjustment for concessions to tenants (see note 12)	(1.1)	(1.2)	(1.1)	(1.2)
Total investment properties	**1,196.0**	**1,083.5**	**1,113.8**	**1,014.5**

The valuers of the properties were:

Let and strategic land properties: Savills.

Commercial and residential properties: DTZ Debenham Tie Leung.

All investment properties are located in the United Kingdom.

11(c) Indirect property interests

	Consolidated		Commissioners	
	2011	2010	2011	2010
Shared interests	£m	£m	£m	£m
Properties	207.6	187.2	207.6	187.2
Borrowings	(41.0)	(41.3)	(41.0)	(41.3)
Other net assets	4.2	5.3	4.2	5.3
Total shared interests	**170.8**	**151.2**	**170.8**	**151.2**
Partnership interests				
Properties	339.7	304.3	306.3	289.4
Debt	17.0	8.8	17.0	7.5
Borrowings	(160.1)	(160.3)	(144.8)	(156.2)
Other assets	76.5	105.4	75.1	104.2
Total partnership interests	273.1	258.2	253.6	244.9
Total indirect property interests	**443.9**	**409.4**	**424.4**	**396.1**

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

All the interests were held in the United Kingdom other than the partnership interests valued at £172.8m (2010: £170.8m).

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11(d) Value linked loans

	Consolidated and Commissioners	
	2011	2010
	£m	£m
To provide and improve Church property and for other purposes	27.4	31.8
To Church of England Pensions Board	102.3	111.5
Total value linked loans	**129.7**	**143.3**

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 are valued externally once every three years: the last external valuation was carried out as at 31 December 2009 by DTZ Debenham Tie Leung. As at 31 December 2011 the loans were valued by RICS qualified in-house professionals.

11(e) Timberland

	Consolidated		Commissioners	
	2011	2010	2011	2010
UK timber	£m	£m	£m	£m
Directly held	37.3	-	37.3	-
	37.3	-	37.3	-
Overseas timber				
Shared interest	4.2	-	-	-
	4.2	-	-	-
Total timberland	**41.5**	-	**37.3**	-

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

11(f) Subsidiary undertakings

The Commissioners' principal subsidiary undertakings, all of which are 100% owned and registered in England and Wales, held to undertake property purchase, development and management and certain indirect investments are:

CC Trading Ltd, CC Lincoln Ltd, CC Projects, Cedarvale, CC Licensing and Quivercourt.

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

The Commissioners have no associated undertakings.

12. Debtors

	Consolidated		Commissioners	
	2011	2010	2011	2010
	£m	£m	£m	£m
Trade debtors	12.1	33.1	6.9	10.0
Subsidiary undertakings	-	-	108.0	56.0
Dioceses (Clergy Stipends and Diocesan Debtors Accounts)	1.2	1.5	1.2	1.5
Loans	10.8	12.2	10.8	12.2
Other debtors	2.7	4.2	2.7	8.4
Prepayments and accrued income	24.6	11.6	24.5	11.6
Total debtors	**51.4**	**62.6**	**154.1**	**99.7**

Consolidated trade debtors includes £5.0m (2010: £23.1m) of deferred receipts relating to land sales and after deducting a provision for bad and doubtful debts of £0.8m (2010: £0.6m).

Loans were previously reported within investments (note 11) as part of the loans portfolio, together with value linked loans. Value linked loans continue to be reported within investments. 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 £10.8m total (2010: £12.2m), £8.5m (2010: £9.5m) is due after one year.

Other debtors include £1.1m (2010: £1.2m) relating to concessions to tenants which are amortised over the period to the next open market rent review. Accordingly, the independent valuation of investment properties is reduced by this amount.

13. Creditors

	Consolidated 2011 £m	Consolidated 2010 £m	Commissioners 2011 £m	Commissioners 2010 £m
Trade Creditors	8.1	5.9	7.5	5.7
Subsidiary undertakings	-	-	25.7	42.6
Dioceses and other Church bodies	4.1	3.2	4.1	3.2
Other creditors	0.5	1.6	-	1.2
Taxation and National Insurance contributions	7.1	10.9	7.3	7.0
Accruals and deferred income	16.3	20.1	14.8	15.5
Total creditors	**36.1**	**41.7**	**59.4**	**75.2**

14. Capital commitments and contingent liabilities

Capital commitments

	Notes	Consolidated 2011 £m	Consolidated 2010 £m	Commissioners 2011 £m	Commissioners 2010 £m
Securities portfolio	11(a)	103.2	126.5	103.2	126.5
Global shared and indirect property interests	11(c)	45.4	79.8	30.1	43.3
Timberland	11(e)	96.5	-	64.3	-
Total capital commitments		**245.1**	**206.3**	**197.6**	**169.8**

The Commissioners have commitments to invest in private equity, 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 National Church Institutions, 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.

