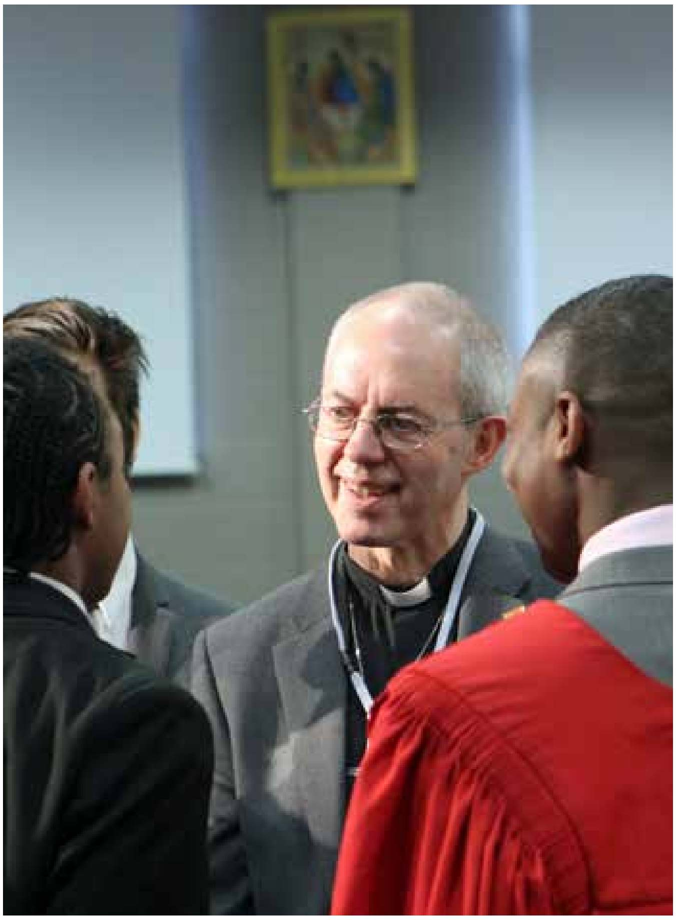
The Church Commissioners for England

# Investing in the Church's growth

## The Church Commissioners

Annual Report 2014



THE CHURCH
OF ENGLAND

# The Church Commissioners Annual Report 2014

## Investing in the Church's growth

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

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Registered Charity Number 1140097

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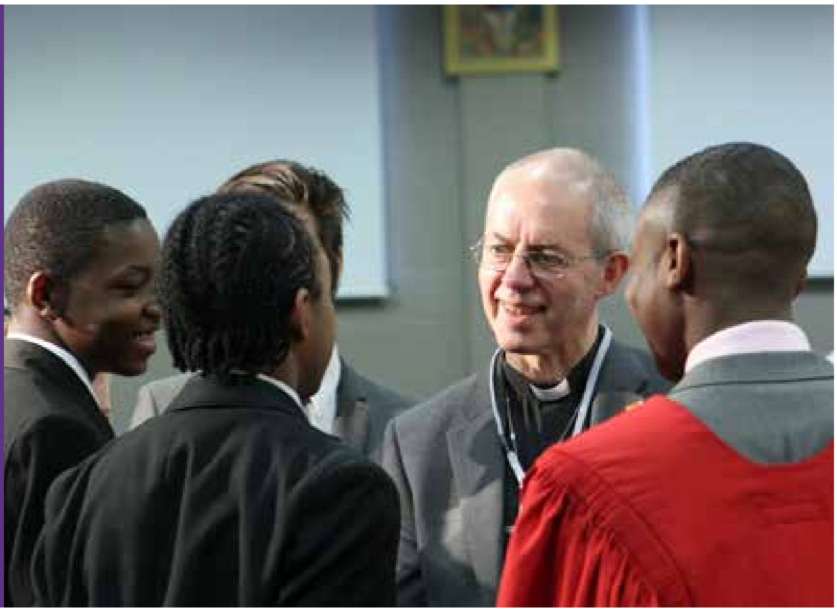
# FOREWORD
# BY THE ARCHBISHOP OF CANTERBURY



Archbishop Justin chatting with pupils at the launch of the Church of England's anti-homophobic bullying guidance for schools in May 2014

**2014 was yet another eventful year for the Church of England. There is constantly much to be done and the work of the Church Commissioners is vital in providing necessary financial resources.**

In March 2013, in support of the Quinquennial Goals of the Church of England, I announced three personal priorities for my ministry as Archbishop of Canterbury:

– Renewal of prayer and the Religious Life
– Reconciliation
– Evangelism and witness

The new community of St Anselm, based at Lambeth Palace and led by a Prior appointed in 2014, is to be a focal point of prayer and the Religious Life. My hope is that, together with existing religious communities and other initiatives, it will help contribute to a renewal of prayer.

We all recognise the existence of divisions not only in wider society but within the worldwide Anglican Communion and even within our own Church. There always will be matters on which Anglicans feel strongly and disagree deeply. We must all work to reconcile our differences as we are challenged by the spirit of the age. I was glad that the announcement of Libby Lane as the new Bishop of Stockport was met with expressions of goodwill.

I have felt it important to hear from all parts of the Anglican Communion their strongly held views on a range of issues. In 2014 I completed my visits to all Provinces of the Communion – a family of 38 self-governing churches spanning 165 countries, six continents and some 85 million people. Not only did I have valuable exchanges everywhere but speaking and praying with the Primates who lead those Provinces was a joy and encouragement.

An essential part of our engagement with society is that we call people to follow Jesus Christ as his disciples by both what we say and what we do. During 2014, along with many others I have been involved in the support and development of projects and actions covering a wide range of projects from issues of debt, homelessness, hunger and other needs. With other Bishops in the House of Lords and elsewhere I have also sought to contribute to discussions on social issues.

I am grateful for the support of the Commissioners for the work here at Lambeth and across every diocese in the country as we continue to identify areas of need and opportunities to promote the spiritual and numerical growth of the Church of England. Through the themes of generosity, stewardship and wisdom, this report demonstrates how the Commissioners support Christian-based projects in the community, how the money is invested and the importance of good governance.

As we move forward into 2015 we continue to be thankful for the work of the Commissioners and pray that with their support we will see continued growth and new areas of opportunity.

**Justin Welby**
**Archbishop of Canterbury**

CONTENTS

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

## We manage an investment fund of £6.7 billion and our ongoing responsibilities include:

- Supporting less well-endowed 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.

**OUR CHURCH NETWORK:**

16,000

church buildings (12,500 parishes)

66%

of our churches help run foodbanks

22%

of our churches provide debt or money advice

12,400

clergy including 1,000 chaplains

5,700

active retired clergy

6,600

licensed readers

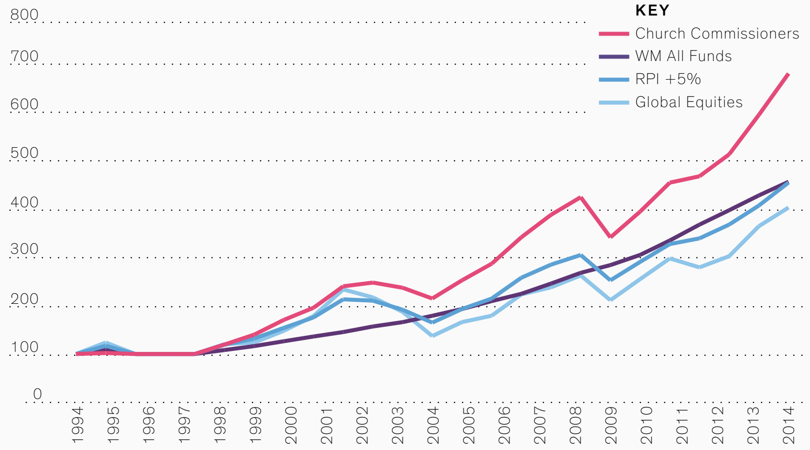
# THE CHURCH COMMISSIONERS AT A GLANCE

The Church Commissioners' £6.7 billion investment fund is well managed and has a significant spending capacity which we invest in our parish ministry and mission grants, including support for low income dioceses.

## RETURNS

Our investment objective is to generate a total return (capital gain and income) averaging RPI+5% per annum over the long term. Over the past 30 years our fund has achieved an average return of RPI+6.3% per annum. Our investment policy is to hold a diversified portfolio of investments across a broad range of asset classes consistent with our ethical guidelines. After taking account of expenditure, our fund has grown from £2.4 billion at the start of 1995 to £6.7 billion at the end of 2014.

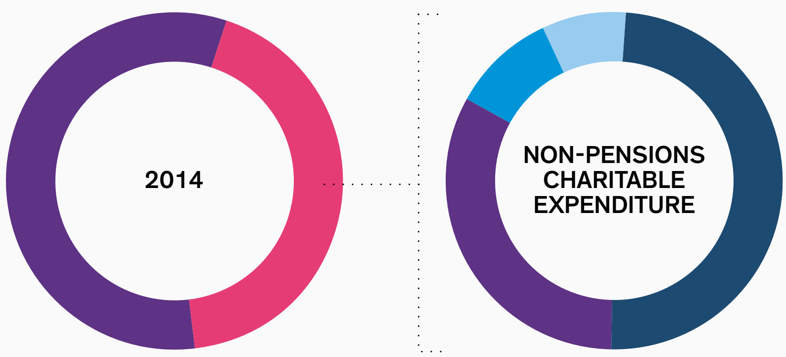
### INVESTMENT PERFORMANCE




## CHURCH COMMISSIONERS' EXPENDITURE 2014

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

### CHURCH COMMISSIONERS' EXPENDITURE 2014




- Pensions expenditure – £122.9m
- Non-pensions charitable expenditure – £91.6m

**NON-PENSION KEY**

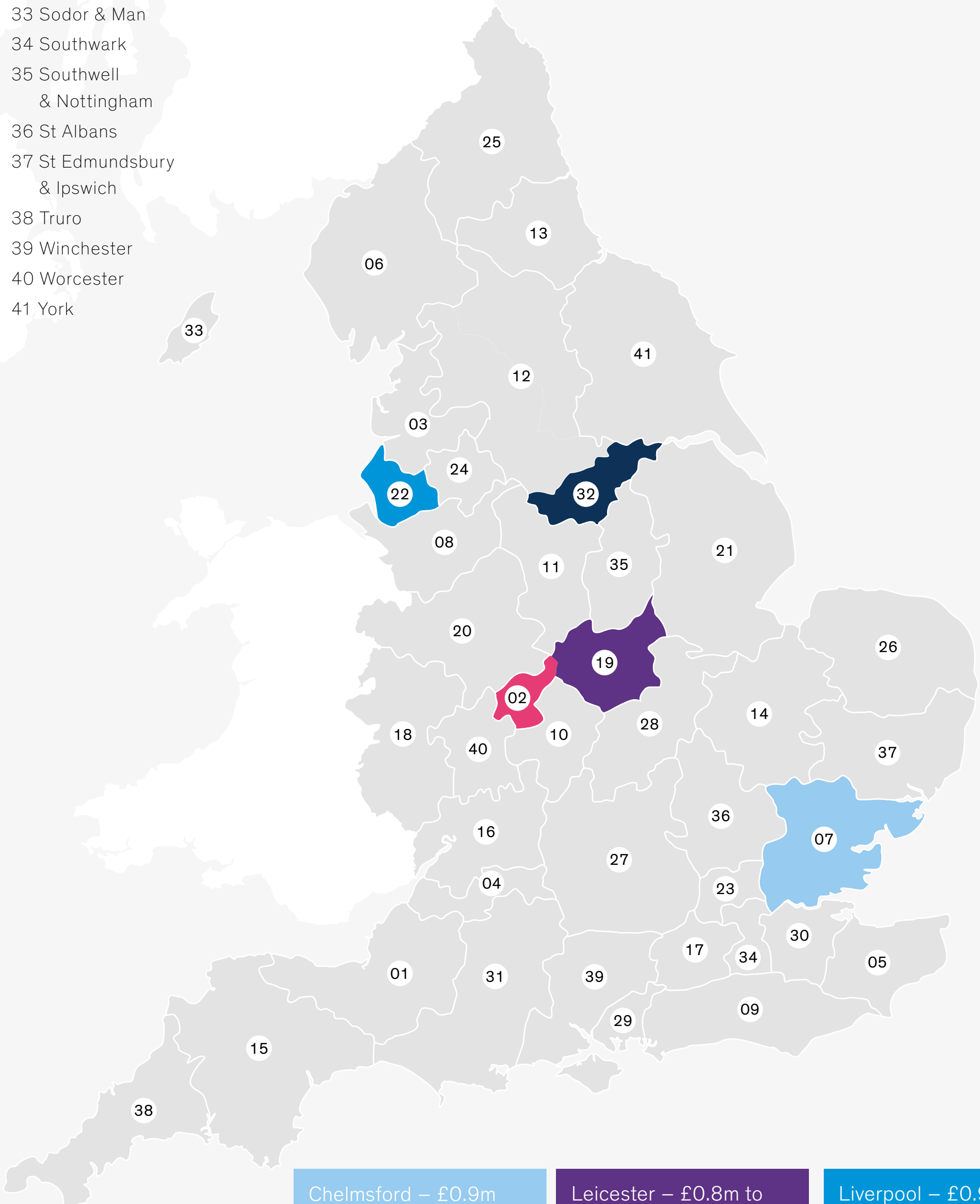
- Parish ministry and mission grants – £46.0m
- Archbishops' and bishops' ministry – £32.3m
- Cathedrals – £9.1m
- Other expenditure – £4.2m

## STRATEGIC DEVELOPMENT FUNDING TO SUPPORT MAJOR GROWTH AND CHANGE PROJECTS

Working with the Archbishops' Council we have awarded £4.6 million to projects from five dioceses from the new stream of Strategic Development Funding (full details page 11).

### KEY TO DIOCESES

01 Bath & Wells
02 Birmingham
03 Blackburn
04 Bristol
05 Canterbury
06 Carlisle
07 Chelmsford
08 Chester
09 Chichester
10 Coventry
11 Derby
12 Diocese of West Yorkshire and the Dales
13 Durham
14 Ely
15 Exeter
16 Gloucester
17 Guildford
18 Hereford
19 Leicester
20 Lichfield
21 Lincoln
22 Liverpool
23 London
24 Manchester
25 Newcastle
26 Norwich
27 Oxford
28 Peterborough
29 Portsmouth
30 Rochester
31 Salisbury
32 Sheffield
33 Sodor & Man
34 Southwark
35 Southwell & Nottingham
36 St Albans
37 St Edmundsbury & Ipswich
38 Truro
39 Winchester
40 Worcester
41 York




Birmingham – £1.0m towards the diocese's Growing Younger strategy including nine mission apprentices to work in selected parishes and 26 missioners for children's and families work.

Sheffield – £1.0m to support a project providing 12 to 15 Mission Partnership Development Workers, each supporting four parishes in deprived areas to free up clergy time.

Chelmsford – £0.9m funding a package of interventions to achieve a 'turn-around' in parishes offering the greatest potential, including interim ministers, dedicated support teams and other back up measures.

Leicester – £0.8m to fund three Pioneer Development Workers to support and further develop the diocesan strategy on Pioneer Ministry and fresh expressions of Church through enabling lay volunteer teams.

Liverpool – £0.9m to support the 'Transforming Wigan' project rolling out a wide-ranging package of initiatives to deliver growth in the deanery of Wigan.

## THE FIRST CHURCH ESTATES COMMISSIONER

New figures for the performance of the Commissioners' portfolio over the past 30 years show that since 1985 the portfolio has appreciated by 9.8 % per annum, well ahead of inflation and in advance of similar funds. This means that all traces of the losses that were sustained by the Church Commissioners in the early 1990s have now vanished from the record. In a good sense, that is: not by contrivance but by achievement.

### LOOKING AHEAD

By coincidence, one of the factors that contributed to the Church Commissioners' difficulties in the late 1980s and early 1990s has been the subject of lively discussion in recent months. I refer to the principle of inter-generational equity, which means that the Commissioners, advised by their actuaries, should only distribute such sums to their beneficiaries as will enable the value of the endowment to be maintained in real terms through time. This policy has been followed rigidly for more than 20 years.

Now Task Groups, set up by the Archbishops, have made ambitious proposals to equip the Church for the future. The Church Commissioners strongly welcome these initiatives. However, financing such plans would likely require the Commissioners to provide additional funds over and above their normal distributions.

The arguments in favour and against such a course were fully explored in a paper presented to General Synod in February 2015. A distinction was drawn between 'bad' over-distribution and 'good' over-distribution. The good version, which is now envisaged, is undertaken for a clear purpose, in response to plans that are evidence based, is fully costed and is entered into with the agreement and understanding of all parties and there are safeguards in place. It should be seen as an investment in the church to encourage growth. In addition a successful outcome would have, as a by-product, an increase in the Church's financial strength.

Accordingly at General Synod in February, I moved a motion that invited members to 'support the Commissioners' in releasing additional funds to support changes to 'equip the Church of England more effectively for sustainable mission'. Large majorities approved the motion.

Synod was no doubt reassured that the Commissioners had turned in a further satisfactory performance in 2014. The total return for the portfolio was 14.4%, taking the value of the endowment to £6.7 billion. We also distributed almost £215 million to the Commissioners' beneficiaries during the year.

The property markets in which the Commissioners are invested were strong across the board. By the end of 2014, our property investments totalled just under £2.0 billion, nearly 30% of the portfolio. The average return in 2014 was 27%, of which only 2% came from income and the rest from capital growth, including realised gains on sales.

The returns on our private equity investments, where, with partners we take holdings in company restructurings, and in credit strategies, where we make funds available for debt reorganisation, were also satisfactory.

During the year we also completed a major step in our diversification programme. This was our programme for investing in timberland on an international basis. Our allocation to this asset class is now nearly 4% of the portfolio. Indeed, in Britain, with the recent purchase of forests in Scotland and Wales, we are now the largest private owner.

As far as equities go, there was a small advance in the United Kingdom. But US equities performed strongly and, all in all, our global equity mandates turned in a gain of 11.2%.

As for our policy during 2015 and onwards, caution is the watchword. For we may be living in 'historical' times, when events seem to presage a new order.

China will soon be the largest economy in the world. The civil war in Ukraine may lead to a new Cold War. At the same time, the Eurozone is under intense strain. Meanwhile deflation has arrived in many advanced countries. The question of whether this is 'good' deflation or 'bad' deflation is as yet unanswered.

All these events are making and will make their influence felt on the Commissioners' portfolio, albeit indirectly and sometimes with quite lengthy time lags, in ways hard to discern. In fact the Commissioners' investment policy was cautious throughout 2014.

The most striking example was the sale of the Commissioners' 64.2% stake in the Pollen Estate, which owns 43 freehold properties in the centre of Mayfair, London. The holding attracted more than 100 bidders from across the world and finally realised £381 million. This compared with a 2013 book value of £231 million.

In 2015 we shall go on seeking to reduce risk incrementally while, for the time being at least, leaving our current portfolio allocations as they are, eschewing dramatic changes.

Andreas Whittam Smith.

**Andreas Whittam Smith**
**The First Church Estates Commissioner**

## SECRETARY TO THE CHURCH COMMISSIONERS

2014 continued to show the Church of England's impact both at local and national level from supporting new ways of doing church alongside vital community projects to supporting our bishops and archbishops contributing to the ongoing national debate on poverty, homelessness and other social justice issues.

During the year our charitable expenditure was almost £215 million, 16% of the Church's overall costs. The case studies on p11-13 show the real difference our projects make in the community, from clubs and drop-ins to youth work and foodbank hubs, all supported by local churches.

This sits alongside our support for bishops' ministry and the work of cathedrals – latest statistics show that these continue to be growing places of worship and many were the backdrop for national WW1 commemoration services during the year. We also provide the pensions for the clergy's service up until the end of 1998.

But we must not forget the generous support from parishes, dioceses and cathedrals which provide around three quarters of the Church's annual £1.4 billion spending on ministry and mission.

Our investment team once again has produced very strong results and it is from the income and capital growth from these investments that we are able to provide the generous financial support for the Church that I have outlined above. Andreas Whittam Smith, our First Church Estates Commissioner provides a detailed commentary on our excellent results on pages 6-7.

We also continue to look to invest wisely and 2014 saw the appointment of a new Head of Responsible Investment, Edward Mason, who outlines our position on ethical investment in a new insert to be found at p18.

I am grateful to Commissioners and other committee members who give up their time to serve the Church and offer wisdom and leadership in the way our assets are managed. I also would like to thank our dedicated staff, without whom, in partnership with our members, the financial results could not have been achieved or the financial and administrative support provided.

**Andrew Brown**
**Secretary to the Church Commissioners**

# SUPPORTING THE CHURCH'S MINISTRY

Archbishop of York Dr John Sentamu with Dan Finn, Director of the Archbishop of York's Youth Trust at the Cottingley Youth Project (bishops' funding p14)

Children's activities at the Burnside Centre, Manchester Diocese on the highly deprived Langley Estate (see p13)

**THE CHURCH IS WORKING TOWARDS THREE GOALS:**

– advancing its spiritual and numerical growth;
– reimagining its ministry for the 21st century to help ensure there is a growing and sustainable Christian witness in every community;
– contributing towards the common good.

2014 saw a major review of how the Church's national funding can best be invested to support the Church in achieving these goals.

## OBJECTIVES

– to manage our financial commitments

– to provide sustainable financial support to our beneficiaries

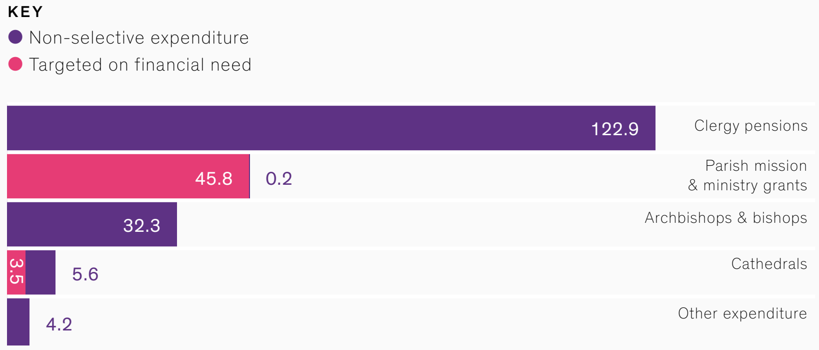
– to target resources on areas of need

– to identify and help to meet new needs

– to research and share news of effective spending

– to provide an administrative resource and skills base to the Church

**SUPPORT FOR THE CHURCH IN 2014** (£M)




Following wide consultation with dioceses, the Resourcing the Future Task Force has recommended removing the current formula systems and replacing them with investment focused on fulfilling dioceses' strategic plans for growth, and with a strong bias towards the poor. Half of the support made available from the Commissioners' funds for distribution to dioceses should be earmarked for the support and development of mission in the poorest communities and half for proactive investment in new growth opportunities.

We and the Archbishops' Council approved the Task Force's recommendations and they have also been welcomed by the General Synod and dioceses. Attention is now focusing on how the recommendations can best be implemented over a transitional period.

The Resourcing the Future review has formed part of a wider programme of reform and renewal which has also encompassed resourcing ministerial education, senior leadership and talent development, and simplifying Church legislation. Read the Archbishops' message on reform and renewal at **bit.ly/ineachgeneration**

### SPENDING PLANS 2014-16

We develop three-year spending plans jointly with the Archbishops' Council. In 2014-16 the pattern of distribution from the Church's national funding will remain unchanged. Funding for each of the broad expenditure categories – for dioceses', bishops' and cathedrals' ministry – increased by 1% in 2014 from the 2013 level of spending and will increase by 1% again in both 2015 and 2016.

£15.0m of development funding has been earmarked in 2014-16 for which dioceses can apply to support projects which will make a significant difference to their long-term mission and financial strength.

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

The work of the joint Spending Plans Task Group of the Archbishops' Council and Church Commissioners, commissioned by the Archbishops of Canterbury and York, is ongoing. In 2014, the Task Group continued to meet with diocesan leadership teams to discuss their diocese's mission and financial strength, the contribution which the Church's national funding makes to their mission and financial strength and their future plans for the use of the national funding that they receive.

### RESEARCH AND DEVELOPMENT

In 2011-13, we and the Archbishops' Council earmarked £12.0m for research and development to help the Church understand better which parts of the Church are growing and why, and to seek to develop that growth.

£0.7m was committed for research to investigate good practice in relation to Church growth; £0.3m for strategic planning and evaluation to help dioceses and cathedrals plan for, and analyse the effectiveness of, their use of the national funding; and £2.9m for developing Church growth in deprived areas.

In 2014, we and the Archbishops' Council approved the Spending Plans Task Group's recommendations for the allocation of the remaining £8.1m:

- £3.5m for strategic development funding for dioceses (to be added to the £15.0m allocated for strategic development funding in 2014-16);
- £1.8m for the development of church planting and new mission communities;
- £1.5m for further research and development;
- £1.1m for ministerial and leadership development;
- £0.2m for restructuring and redeployment of resources.

We and the Archbishops' Council have delegated the detailed expenditure decisions on the research and development funding to the Spending Plans Task Group.

### CHURCH GROWTH RESEARCH PROGRAMME

**www.churchgrowthresearch.org.uk**

Following the January 2014 Faith in Research conference to share the key findings from the Church Growth Research Programme, over 8,000 copies of the summary report From Anecdote to Evidence have been circulated and presentations have been given on the findings to a wide range of audiences, including diocesan senior teams.

The December 2014 Sheffield conference looked again at the research findings and showcased how a number of diocesan teams, cathedrals, fresh expressions of Church and mission agencies have reflected and acted upon them.