15. Funds held on behalf of others

	2011 £m	2010 £m
Residential service charges, sinking funds and tenants' deposits	9.9	11.2
Trust funds	5.1	5.2
Total funds held on behalf of others	**15.0**	**16.4**

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, £0.1m (2010: £0.2m), is applied in accordance with the terms of the trusts, to church repair and other purposes.

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 (2010: £0.1m).

Stipends and Professional advisers

National Clergy Payroll

The Commissioners administer the national clergy payroll on behalf of the Church. This payroll covers the majority of clergy. Exceptions include chaplains working in the Armed Forces, hospitals, prisons, schools and other educational institutions. The table shows the total stipends and National Insurance administered by the Commissioners.

	Payments funded by dioceses, cathedrals, trusts & other bodies		Statutory and discretionary payments by the Church Commissioners		**Total**	
	2011	2010	2011	2010	**2011**	**2010**
	£m	£m	£m	£m	**£m**	**£m**
Diocesan bishops, suffragan & assistant bishops	-	-	3.6	3.6	**3.6**	**3.6**
Cathedral clergy	0.8	0.7	3.3	3.2	**4.1**	**3.9**
Parochial clergy	172.2	170.2	0.3	0.3	**172.5**	**170.5**
Other clergy, deaconesses & licensed lay workers	11.0	11.5	0.5	0.7	**11.5**	**12.2**
Employers' National Insurance	14.7	10.5	0.7	0.5	**15.4**	**11.0**
Total Stipends and National Insurance	**198.7**	**192.9**	**8.4**	**8.3**	**207.1**	**201.2**

The Commissioners also use the national payroll to pay pensions to clergy. Apart from the amounts disclosed in note 5 to the financial statements, they also paid pensions under the Church of England Funded Pensions Scheme on behalf of the Church of England Pensions Board. These amounted to £12.0m (2010: £10.1m) and were reimbursed by the scheme.

Professional advisers

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

Money available resolution and actuaries' report

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 20 June 2012, 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 2011-2013.

At its meeting on 22 March 2012 the Assets Committee, having received updated advice from its actuarial advisors Hymans Robertson LLP (as required by the Pensions Measure 1997) which is summarised below, resolved to inform the Board that the Commissioners' expenditure plans for 2012 could be made firm.

Independent actuaries' report

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 2009. 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.

We recently carried out an interim review of the fund as at 31 December 2011 in order to update our assessment of the fund's capacity for distributions for purposes other than pensions.

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:

- As at 31 December 2011, £1,691m of the Commissioners' assets were required to meet their pension obligation.
- 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 2011-2013. In the light of the most recent review as at 31 December 2011, we have no objection to the Commissioners continuing with the planned distributions for 2011-2013. We consider that distributions at this level are not likely to lead to an adverse consequence for the Commissioners' long term financial position.
- 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 position to cut back distributions more easily in the future if this becomes necessary because future experience turns out to be unfavourable.

We have been provided with details of the Commissioners' actual distributions in 2011 and a forecast of proposed distributions in 2012. 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 2013.

Charles Young FIA
For and on behalf of Hymans Robertson LLP
19 March 2012

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**	
	2011	2010	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	£m	£m	£m	£m
Bath & Wells	0.1	0.2	0.4	1.3	0.2	0.1	**0.7**	**1.6**
Birmingham	1.8	1.9	0.4	0.3	0.2	0.2	**2.5**	**2.4**
Blackburn	0.9	1.0	0.5	0.4	0.3	0.3	**1.7**	**1.7**
Bradford	1.3	1.2	0.3	0.2	0.3	0.3	**1.9**	**1.7**
Bristol	0.3	0.8	0.3	0.3	0.3	0.2	**0.8**	**1.4**
Canterbury	0.8	1.0	0.3	0.2	0.1	0.1	**1.2**	**1.4**
Carlisle	0.7	0.8	1.0	0.4	0.2	0.2	**1.9**	**1.4**
Chelmsford	2.8	3.4	0.6	0.7	0.3	0.2	**3.7**	**4.3**
Chester	0.2	0.3	0.5	0.4	0.2	0.1	**0.8**	**0.9**
Chichester	0.2	0.3	0.5	0.4	0.2	0.1	**0.9**	**0.9**
Coventry	0.1	0.2	0.4	0.4	0.2	0.2	**0.7**	**0.8**
Derby	1.4	1.3	0.4	0.4	0.3	0.2	**2.1**	**1.9**
Durham	2.6	2.7	0.8	0.6	0.1	0.1	**3.6**	**3.3**
Ely	0.1	0.6	0.7	0.4	0.2	0.1	**1.0**	**1.2**
Exeter	1.4	2.1	0.5	0.6	0.2	0.2	**2.2**	**2.8**
Gloucester (1)	0.0	0.1	0.4	0.3	0.2	0.2	**0.6**	**0.6**
Guildford (1)	0.0	0.1	0.4	0.3	0.2	0.2	**0.6**	**0.6**
Hereford	0.4	0.4	0.4	0.4	0.2	0.2	**1.1**	**1.0**
Leicester	1.4	1.3	0.4	0.3	0.3	0.3	**2.0**	**1.9**
Lichfield	2.0	2.1	0.5	0.5	0.2	0.2	**2.8**	**2.8**
Lincoln	0.7	0.6	0.6	0.4	0.1	0.1	**1.4**	**1.1**
Liverpool	1.7	2.3	0.4	0.4	0.1	0.1	**2.2**	**2.8**
London	0.3	1.1	1.0	0.9	0.1	0.1	**1.4**	**2.1**
Manchester	2.6	3.0	0.5	0.4	0.2	0.2	**3.3**	**3.6**
Newcastle	1.5	1.8	0.3	0.3	0.3	0.2	**2.1**	**2.3**
Norwich	1.5	1.5	0.6	0.5	0.1	0.1	**2.2**	**2.1**
Oxford (2)	0.2	0.8	0.5	0.5	0.0	0.0	**0.7**	**1.4**
Peterborough	0.2	0.8	0.3	0.5	0.2	0.2	**0.8**	**1.5**
Portsmouth	0.4	0.4	0.3	0.4	0.2	0.2	**0.9**	**0.9**
Ripon & Leeds	0.8	1.3	0.3	0.3	0.3	0.2	**1.4**	**1.8**
Rochester	0.2	0.7	0.4	0.4	0.2	0.2	**0.8**	**1.4**
St Albans	0.2	0.8	0.5	0.4	0.2	0.2	**0.8**	**1.3**
St Edmundsbury & Ipswich	0.2	0.2	0.3	0.3	0.2	0.2	**0.7**	**0.7**
Salisbury (1)	0.0	0.1	0.8	0.4	0.1	0.1	**0.9**	**0.7**
Sheffield	2.0	2.1	0.4	0.4	0.2	0.2	**2.6**	**2.6**
Sodor & Man (1)	0.0	-	0.2	0.2	-	-	**0.2**	**0.2**
Southwark	0.3	0.5	0.9	0.5	0.2	0.2	**1.3**	**1.1**
Southwell & Nottingham	1.4	1.3	0.4	0.5	0.2	0.2	**2.0**	**2.1**
Truro	0.8	0.8	0.4	0.3	0.2	0.2	**1.4**	**1.3**
Wakefield	1.5	1.5	0.4	0.4	0.3	0.3	**2.2**	**2.2**
Winchester	0.1	0.2	0.5	0.4	0.1	0.1	**0.7**	**0.7**
Worcester	0.4	0.5	0.5	0.4	0.2	0.2	**1.0**	**1.1**
York	2.0	2.0	0.3	0.3	0.1	0.1	**2.4**	**2.4**
Europe	-	-	0.4	0.4	-	-	**0.4**	**0.4**
National support	0.4	0.6	8.8	7.7	0.0	0.1	**9.2**	**8.4**
Total	37.7	46.9	29.7	26.4	8.4	7.7	**75.8**	**80.9**

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

Notes:

(1) Gloucester, Guildford, Salisbury 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 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, 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.