A parish development tool on the research findings – **www.fromevidencetoaction.org.uk** – was published in February 2015.

Further research has been commissioned into the development of Fresh Expressions of Church and into Messy Church.

### STRATEGIC DEVELOPMENT FUNDING

£15.0m of funding has been earmarked in 2014-16 to support major growth and change projects in dioceses, plus a further £3.5m from the funding set aside in 2011-13 for research and development.

The funding is being distributed in three tranches. In 2014, five dioceses – Birmingham, Chelmsford, Leicester, Liverpool and Sheffield – were awarded funding totalling £4.6m under the first tranche. Information about the projects funded can be found at **bit.ly/strategicfundingannounced**

Applications for the second tranche have been invited and the funding will be allocated in the summer of 2015. Applications for the third tranche have been invited by autumn 2015 with funding being awarded in the summer of 2016.

### STRATEGIC DEVELOPMENT FUNDING FOR LEICESTER DIOCESE

Leicester diocese has been awarded £809,000 of Strategic Development Funding over five years as part of a £2.1m project to expand the diocese's well-established strategy of developing Pioneer Ministry and fresh expressions of Church. Central to the project is the appointment of three Pioneer Development Workers (from l to r) Jonathan Dowman, Matt Pitt and Mads Morgan to discern, enable, train, accompany and coach lay volunteer teams of licensed Pioneers. **www.leicester.anglican.org/shaped-by-god/fresh-expressions-of-church/**

### DEVELOPING CHURCH GROWTH IN DEPRIVED AREAS

28 projects are currently in receipt of a grant of around £0.1m each from the £2.9m funding for developing Church growth in deprived areas, which was awarded in two tranches in 2011 and 2012. Each proposal was based on work which had already proved to be effective in terms of mission and growth in deprived areas. The funding was awarded to scale the impact of the work across the Church.

£150,000 has been reserved for monitoring and evaluating the programme and disseminating the results.

This funding stream supports Sensing Salvation (Ely diocese) which works with two non-Church schools running an innovative arts project. For a week every month, an artist or theologian takes up residence, and works with schoolchildren on art skills – at the end of the week their finished work is shown to the public. The Revd Paul West, vicar of St Peter and St Paul, Wisbech says: "It's inconceivable to think of Christianity without images. The incarnation of Jesus Christ is the word made flesh, and so that's the starting point of everything that we do here. When we think about our parish church family and a dwindling, ageing congregation we look around us and there's such life and we want to build a bridge into the life of our parish family… using very visual ways of communicating our faith, not inside four closed walls but taking the faith outside visually and announcing that with great joy is what we're about."

### BRISTOL DIOCESE

Rachel Hepburn is the community link worker at St Michael's, Stoke Gifford in Bristol Diocese, and is funded by a grant for mission in new housing and other development areas.

Rachel took up the role in early 2014 and is already embedded in the local community, living on the Cheswick new housing estate and making vital links.

Pioneer curate the Revd Jimmy Rocks said it was the grant that put the final jigsaw piece in place in the church's community outreach as the estate is partly separated by an A Road with few community facilities. "As a team we had prayed about how we could do more in this new housing area. It was unrealistic to expect people to come to the existing church building, we needed to go out to them." Rachel and Jimmy and team are meeting the community need by running lots of events, along with an Alpha group and informal Sunday worship. By the end of her three-year funding Rachel is planning to make the projects sustainable and run by local people.

**Rachel Hepburn**
Community link worker

### FUNDING FOR MISSION IN NEW HOUSING AND OTHER DEVELOPMENT AREAS

In 2008-10, the Council and Commissioners allocated £7.25m to 15 dioceses to support their mission in new housing and other development areas. This money is all committed and was accounted for by the end of 2010 but, owing to the economic downturn, many developments were delayed and the money committed will be drawn down over several years.

An external evaluation of the use of the new housing and other development funding to date, carried out by Charities Evaluation Services, was completed in the summer of 2014 and the findings were shared with dioceses in receipt of the funding at a seminar in June. The evaluation report and summary are at **www.churchgrowthrd.org.uk/news/30**

### PARISH MINISTRY AND MISSION

In 2014 £46.0m was distributed from our funds for parish ministry and mission. Most of this funding was allocated in grants made through the Archbishops' Council. The Council distributed £34.3m in block grants to 25 dioceses using a formula which targets the funding on the least resourced. Dioceses usually use their grant to support clergy stipends, targeting it on parishes least able to meet their ministry costs.

£6.0m was distributed to all dioceses as mission development funding. This funding is for dioceses to invest in new mission opportunities, although it may also be used for clergy stipends. Dioceses report annually on their use of the funding and the information is shared with the General Synod and published on the Church of England website.

### BURNSIDE YOUTH AND COMMUNITY CENTRE

On the day that drummer Lee Rigby was killed, it was the Burnside Centre near his home in the parish of Langley that offered shelter and hospitality to all. This 45 year old project of All Saints & Martyrs Church, on the highly deprived Langley Estate, still serves the community with a range of services to meet local needs and acts as a stepping stone towards support, training, information and guidance. A mission development funding grant is supporting the work of the Centre's children's activities, engaging with children and young people though weekly sessions and holiday play schemes, and providing a safe, stimulating and positive environment. A further mission development funding grant provides the salary for the coordinator's post within the Centre. The Centre's Pre-School, for local children and their families, was judged Outstanding in its most recent Ofsted report. The Chair of the Burnside Centre, the Revd Canon Philip Miller, has said that: '…over and over again we are instrumental in changing lives – in helping those who come to access our services to become volunteers and then to go on and find jobs for themselves.'

### RESOURCING MISSION BULLETIN

Three issues of the Resourcing Mission Bulletin were published on the Church Growth Research and Development website in 2014. All are welcome to sign up to receive the Bulletin via email at **www.churchgrowthrd.org.uk/resourcing_mission_bulletin**

## BISHOPS AND ARCHBISHOPS

The Rt Revd Libby Lane was announced as the next Bishop of Stockport (Chester Diocese) at the end of 2014, becoming the Church of England's first female bishop.

| | |
|---|---|
| Stipends and associated pensions (archbishops) | £0.2m |
| Stipends and associated pensions (bishops) | £4.9m |
| Support staff, office and working costs (archbishops) | £3.8m |
| Support staff, office and working costs (bishops) | £14.0m |

The stipends, office and working costs of the archbishops and bishops are met by the Commissioners. Ministry grants to diocesan bishops enable them to manage resources according to local needs, including decisions on the level of funding to their area and suffragan bishops.

During 2014 the Commissioners implemented the decision taken by the Church that the new Bishop of Gibraltar in Europe, Dr Robert Innes, should live in his diocese rather than at Worth near Gatwick where previous Bishops of Europe have lived and worked from. Offices have been leased in Brussels for the new Bishop and a not-for-profit company set up under Belgian law to administer the Bishop's ministry grant and employ his staff.

### BISHOPS' HOUSES

The Commissioners are the statutory housing provider for diocesan bishops and regularly review the suitability of houses to ensure they provide appropriate accommodation which facilitates the bishops' work and mission.

In 2014 a number of new bishops were appointed. We took advantage of the houses being vacant prior to the appointments to undertake core maintenance and modernisation works to the houses at Hereford, Liverpool and Exeter. Some remodelling and adaptation of the former Ripon and Leeds see house was also undertaken to create a suitable house for the Bishop of the newly created Diocese of West Yorkshire and the Dales.

The Commissioners continue to realise gains from the housing portfolio in order to reduce costs where this can be achieved without compromising the use of the property as the bishop's home and workplace. Unused accommodation at Winchester has been let as has a former gardener's cottage in Chester. We have also obtained planning permission for the redevelopment of a former gardener's house in Sheffield, now in the process of being sold, which will provide a premium over the existing valuation.

### CATHEDRALS

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

A further £3.5m of discretionary grants were provided under section 23 of the Measure. These grants are used to fund lay staff and were targeted at cathedrals with the lowest unrestricted income. Funding of these core costs frees up cathedral resources and facilitates their mission and ministry.

Jointly with the Executive Committee of the Association of English Cathedrals, we issued a survey to all cathedrals inviting them to share their strategic plans, reflect on the outcomes which they achieved in 2011-13 and share information on future plans for developing their mission and financial strength. A summary of the key themes and issues which emerged in response was circulated to cathedrals in December 2014.

### PARISH REORGANISATION

The Commissioners have a legal and advisory role in the reorganisation of parishes and benefices. Following local consultation and approval by the diocesan or area bishop, proposals for reorganisation are sent to the Commissioners for validation. The proposals are then published as a draft scheme for consultation by the diocese or by the Commissioners, depending on the nature of the proposal. Reorganisation sometimes includes the closure of church buildings – 23 of nearly 16,000 church buildings in use were declared closed for regular public worship during 2014 but at the same time new churches and places of worship were also opened.

Schemes to reorganise parishes and benefices can attract objections. The Commissioners' Pastoral Committee heard four cases during 2014 with input from objectors and supporters. Three of these schemes were allowed to proceed and one was sent back to the bishop for further consideration. Other objections were resolved without the need for a decision by the Commissioners, either by the objection being withdrawn after further consultation or the scheme being withdrawn or amended. Objectors are entitled to seek permission to appeal to the Judicial Committee of the Privy Council against a decision by the Commissioners to allow a Scheme to proceed or any aspect of the decision. There was one such application outstanding at the end of 2013 but permission was not subsequently granted and there were no applications made during 2014.

### CLERGY HOUSING AND GLEBE LAND

The Commissioners – through the Pastoral Committee – also have a legal role in sales and other transactions relating to clergy housing and glebe land. Objections to transactions are handled in the same way as for parish reorganisation cases. Objections were received to six glebe sales during 2014, two of which were overruled after consideration by the Committee, while three objections were withdrawn in the light of the diocesan response and one is still to be considered. Three glebe transactions (one in 2013) involving a connected person were approved: three clergy housing transactions (none in 2013) required and were given approval in 2014.

We also approved the release of covenants in six cases (three in 2013) where the Commissioners were historically a party to the sale of land, which at one time was owned by the local parish priest as part of his income or "living".

### HOLY GROUND (EXETER CATHEDRAL)

The cathedral holds a monthly fresh expression service – Holy Ground – for anyone who is interested in engaging with Christian spirituality in a creative way different from the traditional models of church. Holy Ground begins with an act of contemplative and creative worship and then offers the opportunity either to attend a café style gathering, often with a guest speaker, or to attend guided contemplative prayer.

Holy Ground attracts 100+ attendees across the age range, with many who are new to faith or who have become de-churched, or are looking for worship that is creative and yet reflective, and it continues to grow and develop. One attendee wrote that '…the service was so delicately crafted and thus allowed me to respond to the compassionate and gentle message. I left a particular church expression about a decade ago now…and it has been a long and complicated journey! Thank you so much for providing a space where I can feel safe enough to respond to the 'spiritual' again. I cannot tell you how much that means to me and gives me hope that the part of me I thought lost may have a chance to recover and know peace again.' Canon Chancellor Anna Norman-Walker commented: 'Cathedrals can create a uniquely safe place for people to find and rediscover faith and we are delighted that Holy Ground has proved such a success.'

## CHURCH BUILDINGS CLOSED FOR REGULAR PUBLIC WORSHIP

The Commissioners decide the future of church buildings closed for regular public worship. Our locally based specialist casework team works closely with dioceses to find suitable alternative uses. In the minority of cases where such a use cannot be found we normally have to decide, following advice, between preservation of the building in the Churches Conservation Trust and demolition.

### CONTRIBUTION TO THE CHURCH'S MISSION

More than £10.3m was raised in net proceeds from the disposal of closed church buildings and sites during the year, the highest amount ever achieved. These proceeds primarily support and develop the 'living church' and also contribute in meeting the Church's share of funding for the Churches Conservation Trust.

During 2014 we made 24 schemes determining the future of closed church buildings; 16 provided for alternative uses, three for preservation by the Churches Conservation Trust and five for demolition. The Church Buildings (Uses and Disposals) Committee considered objections in six cases, deciding in five that the scheme should go ahead and in one that it should not, with further consideration to be given to the future of the building.

The chart opposite shows how the future of 309 closed church buildings has been settled over the last ten years.

In June, with diocesan colleagues and representatives from various heritage bodies, the Committee visited several churches in Lichfield Diocese and two in Hereford Diocese. We noted both the opportunities provided by and formidable challenges faced in dealing with major urban or town centre buildings, and also how the Churches Conservation Trust was responding to the decline in its core funding.

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

Where a qualifying body objects to the proposed demolition of a listed church or an unlisted church in a conservation area, the Department for Communities and Local Government may hold a hearing or public inquiry. Demolition of Stanley St Peter in Wakefield Diocese went ahead following a decision not to hold such an inquiry, the case being the first such referral in over a decade. However, the Department has decided to hold an inquiry in a second case, Birch St Peter in Chelmsford Diocese, which will be the first held since 1994.

### CHURCHES CONSERVATION TRUST

With the Government we co-sponsor the Churches Conservation Trust which preserves, in the interests of the nation and the Church of England, outstanding closed church buildings for which no suitable alternative use can be found.

In July General Synod approved the Payment to the Churches Conservation Trust Order 2014, providing for the Church's triennial share of funding to remain £1.36m per annum for 2015 to 2018 (with the possibility of an additional amount capped at £0.15m, depending on the level of sale proceeds achieved). While continuing to work with the Trust in containing the financial pressures on its estate and managing the flow of new vestings, we remain concerned at its long term financial sustainability.

All Saints Church, Bolton (left), closed in 1986,has been transformed by the Churches Conservations Trust into a vibrant new community centre.

| **Alternative use** | 2005-2009 | 2010-2014 |
|---|---|---|
| Arts, crafts, music or drama | 3 | 3 |
| Civic, cultural or community | 21 | 16 |
| Educational | 6 | 3 |
| Light industrial | 0 | 1 |
| Monument | 7 | 13 |
| Museums | 1 | 0 |
| Office or shopping | 15 | 4 |
| Parochial or ecclesiastical | 13 | 7 |
| Private and school chapel | 1 | 2 |
| Residential | 30 | 36 |
| Sports | 2 | 1 |
| Storage | 1 | 2 |
| Worship by other Christian bodies | 27 | 23 |
| **Alternative Use Sub-Total** | **127** | **111** |
| **Demolition and site** disposal | | |
| Additions to churchyards | 0 | 5 |
| Housing associations | 3 | 3 |
| Local authorities | 2 | 1 |
| New places of worship | 4 | 1 |
| Not yet decided | 5 | 4 |
| Other community purposes | 2 | 2 |
| Other Purchasers | 15 | 5 |
| **Demolition Sub-Total** | **31** | **21** |
| **Preservation** | | |
| Churches Conservation Trust | 10 | 8 |
| Diocesan Board of Finance | 1 | 0 |
| Secretary of State | 0 | 0 |
| **Preservation Sub-Total** | **11** | **8** |
| **Grand Total** | **169** | **140** |


**LAMBETH PALACE LIBRARY**

Dr Paula Gooder and colleagues filming for the Pilgrim Course at Lambeth Palace Library. One of the Bibles filmed was Biblia, das ist, die gantze Heilige Schrifft Deudsch, Hans Lufft's third edition of Martin Luther's translation of the complete Bible, published in 1536 at Wittenberg, Germany. The title pages in this copy have been coloured by hand. From the Sion College Library collection, now held in Lambeth Palace Library (A13.6/L97). The Commissioners are responsible for the Library's collection.

# REVIEW OF INVESTMENT ACTIVITY

Left: In 2014 the Commissioners sold their 64.2% holding in the Pollen Estate to the Norges Bank Investment Management, (NBIM) in partnership with the Crown Estate. Right: The Connaught Estate summer festival (see p24)

## OBJECTIVES

- to manage the fund so as to ensure sustainable distributions for our beneficiaries
- to achieve a total fund return of RPI +5% per annum measured over the longterm
- to meet performance benchmarks for individual asset classes
- to manage financial risks appropriately
- to act within our ethical investment guidelines

# RESPONSIBLE INVESTMENT REVIEW

When the Church Commissioners signed the UN Principles for Responsible Investment ('PRI') in 2010, we created an exciting opportunity to incorporate into our established ethical investment practice ideas from the fast-growing global movement that is setting the standards for the responsible conduct of institutional investment.

PRI signatories commit to integrate environmental, social and governance ('ESG') issues into investment analysis and decision-making. They pledge to be active owners of investments through their policies and practices. The UN PRI's intention is that responsible investment will better align investors with the broader objectives of society.

In 2014 the Commissioners stepped up their commitment to the PRI by appointing a Head of Responsible Investment. I joined the Commissioners having served for five years as Secretary to the Church of England's Ethical Investment Advisory Group.

Our ambition is to be at the forefront of responsible investment practice and this review sets out where we are on our responsible investment journey.

**Edward Mason**
**Head of Responsible Investment**

### ETHICAL INVESTMENT EXCLUSIONS

The Church Commissioners have always attached great importance to investing in a way that is consistent with Christian values. Together with the Church of England Pensions Board and CBF Church of England Funds, we sponsor the Church's Ethical Investment Advisory Group (EIAG) to ensure that we receive expert, independent advice on ethical investment matters.

When investing directly in public equities, property or corporate debt, we apply investment exclusions to companies involved in indiscriminate weaponry, conventional weaponry, pornography, tobacco, gambling, non-military firearms, high interest rate lending and human embryonic cloning.

We are implementing a new policy on alcohol under which companies deriving revenues from alcohol are only eligible for investment if they meet EIAG standards for responsible marketing and retailing.

### PROACTIVE ENGAGEMENT

We actively engage with companies to shift the dial on live issues. The key engagement achievement in 2014 was the successful completion of the EIAG's dialogue on alcohol retail with the three major UK-listed supermarkets – Tesco, Sainsbury's and Morrisons – after all three companies adopted revised alcohol policies newly acknowledging the potential for alcohol to cause harm, as required by our new alcohol policy.

### ENGAGEMENT AND VOTING

In the past year, in partnership with the Ethical Investment Advisory Group, the Commissioners:

– Voted on 24,302 resolutions at 1,788 company meetings globally

–Supported only 34% of UK remuneration resolutions at company AGMs

– Held engagement meetings with 27 companies on environmental, social and governance issues

– Co-filed shareholder resolutions for the BP and Shell AGMs subsequently recommended to shareholders.

### SUSTAINABILITY

At 31 December 2014, £299.0 million of the Commissioners' investment portfolio (approximately 4.5%) qualified for inclusion in the Low Carbon Investment Registry maintained by the Global Investor Coalition on Climate Change:

– The Commissioners' £253.0 million sustainably certified forestry portfolio

– The Commissioners' £29.0 million investment in two green office buildings in Singapore

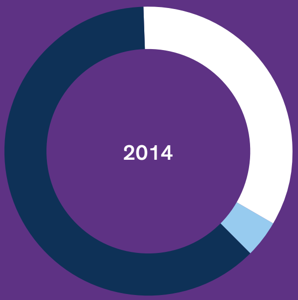
– The Commissioners' £17.0 million holding in the Impax Environmental Markets plc Fund.

### CASE STUDY: DRIVING THE TRANSITION TO A LOW CARBON ECONOMY

In 2014 the ecumenical, UK-based Church Investors Group, of which we are active members, engaged with 53 major British companies on the disclosure and management of their carbon emissions. 58% of them improved their performance as measured by an independent NGO, CDP (formerly the Carbon Disclosure Project).

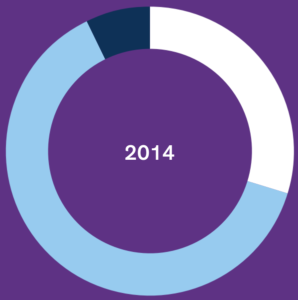
The Commissioners are also part of a coalition of church and other investors that prepared shareholder resolutions for the BP and Shell AGMs in 2015. In an unprecedented step, both companies announced that they would advise shareholders to vote for the resolutions which call for in-depth disclosures on how the companies are responding to the strategic challenges that climate change poses to their industry.

### VOTING ON UK REMUNERATION




KEY
- For – 34
- Abstain – 4
- Against – 62

### ENGAGEMENT




KEY
- Environment – 8
- Social – 17
- Governance – 2

In addition, the Commissioners have one of their largest listed equity mandates, valued at £284.0m at 31 December 2014, with Generation Investment Management, which was co-founded by former US Vice-President Al Gore, and all of whose investments must meet sustainability criteria. This represents a further 4% of the Commissioners' overall investment portfolio.

#### SELECTION AND MONITORING OF ASSET MANAGERS

While asset management is our responsibility for most of our property portfolio, for other asset classes we use external asset managers. The selection and monitoring of external managers is therefore an essential part of how we go about responsible investment.

Our due diligence when selecting external managers is thorough and includes an examination of how non-financial issues like environmental impact and human rights are integrated into investment management. Recommendations made to Commissioners to invest with any managers include analysis of their approach to responsible investment.

After appointment, we monitor the investment practice of our managers carefully. For public equities we have started to use external data to help us to monitor the non-financial characteristics of our managers' investment portfolios.

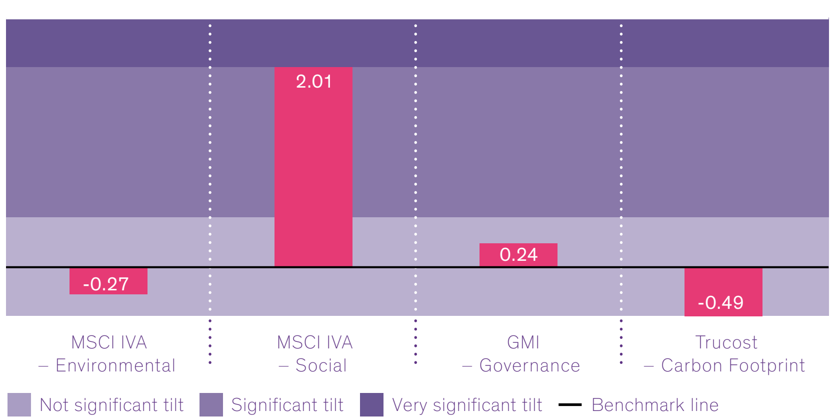
This data comprises MSCI IVA ('Intangible Value Assessment') ratings of environmental and social characteristics, GMI Ratings of corporate governance, and Trucost analysis of carbon footprint, viewed on a platform provided by a portfolio analytics company, Style Research. The data covers most, but not all, of our public equities portfolio.

The data indicates that, at the end of 2014, our public equity portfolio had a significant tilt towards companies with better social characteristics compared to its combined benchmark. There are also less significant tilts towards companies with better governance characteristics and lower carbon emissions, but poorer environmental characteristics.

We will continue to monitor our portfolio over a longer period of time, discuss the data with our managers and report our findings annually.



#### CHURCH COMMISSIONERS PORTFOLIO STYLE SKYLINE™ REPORT



## PROMOTING BIODIVERSITY IN CENTRAL LONDON

A programme of work is underway on the Commissioners' flagship London Hyde Park Estate, to make it the most biodiverse in the City. Working with ecologists from organisations such as the RSPB, the Wildlife Trusts and Bug Life, the Commissioners are promoting wildlife through planting for wildlife and installing insect stacks, bee nests, and bird and bat boxes.

## ACHIEVING RECOGNITION FOR RESPONSIBLE INVESTMENT

In December 2014 a report by the Association of Chief Executives of Voluntary Organisations (ACEVO), Good with Money: Why Charity Investments Matter, highlighted the ethical and responsible investment practice of the Church Commissioners as a best practice case study in the charity investment sector which was 'truly inspiring'.

### MEMBERSHIPS

The Commissioners are active not only through the UN Principles for Responsible Investment and Church Investors Group but also through other responsible investment initiatives which enable us to collaborate with other investors to share best practice and enhance impact through collaboration:

- The Institutional Investors Group on Climate Change, a collaborative platform for European investors to encourage public policies, investment practices and corporate behaviour that take account of climate change
- UK Sustainable Investment and Finance, the membership network in the UK for sustainable financial services.

### EXTERNAL ASSESSMENT

Signatories to the Principles for Responsible Investment (PRI) were assessed for the first time in 2014 by the PRI secretariat for their implementation of the Principles. This is still in the trial stage but we intend to publish our ratings in the future and were encouraged by the initial scores.

### AWARD RECOGNITION

The Church Commissioners have just won the Best Implementation of Responsible Investment category at the Portfolio Institutional Awards 2015. The Church Commissioners were praised for their strategic engagement with companies, record on sustainability and the integration of ESG into investment decision-making.

### LOOKING AHEAD

Plans for 2015 include adopting a comprehensive new policy on climate change and launching a new system for rating our managers on responsible investment and driving forward good practice.

> **"OUR AMBITION IS TO BE AT THE FOREFRONT OF RESPONSIBLE INVESTMENT PRACTICE"**
>
> **Edward Mason**
> **Head of Responsible Investment**

Signatory of:

PRI Principles for Responsible Investment

## FUND STRATEGY

The Commissioners' fund was valued at just over £6.7 billion at the end of 2014, nearly £0.6 billion higher than at the end of 2013 after charitable distributions of £215m.

This is the highest ever asset value of the Commissioners' fund, more than £1.1 billion higher than in 2007 before the financial crisis.