Lists of larger investments
as at 31 December 2011

Direct stock exchange and fixed interest holdings over £10m

	£m
UK Treasury 5.25% 2012	255.3
UK Treasury 5% 2012	151.3
UK Treasury 4.5% 2013	104.9
Royal Dutch Shell	42.9
Vodafone	32.8
BP	29.4
Unilever	28.2
HSBC	27.3
GlaxoSmithKline	22.7
UK Treasury Variable Index Linked 2017	22.3
US Treasury 1.625% 2015	20.3
Mastercard	16.6
Google	15.7
BG	14.4
Nestle	14.4
Standard Chartered	14.1
Tesco	14.1
Wal-Mart	14.0
AstraZeneca	13.9
UK Treasury Variable Index Linked 2055	13.7
US Treasury 1.625%	13.4
Johnson & Johnson	13.1
Rio Tinto	12.8
Compass	12.2
Marsh & McLennan	12.0
BHP Billiton	11.7
Cisco Systems	11.1
Becton Dickinson	10.9
Total	10.8
Impax Environmental Markets	10.6
Novartis	10.1
Prudential	10.0

Twenty most valuable property holdings
(including indirect and timberland)

Aberdeen Property UK Retail Parks Partnership (partnership interest)
Future Development Phases, Ashford
Carlisle Estate
Chichester Estate
Ely Estate
Greenchip Timber
Halsall Estate
Huntingdon Estate
The Hyde Park Estate
Imperial House, 15-19 Kingsway, London, WC2
ING Clarion REIT
ING Property Fund Central Europe (partnership interest)
ING Nordic Property Fund (partnership interest)
The Lendlease Retail Partnership (partnership interest)
MetroCentre (10% Interest and associated land)
MGPA Asia III (partnership interest)
The Pollen Estate (shared interest)
Rochester Estate
South Lincolnshire Estate
York Estate

Notes:
The aggregate values of the holdings shown in the two sectors above are respectively 32% and 60% of the total values in each sector.

These lists record the Commissioners' most valuable stock exchange and property holdings. Requests for further information should be made to the Secretariat – see back cover for contact details.

The Church Commissioners and Board of Governors

at 19 April 2012[1]

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 Dr R D Williams **Archbishop of Canterbury, Chairman**
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
A B Baldry MP
Second Church Estates Commissioner*

THE ARCHBISHOP OF CANTERBURY
T E H Walker CB **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 A Urquhart
Bishop of Birmingham
The Right Reverend M Hill **Bishop of Bristol**
The Right Reverend Dr P R Forster
Bishop of Chester

HOUSE OF CLERGY
The Reverend Canon R M Baker
The Reverend Canon D J Stanton
The Reverend S J Trott

HOUSE OF LAITY
Mrs A R Alexander
Canon P N E Bruinvels
G D R Oldham FSI
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
Canon Dr J A Spence OBE DL
J Wythe FRICS

THE ARCHBISHOPS OF CANTERBURY AND YORK
P Harrison QC
J W J Clack FIA
J N Sykes

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
B Carroll
H Rees-Jones
Mrs E C Osborne

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 **Chairman**
J N Sykes **Deputy Chairman**
The Bishop of Bristol
The Reverend Canon R M Baker
B Carroll
G D R Oldham FSI
Mrs E C Osborne
H Hart
J Wythe FRICS

Committee Secretary A C Brown FRICS

Audit Committee
Acts in matters relating to the external auditors, the annual accounts and internal control systems
H Rees-Jones **Chairman**
Mrs A R Alexander
C G Daykin CB FIA†
S East†
G Lynn†
Canon Dr J A Spence OBE DL

Committee Secretary M Cole

Bishoprics and Cathedrals Committee
Acts for the Board in matters relating to episcopal and cathedral support
T E H Walker CB **Chairman**
The Dean of Wakefield
The Bishop of Birmingham
The Bishop of Grimsby **Deputy Chairman**†§
The Dean of Wells §
The Reverend Canon J M Haselock†§
The Reverend M Bide†
Ms S Bassham†§
J P Vince MRICS
Mrs 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
T E H Walker CB **Chairman**
The Bishop of Chester **Deputy Chairman**
The Bishop of Oxford†
The Venerable R Treweek†
The Reverend Canon D J Stanton
The Reverend Canon S J Evans†
Canon P N E Bruinvels
Mrs J Flack†
P Harrison QC
Mrs S Ridge †§

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
T E H Walker CB FRSA **Chairman**
The Reverend S J Trott **Deputy Chairman**
The Reverend Canon R M Baker
The Revd Canon P Cavanagh†
The Reverend S Talbott †
B Carroll
Mrs A R Alexander
J Steel†
C A Wilson†

Committee Secretary P Lewis MRTPI

* Entitled to attend and speak at any Committee
‡ Consultant or Observer
† Non-Commissioner
§ Nominated by the Archbishops' Council

The Church Commissioners' Annual Report & Accounts for the year to 31 December 2011 have been prepared by the Board of Governors and will be presented to the Commissioners' Annual General Meeting in June 2012. 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.

[1] Including committee appointments subject to confirmation early in 2012

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

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