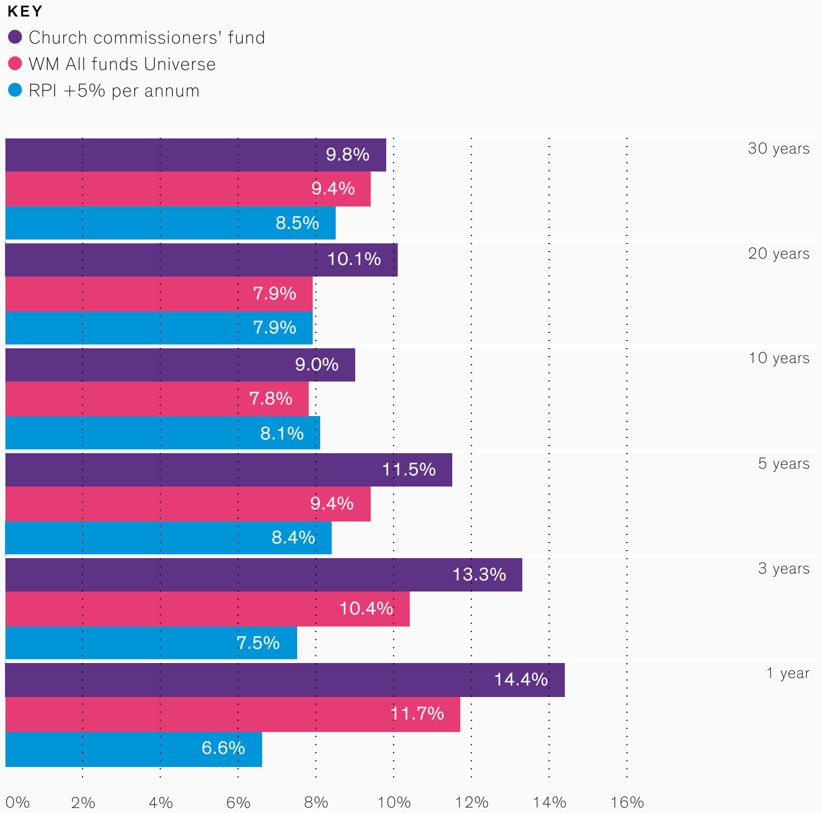
The investment objective is to generate a return of inflation (RPI) +5.0% per annum, on average, over the long term. We have managed to exceed this objective over 3, 5, 10, 20 and 30 years and our investment performance continues to be recognised by industry awards. Over the last 30 years the fund has achieved an average return of 9.8% every year: 6.3% ahead of RPI inflation.

Meeting or exceeding our performance objective allows us to meet our pension obligations and to grow, in real terms, our support for the Church, balancing the needs of both current and future beneficiaries.

Our investment policy is to hold a diversified portfolio of investments across a broad range of asset classes consistent with our ethical guidelines. The chart (right) shows our asset weightings at the end of 2014 and how these have changed in recent years. In 2014 we continued to increase our exposure to timberland and private credit strategies to seek higher returns and also to better diversify the portfolio. We made timberland acquisitions in the USA, Australia and the UK. This makes the Commissioners the largest private sector forestry owner in the UK, providing roughly 5% of the UK's domestic wood supply. We made selective sales across our property portfolio to fund these purchases.

Tom Joy, Church Commissioners' Director of Investments, was awarded the prize for the Investment Head of the Year at the Asset International (aiCIO) European Innovation awards in 2014.

**TOTAL RETURNS PER ANNUM** (AGAINST AN INDEPENDENT COMPARATOR AND COMMISSIONERS' TARGET RETURN)



REVIEW OF INVESTMENT ACTIVITY

## FUND PERFORMANCE

The Commissioners' fund returned 14.4% during 2014. Our longer-term numbers, which are significantly more important in terms of determining our distributions, also remain strong. Our 3, 5, 10, 20 and 30 year numbers are all ahead of both our inflation plus 5%p.a. target and the average fund as measured by the WM All Funds Universe.

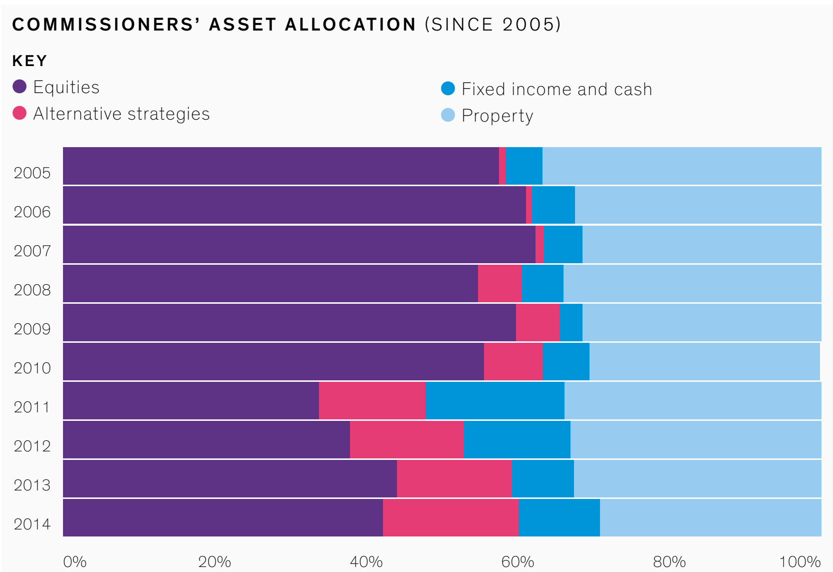
Unlike in previous years 2014 saw risk assets, such as equities and property, deliver mixed results. Across the board property performed strongly, as did other less liquid private market asset classes such as private equity, credit and timber. Equities were more mixed; strong in the USA, weaker in Europe and emerging markets. Perceived safe-haven assets like UK gilts and US treasuries also performed quite strongly as reduced inflation pressures, in part as a result of the collapse in oil prices, drove yields to record low levels. Despite this mixed picture, the Commissioners delivered good absolute and relative performance.

Performance was strong in most areas with the majority, but not all, of the Commissioners' asset classes producing a return ahead of our inflation +5% target. Within asset classes our assets and managers typically performed in line or ahead of their respective benchmarks which also added to our overall performance.

Notable performance was delivered in property, private credit and timber. Property, in particular, had a very strong year with selective sales, notably the Pollen estate, combined with continued successful asset management by the in-house team materially adding to performance.

### DISTRIBUTION STRATEGY

We aim to meet our pension obligations and to maintain and, over time, grow in real terms our other financial support for the Church's ministry and mission. We plan our spending in three-year periods in consultation with stakeholders. Expected net non-pensions distributions in 2014-2016 are £283.8m. 56% above the level in 2002-04. This is equivalent to an average annual increase of 3.7%, exceeding inflation over the period.

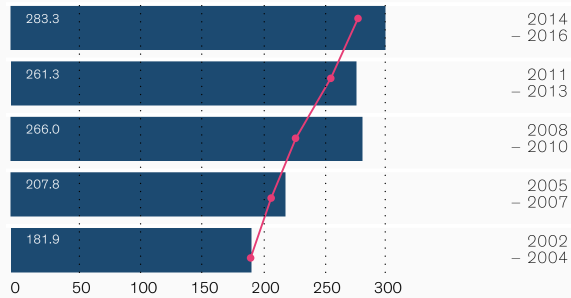


## ASSET RETURNS, TOTAL FUND AND BY ASSET CLASS: 1, 3, 5, 10, 20 AND 30 YEAR AVERAGES

| Total returns % per annum | 1 year | 3 years | 5 years | 10 years | 20 years | 30 years |
|---|---|---|---|---|---|---|
| Commissioners' total assets | 14.4 | 13.3 | 11.5 | 9.0 | 10.1 | 9.8 |
| Retail Price Index + 5% | 6.6 | 7.5 | 8.4 | 8.1 | 7.9 | 8.5 |
| WM All Funds Universe | 11.7 | 10.4 | 9.4 | 7.8 | 7.9 | 9.4 |
| **Commissioners' main asset classes** | | | | | | |
| Global equities | 11.2 | 16.0 | 11.6 | 9.2 | 8.5 | 8.9 |
| UK equities | 0.7 | 14.4 | 10.0 | 8.0 | 8.5 | 10.5 |
| Private equity | 15.8 | 10.6 | 12.3 | 14.3 | n/a | n/a |
| Commercial property | 48.3 | 21.9 | 17.6 | 10.2 | 12.1 | 11.9 |
| Residential property | 16.7 | 17.5 | 16.2 | 16.1 | 17.8 | 17.0 |
| Rural let land | 17.1 | 13.9 | 15.4 | 16.0 | 15.6 | 12.6 |
| Strategic land | 23.4 | 16.2 | 17.0 | 12.4 | 28.7 | n/a |
| Indirect property | 18.0 | 10.8 | 12.5 | 7.4 | 12.4 | n/a |
| Value linked loans | 32.7 | 20.2 | 13.4 | 4.4 | 10.0 | 8.6 |

## COMMISSIONERS' ASSET ALLOCATION
(AS AT 31 DECEMBER 2014)


## NON-PENSIONS DISTRIBUTIONS
(IN EACH THREE-YEAR PERIOD COMPARED WITH LEVEL INCREASED BY RPI)




### EQUITIES

#### PUBLIC EQUITIES

##### UK & GLOBAL

In 2014, the Commissioners' equity portfolio outperformed its benchmark, returning 7.8% against 6.8% for the benchmark. Performance was helped by our bias towards global markets away from the UK. Our global mandates returned 11.2% compared to only 0.7% from our UK holdings.

#### DEFENSIVE EQUITY

The defensive equity portfolio comprises low volatility equity managers who are expected to generate good relative performance in weak markets and to capture enough upside in periods of positive equity market performance to provide attractive returns over the long run. The portfolio is made up of a mixture of specialist long-only and long/short managers and represented around 7.4% of the portfolio at the year end. During the year the portfolio generated a return of 8.4%.

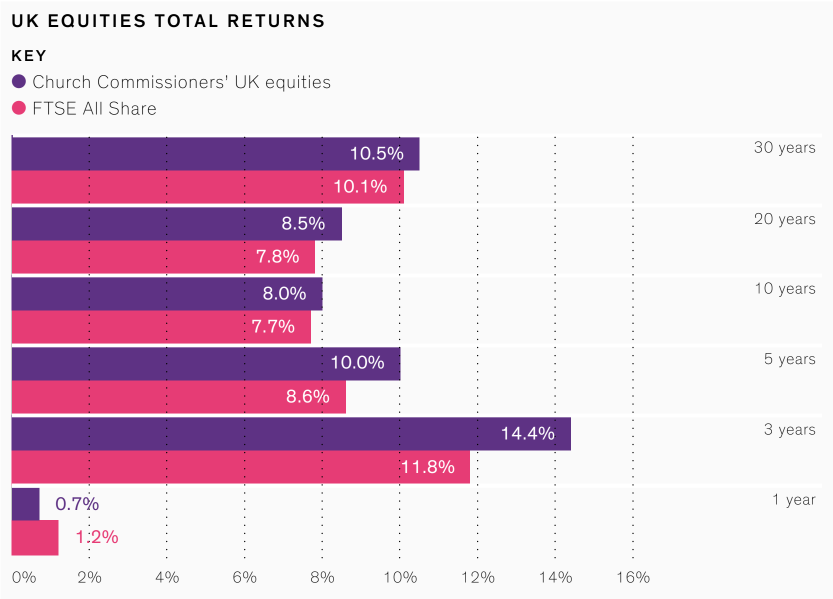
We did not make many changes to either our overall equity allocation or our manager line-up in 2014. We used market strength to take profits from our global holdings adding to defensive equity where we introduced two new managers. We also added a specialist smaller company manager in Brazil after a period of significant weakness in that market.

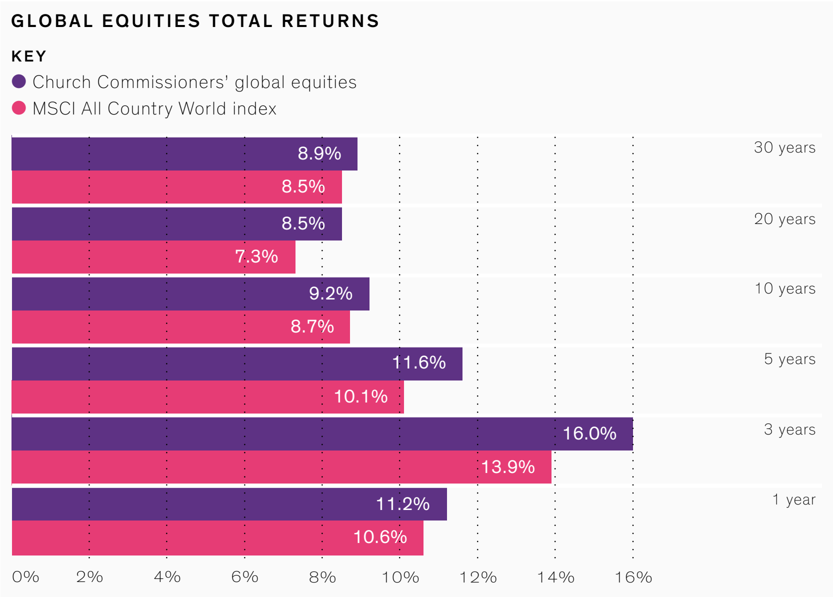
## PRIVATE EQUITY

The private equity portfolio, which invests in unlisted companies, directly and by way of funds, achieved a total return of 15.8% in 2014. We made four further commitments totalling £51.8m to the portfolio during the year. Over the long term our private equity portfolio has significantly outperformed quoted equity markets and we plan to continue to expand the allocation to the asset class over the next few years.

## MULTI-ASSET

The multi-asset absolute return portfolio represents around 10% of the total portfolio. It is designed to generate attractive positive returns independent of the external environment but we would normally expect it to lag equities in periods of strong growth. These strategies generated a total return of 10.6% in 2014.



### FIXED INCOME

#### LIQUID STRATEGIES

Our fixed interest portfolio, which includes investments in US high yield bonds and emerging market debt, returned -0.5% in 2014. During the year we reorganised the portfolio to better protect against a changing interest rate environment. We continue to maintain a low weighting to this area, so while the headline return was low its impact on the wider portfolio was limited due to the low allocation.

#### PRIVATE CREDIT

Our private credit portfolio was started in 2012 to allocate capital to interesting opportunities which could further diversify and improve the return profile of the fixed income portfolio.
We continued to increase our allocation in this area during 2014 making two new commitments totalling £50.5m. In aggregate these strategies generated a combined return of 10.2% in 2014.

### PROPERTY

The property portfolio had another strong year in 2014, with each part of the portfolio delivering double digit performance and exceeding our return target comfortably. We received two IPD industry awards based on the 3 year and 10 year performance of our investment properties. This shows the benefit of taking a truly long term approach and having stewardship of a well-diversified and high quality set of investment property portfolios.

### RURAL

2014 was a busy and productive year for the Commissioners and we focused on three main areas of work, including making a number of strategic investments into water resources and the associated infrastructure, principally across two of our southern rural estates. This has involved making investments in water abstraction licences, irrigation reservoirs and field drainage, and has provided a number of environmental benefits as well as a welcome uplift in value on the estates concerned. These investments are also about providing for the future, as they will increase the options for higher value cropping rotations and should help to safeguard against unpredictable weather patterns.

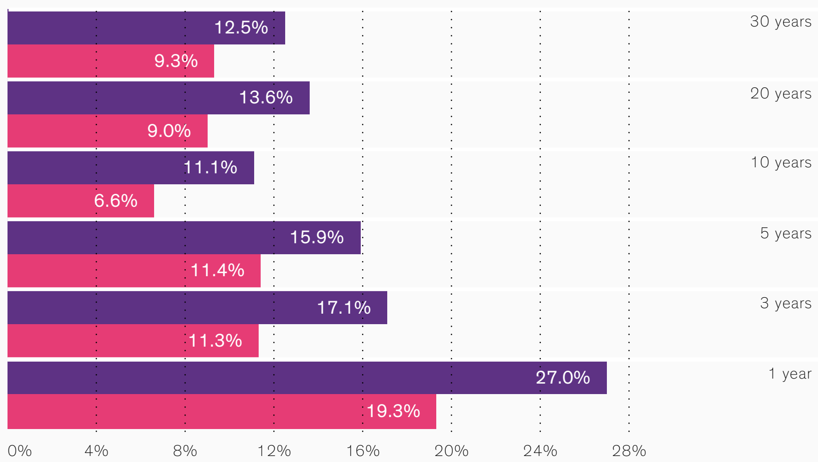
We have successfully progressed a number of projects to release capital from the portfolio leading to some selective sales, in addition to completing a number of important tenancy restructures which benefited our farm tenants as well as ourselves.

We also undertook a number of land purchases to support our long term investment strategy and these included 121 acres at Carlisle, 50 acres at Peterborough and 765 acres in Kent.

These important areas of work have supported the investment performance of our rural holdings, with the portfolio generating a total return of over 17% during the year.

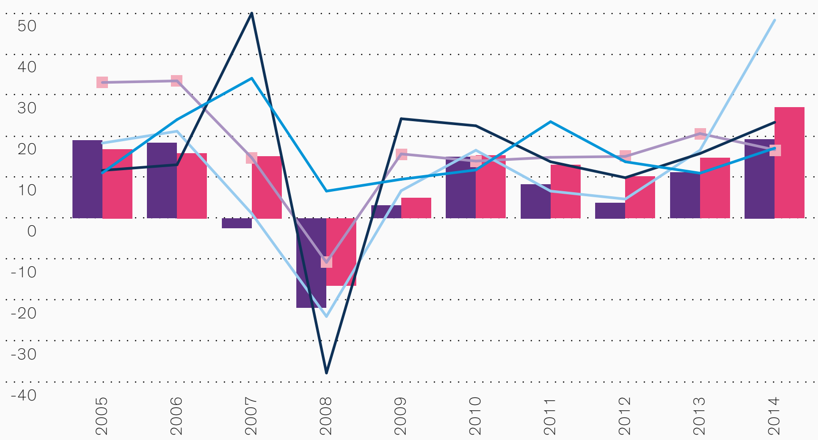
#### CHURCH COMMISSIONERS' COMBINED PROPERTY RETURNS

KEY
- Church Commissioners' combined property
- UK property IPD benchmark




#### INVESTMENT PROPERTY RETURNS BY INDIVIDUAL CLASS 2004

KEY
- IPD Portfolio
- Total Commissioners' property
- Rural Let Land
- Strategic Land
- Commercial
- Indirect property
- Residential



## STRATEGIC LAND

2014 saw a number of successes, with the portfolio providing a return of nearly 23.4% during the year. Planning permission was granted in Wells for 150 new houses on the edge of the city and a Committee approval, in principle, for 800 new houses on the edge of Ely in Cambridgeshire. Both sites will see the delivery of much needed new homes in these areas and will include an element of affordable housing.

We continued to focus on the acquisition of strategic land sites to replenish the portfolio for the long term. Two purchases were completed in 2014, comprising 24 acres of land in South Tyneside and almost 50 acres in Hertfordshire. Key disposals through the year generated capital receipts of £13.0m, which included a land-swap in Morton, Carlisle, a sale at North Hykeham in Lincolnshire and initial plot sales at Cheeseman's Green, Ashford.

## RESIDENTIAL

Our Hyde Park Estate generated more than £27.0m from lease extensions and sales, and we reinvested more than £14.0m buying flats and houses to let, including 10 flats at Alleyn Court, Sussex Gardens. We completed 18 refurbishments of flats and nine service charge projects. We continue to improve the public realm with the first phase of the reinstatement of iron railings along Sussex Gardens in hand.

At Connaught Village, the retail heart of the Estate, we secured new tenants including Abasto, an Argentine butcher and wine merchant, Mud, a Sydney-based homeware design company selling handmade porcelain, and Buchanans Cheesemonger, an artisan cheesemonger sourcing and maturing British and European cheese. The summer festival was a successful family and community event with a record turnout in the sunshine.

"As responsible property and landowners the Commissioners continue to demonstrate a commitment to their holdings while maximizing benefit to support the ministry and mission of the Church as a whole."

**Rosemarie Jones**
Deputy Surveyor

## COMMERCIAL

In August we sold our 64.2% beneficial interest in the Pollen Estate, Mayfair to Norges Bank Investment Management and The Crown Estate for £381.0m. This was the Commissioners' largest ever single property transaction and keen competition from both UK and overseas investors reflected the strong demand for prime assets in London. We also sold the freehold of a part of Moorfields Hospital which was subject to an 893 year lease for £25.0m.

We completed two sales of multi-let industrial estates, again seeing strong demand for these assets. We sold the io and Equity Trade Centres, Swindon to Canada Life for £11.65m and the io Centre, Redditch to Scottish Widows for £10.42m

We also secured a valuable planning permission for residential use on the office element at the Goose Green Industrial Estate, London SE22.

### INDIRECT

The indirect property portfolio delivered strong performance in 2014, driven by good results, in particular from our carefully selected care home investments in the UK as well as our real estate investments in the USA.

We took a highly selective approach in making new investments during the year, making two co-investments across the portfolio. Both of these were with our USA opportunity manager, PCCP. We acquired a share of an empty office building in Burbank, California, as well as providing capital to acquire a senior loan on a land parcel in Michigan, in order to build new retail, residential and senior living facilities.

### TIMBERLAND AND FORESTRY

Our timberland and forestry portfolio performed very well, delivering a 22.3% total return in 2014 in what was an active year for the portfolio. Since inception it has provided a yearly return of 14%.

In the USA we completed the acquisition of 27,000 acres of timberland in Virginia, along with a number of smaller acquisitions across the US South. We also made two Sandalwood investments in the Northern Territory, Australia to establish new plantations with the intention of growing and harvesting Indian Sandalwood oil for sale to pharmaceutical and perfume manufacturers. Within the UK, we bought 17,000 acres of forestry spread across 15 forests in Scotland and Wales. This makes the Commissioners the largest private sector forestry owner in the UK, providing roughly 5% of the UK's domestic wood supply.

All of our UK forests are operated to the highest standards and all wood produced is fully certified as sustainable to international standards. We also established a new forest in Perthshire which provided one-third of the total new forest created nationally in 2014.

### INFRASTRUCTURE

Infrastructure is a relatively new asset class for the Commissioners. We monitored the market during 2014, meeting a number of top tier managers. We have to date made one investment, a $50m commitment to a US energy manager who provides credit to energy companies to help finance energy projects. We will continue to review market opportunities over the coming year, making investments in a measured way.

"The property portfolio had another strong year in 2014, with each part of the portfolio delivering double digit performance and exceeding our return target comfortably."

**Joseph Cannon**
Chief Surveyor

Mountain Biking Centre at Llandegla, Wales – one of the 15 forests acquired in the UK by the Commissioners in December 2014.

# GOVERNANCE

Lichfield Cathedral (left) played host to the funeral and vigil for teenage cancer victim Stephen Sutton whose inspiring story raised more than £5.0m for charity

The first Canterbury Cathedral Girls choir (above) was founded in 2014. (Commissioners' support for cathedrals, p14 and 15)

### STRUCTURE

The Church Commissioners for England are a statutory body created in 1948 by the Church Commissioners Measure 1947. The Measure sets out how the Commissioners are governed. The Commissioners are a charity registered in England and Wales (registration number 1140097) under the Charities Act 2011.

The Church Commissioners "Group" comprises the Commissioners and its subsidiary undertakings, as detailed in note 12(g) to the Financial Statements.

### TRUSTEES AND THE BOARD OF GOVERNORS

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 the Houses of the General Synod or the cathedral deans; other members are appointed for other specific expertise. Supplemented by non-Commissioners, members of the Board are also organised into five committees (Assets, Audit & Risk, Bishoprics & Cathedrals, Pastoral and Church Buildings Uses & Disposals). 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.

## OBJECTIVES

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

– to identify and manage organisational risk

– to be transparent and accountable in a organisational activity and internal governance

– to ensure trustees are properly resourced for their role

– to apply ethical investment policy guidelines

## TRUSTEES

Following a higher turnover of members in 2013, the Board's composition was more stable in 2014. However, we did welcome two new Governors in 2014. Committee memberships were also steady although the Bishop of Portsmouth's appointment to the Dioceses Commission precluded his continued service on our Pastoral Committee from which he had to resign. Although we were sorry to lose his excellent contribution to our work, we were fortunate that the Bishop of Truro became his successor. We were also very pleased that the Archbishops' Council chose the Revd Anne Hollinghurst and Susan Pope to fill vacancies on our Bishoprics & Cathedrals and Pastoral Committees respectively. We are very grateful to our new and departing members for the time and expertise that they shared with us in service of the Church.

Sir Tony Baldry MP announced that he would not seek re-election to the House of Commons in May 2015 and as a result ceased to be Second Church Estates Commissioner when Parliament was dissolved. We are grateful for the immense energy and wisdom of Sir Tony; this has helped him steer very significant legislation through Parliament and represent the Church's interests with great distinction. We wish him our very best and look forward to the appointment of his successor. (See Accountability p28 for more on the work of the Second Church Estates Commissioner.)

## NEW COMMISSIONERS

The appointment of two new Commissioners was announced in 2014; Poppy Allonby and Graham Oldroyd are both members of the Board of Governors and the Assets Committee and Securities Group (see below).

Poppy Allonby, CFA, Managing Director and portfolio manager, is a member of the Natural Resources Team within BlackRock's EMEA Fundamental Equity Portfolio Management Group. Poppy's service with the firm dates back to 2000, including her years with Merrill Lynch Investment Managers (MLIM), which merged with BlackRock in 2006. Prior to working on the Natural Resources team, Poppy was an analyst on the US Equity team, responsible for the Basic Materials, Utilities and Energy sectors. She previously earned a BSc degree in physics from the Imperial College.

Graham Oldroyd has a portfolio of Chairman, Non-Executive Director and Advisory Board positions in both the Corporate and not-for-profit sectors. He is a Member of the Chartered Institute for Securities and Investment, a Chartered Mechanical Engineer, and a Fellow of the Institution of Mechanical Engineers. He was a Partner at private equity fund manager Bridgepoint Advisers Limited until June 2013. Graham holds an M.B.A. from INSEAD Business School and graduated from Cambridge University in 1983.

GOVERNANCE

## ACCOUNTABILITY

### Second Church Estates Commissioner The Rt Hon Sir Tony Baldry MP (pictured)

The office of the Second Church Estates Commissioner maintains the statutory accountability of the Church Commissioners to Parliament through the regular answering of questions in the House of Commons on Church matters.

During 2014 a wide range of questions were responded to, most frequently covering the Anglican Communion and persecuted Christians overseas, credit unions, food banks, investments, and church and cathedral restoration and repair.

The most high profile work of Sir Tony in the past year has been in his handling of the Bishops and Priests (Consecration and Ordination of Women) Measure during its passage through the House of Commons and, prior to that, the Ecclesiastical Committee of Parliament. Sir Tony has also worked to ensure that a follow-on Bill to expedite the arrival of the first female diocesan bishops to the House of Lords was introduced by Government and progressed smoothly. By supporting the work of the Cathedral and Church Buildings Division of the Archbishops' Council, Sir Tony led negotiations with the Treasury to deliver both the WW1 Centenary Cathedral Repairs Fund and a fund for roof repairs for listed church buildings.

Full details of the questions answered by Sir Tony in the last year are available on the dedicated Church of England in Parliament website: **churchinparliament.org**

#### PEOPLE AND EMPLOYMENT

The year saw the transfer of some shared teams namely HR, Finance, Church of England Record Centre & IT to the new NCI Church of England Central Services. The average number of staff in the Church Commissioners in 2014 was 113, which compares with 162 in 2013, if these shared services were taken out of the figures then the number of staff in 2013 would have been 69 and in 2014 would have been be 67.

Across the NCIs the number of staff employees who class themselves as Black and Minority Ethic, BME, is 13.5% which is just under a 3% decrease from 2013. There has been real progress with women in bands 0-2 reaching 38.3% in 2014. Work is underway to reach the declared target of 14% BME in 2015 (minimum 8% in any NCI) and 40% women in bands 0-2. Measures have been taken to seek to diversify our applicant base, including using digital sourcing. The Church of England is now actively recruiting through social media, such as LinkedIn.

2014 saw a change in HR Leadership with the arrival of Hannah Foster in November, as well as a number of other changes. Building relationships and improving service levels is a priority for the whole team as it moves into 2015.

#### PAYROLL

The Commissioners administer the national clergy payroll and are responsible for ensuring accurate and timely stipend payments to 8,000 serving clergy.

MyView for clergy enables users to access pay documents, change bank details, view their personal details and submit online forms. In 2014:

- the number of clergy using MyView increased to almost 6,000;
- in August the Payroll and MyView teams rolled out a new MyView feature which allows clergy to submit HLC returns online. Around 5,000 clergy have submitted their figures using this new feature since then;
- Diocesan Directors of Ordinands have been signed up to MyView, where they can book candidates for ministry onto Bishops' Advisory Panels using an e-form.

| Board/committee | Board | Assets | Audit & risk | Bishoprics & cathedrals | Pastoral | Church buildings (uses & disposals) |
|---|---|---|---|---|---|---|
| **Meetings** | **4** | **6** | **3** | **6** | **4** | **5** |
| Archbishop of Canterbury, Justin Welby | The Archbishop of Canterbury chairs the Annual General Meeting. By arrangement he does not attend meetings of the Board of Governors. The Bishop of London is the Archbishop's appointed deputy. | | | | | |
| Archbishop of York, Dr John Sentamu | 1 | | | | | |
| Andreas Whittam Smith CBE, First Estates Commissioner | 4 | 5 | | | | |
| Sir Tony Baldry MP, Second Estates Commissioner | 4 | 2 | | | | |
| Andrew Mackie, Third Estates Commissioner | 3 | | | 6 | 4 | 5 |
| Bishop of Bristol, Mike Hill | 2 | 5 | | | | |
| Bishop of Chichester, Dr Martin Warner | 2 | | | 3 | | |
| Bishop of London, Dr Richard Chartres | 4 | | | | | |
| Bishop of Manchester, David Walker | 3 | | | | 1 | |
| Bishop of Portsmouth, Chris Foster | | | | | | |
| Bishop of Truro, Tim Thornton | | | | | 0 of 2 | |
| Bishop of Warrington, Richard Blackburn | | | | 5 | | |
| Dean of Wakefield, Jonathan Greener | 4 | | | 6 | 4 | |
| Dean of Wells, John Clarke | 2 | | | 4 | | |
| Archdeacon of W/Furness, Penny Driver | | | | | 2 | |
| Revd Mary Bide | | | | 6 | | |
| Revd Stephen Evans | | | | | 4 | |
| Revd Amanda Fairclough | 4 | 5 | | | | |
| Revd Anne Hollinghurst | | | | 3 | | |
| Revd Simon Talbott | | | | | | 3 |
| Revd Stephen Trott | 2 | | | | | 3 |
| Revd Canon Bob Baker | 3 | | | | 3 | 5 |
| Revd Canon Peter Cavanagh | | | | | | 3 |
| Canon Peter Bruinvels | 4 | 5 | | | 3 | |
| Canon Betty Renshaw | | | | 6 | | |
| April Alexander | 4 | | 3 | | | 4 |
| Ian Ailles | | | 3 | | | |
| Poppy Allonby | 3 of 3 | 4 of 4 | | | | |
| Rosemary Butler | | | | 6 | | |
| Jeremy Clack | 4 | | 3 | | | |
| Margaret Davies | | | | | | 5 |
| Stephen East | | | 2 | | | |
| Julia Flack | | | | | 4 | |
| Harry Hart | 3 | 6 | | | | |
| George Lynn | | | 3 | | | |
| Sally Muggeridge | 3 | | | | | 4 |
| Graham Oldroyd | 3 of 3 | 4 of 4 | | | | |
| Simon Picken QC | 3 | | | | 4 | |
| Susan Pope | | | | | 1 of 2 | |
| Hywel Rees-Jones | 4 | | 3 | | | |
| John Steel | | | | | | 5 |
| Jacob Vince | 4 | | | 5 | | |
| Ian Watmore | 4 | | | | | 4 |
| Mark Woolley | 4 | 6 | | | | |
| John Wythe | 3 | 6 | | | | |

## STAFF REMUNERATION AND EXECUTIVE PAY

Other than staff involved in Asset Management, who are on separate contracts of employment, all the staff in the Church Commissioners and those working for Church of England Central Services who provide support functions to the Commissioners are covered by a unified pay policy that operates across all the National Church Institutions. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value which is based on a comprehensive job evaluation scheme, with staff being placed in one of eight 'bands'. For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market related salaries and is subject to annual review. The NCIs retain the services of AON Hewitt to advise on market rates. Staff pay is reviewed annually and any increases as a result of the annual pay negotiations are awarded with effect from 1 January each year. No staff member employed by the Church Commissioners earns less than the London Living Wage.

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

The amount paid to the highest member of staff including LTIP payments is 22 (2013: 18) times the salary earned by the lowest paid member of staff and 11 (2013: 9) times the median salary.

### ASSET MANAGEMENT STAFF

Staff engaged directly in the management of the Commissioners investment portfolio sit outside the general NCI pay arrangements described above. The Church Commissioners is a large and sophisticated institutional investor investing in a broad range of asset classes, including significant property holdings, and as such seeks to attract and retain high calibre investment professionals. Accordingly salaries are designed to reflect the market for investment specialists and incorporate an element of long term incentive payments which encourages consistent out performance of the Commissioners' target investment return of RPI plus 5% over a sustained period of at least five years. The level of pay and the value of the Long Term Incentive Payments (LTIP) payable is overseen by a Remuneration Committee comprising trustees on the Assets Committee supported by independent benchmarking data provided by McLagan, part of the AON Hewitt group. Amounts payable in relation to the fund performance are spread over three years, and the full amounts are only payable if the recipient remains in post during that time. By this method the Commissioners seek to ensure incentives are directly aligned with objectives and are also long term in nature. In the year to 31 December 2014 eight members of staff received LTIPs relating to the fund performance in 2011 to 2013 totalling £669,000 (see p51).

The Secretary to the Church Commissioners does not participate in the LTIP scheme.

### PENSIONS

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

## RISK MANAGEMENT

1. The Church Commissioners' risk management process allows the identification, assessment and management of significant risks to the achievement of objectives. The process is supported by a risk management policy which outlines the roles and responsibilities of Commissioners, management and staff.
2. The Board of Governors reviews the risk register and risk management arrangements annually. The Board is supported by the Audit & Risk Committee, which regularly reviews the content of the risk registers and seeks assurance over the adequacy of arrangements in place to manage the risks. Operational risks, related to investment operations, are also subject to regular review by the Assets Committee.
3. Individual departments and identified risk owners are responsible for the identification, assessment and review of risks which fall in their area of responsibility. Risks are prioritised using an agreed scoring methodology and are assessed at an inherent and residual level. The risk management process is facilitated and monitored by the Audit and Risk function.
4. The management of key risks is subject independent review and assurance through the internal audit process, which reports to the Audit & Risk Committee.
5. The major inherent risks which the Board of Governors considers most significant are:

| RISK | KEY MANAGEMENT ACTIONS |
|---|---|
| Poor long term market returns (below the level assumed by Church Commissioners' actuaries) | – Disciplined evaluation driven investment process<br>– Significant portfolio diversification strategy and diversification of fund managers<br>– Regular review of overall portfolio asset allocation<br>– Conservative distributions policy<br>– Well resourced internal investment team<br>– High calibre/experienced non executive members of the Assets Committee<br>– External/specialist advisors utilised where appropriate |
| Failure to provide stable and sustainable income stream for the wider church via distributions | – Well resourced, capable investment team and diversified investment portfolio<br>– Robust mechanisms to ensure stable distributions<br>– Actuarial advice and guidance on distribution capacity<br>– Forward planning process to identify spending plans and identify potential issues due to investment performance |
| Loss of Church or societal confidence in the Commissioners' ethical investment policy | – Theologically grounded ethical investment policies by independent Ethical Investment Advisory Group<br>– Commitment to the UN Principles for Responsible Investment<br>– Responsible Investment team which overseas implementation of ethical and responsible investment and leads communication to the Church and wider society |
| Responses to significant increases in support costs impacts on the level of distributions | – Robust arrangements to budget for, identify and assess potential increases in support costs<br>– Defined review, approval and governance arrangements to review and approve costs<br>– Ongoing communication with stakeholders to assist early identification of emerging costs<br>– Discretion over the need to meet costs to protect distributions |
| Significant business continuity issue impacting on the main office site, personnel and IT systems | – Business continuity plans in place and elements subject to testing including individual departmental plans<br>– External advice and guidance received<br>– Plans currently being implemented to refresh IT infrastructure, including storage and back up capabilities<br>– Significant operations undertaken by third parties |

## MANAGING FINANCIAL RISK

### RESERVES POLICY

Under the terms of a Total Return Order from the Charity Commission obtained in 2012, we account for and report returns (whether capital or income) and charitable expenditure on a total return basis. Having considered the level of unapplied total return (which is set out in more detail in note 15 to the financial statements) the trustees have decided that a general reserve is not needed.

### POWER TO SPEND CAPITAL ON CLERGY PENSIONS

We have a time limited power to spend capital on our clergy pension obligations (described in more detail in note 5 to the financial statements). The draft legislation seeking to extend the expiry of this power from 2018 to 2025 completed its passage through the General Synod in November 2014 and after completion of the Parliamentary stages, received Royal Assent in February 2015.

### DISTRIBUTION POLICY

In determining the level of unapplied total return that is distributed each year the trustees are required to have regard to advice from independent actuaries. Every three years the actuaries, Hymans Robertson, carry out a detailed assessment of how much of our fund should be held to meet our pension obligations and how much we can afford to spend for other purposes given our aim to maintain and grow such distributions over time. In years between .full reviews, the actuaries assess whether existing plans remain affordable. Following their most recent full review of the fund as at the end of 2012, we informed beneficiaries of our plan to make net non-pensions distributions of £94.6m per annum throughout the 2014-16 triennium. Following the most recent annual review, which is summarised towards the end of the financial statements, these plans were reaffirmed.

### COMMITTED TO TRANSPARENT GOVERNANCE

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

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

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

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply in all material respects with the Charities 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 AUDITORS' 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 2014 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 17. 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 regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the Commissioners as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the trustees and auditor

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

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 December 2014, 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; 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
30 April 2015

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 2014

| | Notes | General fund £m | Endowment £m | 2014 Total £m | 2013 £m |
|---|---|---|---|---|---|
| **Incoming resources** | | | | | |
| Investment income | 2 | – | 137.9 | 137.9 | 139.3 |
| Other income | | 2.5 | – | 2.5 | 0.4 |
| Total incoming resources | | 2.5 | 137.9 | 140.4 | 139.7 |
| Resources expended | | | | | |
| Cost of generating funds | 3 | – | (49.4) | (49.4) | (42.6) |
| Net incoming resources available for charitable application | | 2.5 | 88.5 | 91.0 | 97.1 |
| Charitable activities | 4, 5 | (93.5) | (122.9) | (216.4) | (207.8) |
| Governance costs and other resources expended | 6 | (2.1) | – | (2.1) | (2.3) |
| Staff pension scheme – interest on provision | 9 | (4.7) | – | (4.7) | (4.8) |
| Total resources expended | | (100.3) | (172.3) | (272.6) | (257.5) |
| Net outgoing resources before transfers | | (97.8) | (34.4) | (132.2) | (117.8) |
| Transfers | | | | | |
| Application of total return | 14 | 97.8 | (97.8) | – | – |
| Net outgoing resources before other recognised gains and losses | | – | (132.2) | (132.2) | (117.8) |
| Other recognised gains and losses | | | | | |
| Gains on non investment fixed assets | 10 | – | 8.5 | 8.5 | 10.2 |
| Gains on investment assets | 11 | – | 738.3 | 738.3 | 736.6 |
| Gains/(Losses) on foreign currency | | – | 14.4 | 14.4 | (4.8) |
| Losses on defined benefit pension schemes (staff) | 9 | – | (13.8) | (13.8) | (1.6) |
| Transfers out of Church of England Pensions Scheme | | – | (0.6) | (0.6) | (0.4) |
| Total other recognised gains and losses | | – | 746.8 | 746.8 | 740.0 |
| Net movement in funds for the year | | – | 614.6 | 614.6 | 622.2 |
| Total funds brought forward | | – | 6,125.3 | 6,125.3 | 5,503.1 |
| **Total funds carried forward** | | **–** | **6,739.9** | **6,739.9** | **6,125.3** |

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 2014

| | | Consolidated | | Commissioners | |
|---|---|---|---|---|---|
| | Notes | 2014 £m | 2013 £m | 2014 £m | 2013 £m |
| **Fixed assets** | | | | | |
| Non investment fixed assets | 10 | 109.8 | 105.7 | 109.8 | 105.7 |
| Investment assets | 11 | 6,276.0 | 5,771.1 | 6,015.1 | 5,540.5 |
| Total fixed assets | | 6,385.8 | 5,876.8 | 6,124.9 | 5,646.2 |
| Current assets | | | | | |
| Debtors | 12 | 32.4 | 46.6 | 325.2 | 316.2 |
| Short term deposits | | 205.7 | 75.7 | 205.7 | 75.7 |
| Cash at bank and in hand | | 295.5 | 276.4 | 294.0 | 275.4 |
| Total current assets | | 533.6 | 398.7 | 824.9 | 667.3 |
| Liabilities | | | | | |
| Creditors: amounts falling due within one year | 13 | (53.7) | (37.4) | (84.1) | (75.4) |
| Net current assets | | 479.9 | 361.3 | 740.8 | 591.9 |
| Net assets excluding staff pension liability | | 6,865.7 | 6,238.1 | 6,865.7 | 6,238.1 |
| Pension liability (staff) | 9 | (125.8) | (112.8) | (125.8) | (112.8) |
| **Net assets including staff pension liability** | | **6,739.9** | **6,125.3** | **6,739.9** | **6,125.3** |
| Funds of the charity | | | | | |
| Endowment | | 6,865.7 | 6,238.1 | 6,865.7 | 6,238.1 |
| Pension liability (staff) | 9 | (125.8) | (112.8) | (125.8) | (112.8) |
| Net endowment | 14 | 6,739.9 | 6,125.3 | 6,739.9 | 6,125.3 |
| General fund | 14 | – | – | – | – |
| **Total funds carried forward** | | **6,739.9** | **6,125.3** | **6,739.9** | **6,125.3** |

By order of the Board

Andreas Whittam Smith
First Church Estates Commissioner
30 April 2015

# CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2014

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

| | Notes | 2014 £m | 2013 £m |
|---|---|---|---|
| Net resources expended before other gains and losses | | (132.2) | (117.8) |
| Depreciation of non investment fixed assets | 10 | 0.3 | 0.7 |
| Movement in debtors | 12 | 14.2 | 14.1 |
| Movement in creditors | 13 | 16.3 | (3.0) |
| Cost of generating funds paid from endowment capital | 3 | 49.4 | 42.6 |
| Charitable expenditure paid from endowment capital | 5 | 122.9 | 121.5 |
| Staff pensions and lump sums paid | 9 | (5.5) | (5.4) |
| Staff pensions – interest charge on provision | 9 | 4.7 | 4.8 |
| **Net cash inflow from operating activities** | | **70.1** | **57.5** |

## CASH FLOW STATEMENT

| | Notes | 2014 £m | 2013 £m |
|---|---|---|---|
| Net cash inflow from operating activities | | 70.1 | 57.5 |
| Capital expenditure and financial investment | | | |
| Non investment fixed assets: additions | 10 | (0.9) | (2.5) |
| Non investment fixed assets: sale proceeds | 10 | 2.3 | – |
| Investment assets: additions | 11 | (1,803.5) | (1,323.6) |
| Investment assets: sale proceeds | 11 | 2,039.6 | 1,473.2 |
| Net cash inflow relating to capital expenditure and financial investment | | 237.5 | 147.1 |
| Cash inflow before management of liquid resources and financing | | 307.6 | 204.6 |
| Management of liquid resources | | | |
| Net change in short term deposits | | (130.0) | 74.0 |
| Financing | | | |
| Cost of generating funds paid from endowment capital | 3 | (49.4) | (42.6) |
| Transfers out of Church of England Pensions Scheme | 5 | (0.6) | (0.4) |
| Charitable expenditure paid from endowment capital | 4, 5 | (122.9) | (121.5) |
| Net cash out flow from financing | | (172.9) | (164.5) |
| **Increase in cash** | | **4.7** | **114.1** |

FINANCIAL STATEMENTS

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

| | 2014 £m | 2013 £m |
|---|---|---|
| Increase in cash in the year | 4.7 | 114.1 |
| Gain/(Loss) on foreign currency | 14.4 | (4.8) |
| Cash movement from change in short term deposits | 130.0 | (74.0) |
| Increase in net funds in the year | 149.1 | 35.3 |
| Net cash and short term deposits at 1 January | 352.1 | 316.8 |
| **Net cash and short term deposits at 31 December** | **501.2** | **352.1** |

## Analysis of movements in cash and short term deposits

| | Cash at bank and in hand | | | | |
|---|---|---|---|---|---|
| | Sterling £m | Foreign currency £m | Total £m | Short term deposits £m | Total cash and short term deposits £m |
| At 1 January 2014 | 141.1 | 135.3 | 276.4 | 75.7 | 352.1 |
| Movement in cash | 22.7 | (18.0) | 4.7 | 130.0 | 134.7 |
| Foreign currency gain | – | 14.4 | 14.4 | – | 14.4 |
| **At 31 December 2014** | **163.8** | **131.7** | **295.5** | **205.7** | **501.2** |

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

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014



## 1. Accounting policies

### (a) Principal accounting policies

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

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

The Commissioners adopt a total return approach to investments. Note 15 explains how the unapplied total return and the use thereof is calculated.

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

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

### (b) Basis of consolidation and subsidiary undertakings

The consolidated statement of financial activities (SOFA) and balance sheet include the financial statements of the Commissioners and all their subsidiary undertakings made up to 31 December each year. The subsidiaries have been consolidated on a line by line basis in accordance with FRS 2: Accounting for subsidiary undertakings. Intra-group transactions are eliminated on consolidation.

Further details about the Commissioners' significant subsidiaries are given in note 12(g).

The Commissioners, together with the Archbishops' Council and the Church of England Pensions Board are equal partners in Church of England Central Services (ChECS), a joint venture. The Commissioners' share of profits or losses from ChECS is included in the SOFA and its share of net assets is included in the balance sheet. Further details are given in note 8.

The Commissioners apply the exemption in FRS 9: Associates and Joint Ventures (paragraph 49) to their joint ventures held for investment purposes. More detail is shown in note 12(g).

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

### (c) Incoming resources

#### Securities portfolio

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

#### Other investment income

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

#### Loans

Interest on loans is recognised on the accruals basis.

#### Legacies

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

### (d) Resources expended

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

Cars for the use of bishops are normally obtained under four year leases, the full cost of which is paid at commencement. The cost of such leases is spread on a straight line basis over the period of the lease. The balance of the lease payments not yet charged to expenditure is included in prepayments (note 13).

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

### (e) Pensions

#### Staff

As described in note 10, pension benefits arising from service up to 31 December 1999 are accounted for in accordance with FRS 17: Retirement Benefits. The Commissioners' liability is provided for in the balance sheet and movements during the year charged to the SOFA. The liability is calculated on an annual basis by an independent qualified actuary. There are no separately held assets. The interest charge on the provision is charged to resources expended in the general fund. The actuarial gains or losses are charged to the other gains and losses in endowment. Benefits paid out are charged to the provision.

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

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

#### Clergy

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED



### 1. Accounting policies continued
(f) Fixed assets

Non investment fixed assets

Capitalisation of expenditure

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

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

Depreciation

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

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

Investment assets

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

Revaluation and realisation

Investment assets are valued as follows:

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

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

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

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

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

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

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

Non investment assets are valued as follows:

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

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

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

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

### (g) Stock lending programme

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

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

Where securities are loaned at the balance sheet date, the securities loaned are included in the balance sheet as the Commissioners retain the risks and rewards of ownership of the securities and also retain the contractual rights to any cash flows relating to the securities. The value of the securities on loan at the balance sheet date is disclosed in note 12(a).

### (h) Derivatives

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

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

### (i) Foreign currencies

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED



### 1. Accounting policies continued

#### (j) Taxation

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

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

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

#### (k) Related parties

The Church of England is governed by a large number of legally independent bodies in its parishes, cathedrals and dioceses as well as at national level. These bodies are not related parties as defined in the Charities SORP or FRS 8. Transactions and balances with these bodies are accounted for in the same way as other transactions and, where material, are separately identified in the notes to the financial statements.

The Commissioners are related to ChECS, as they are a partner in this joint venture. Details are given in note 8: ChECS. The Commissioners are also related to the following pension funds, operated by the Church of England Pensions Board: Clergy Funded Pension Scheme; Church Administrators Pension Fund; and Church Workers Pension Fund. In accordance with SORP paragraph 229(d) details of these transactions are not disclosed separately. Details about the pension funds, including contributions paid, are given in note 5: Clergy pensions and note 10: Staff pensions.

## 2. Investment income

| | 2014 £m | 2013 £m |
|---|---|---|
| **Securities portfolio** | | |
| Listed UK equities | 29.1 | 29.1 |
| Listed overseas equities | 28.4 | 25.6 |
| Unlisted UK equities | 1.0 | – |
| Unlisted overseas equities | 5.0 | – |
| UK fixed interest securities | 6.0 | 4.8 |
| Overseas fixed interest securities | 3.2 | 8.8 |
| Interest on investment managers' cash | 0.6 | 0.3 |
| Stock lending income | 0.4 | 0.3 |
| Total income from securities portfolio | 73.7 | 68.9 |
| **Investment properties** | | |
| UK directly held properties | 41.8 | 44.9 |
| Total income from investment properties | 41.8 | 44.9 |
| **Shared and partnership property interests** | | |
| Shared interests | 3.0 | 5.7 |
| UK partnership interests | 4.3 | 4.9 |
| Overseas shared and partnership property interests | 0.5 | 0.8 |
| Quoted overseas property funds | 0.8 | 0.9 |
| Total income from shared and partnership property interests | 8.6 | 12.3 |
| **Value linked loans** | | |
| Value linked loans | 5.4 | 5.4 |
| Total income from value linked loans | 5.4 | 5.4 |
| **Timberland** | | |
| UK forestry | 4.6 | 4.1 |
| Overseas timberland | 3.8 | 3.7 |
| Total income from timberland | 8.4 | 7.8 |
| **Total investment income** | **137.9** | **139.3** |

## 3. Cost of generating funds

| | 2014 £m | 2013 £m |
|---|---|---|
| External management costs | 27.1 | 24.0 |
| Support costs | 6.7 | 5.9 |
| Other operating costs | 15.6 | 12.7 |
| **Total cost of generating income** | **49.4** | **42.6** |

**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED



### 4. Charitable activities

| | 2014 | | | | | | 2013 |
|---|---|---|---|---|---|---|---|
| | Activities undertaken £m | Grant funding £m | Support costs £m | Total £m | Less income £m | Total net expenditure £m | Total £m |
| Clergy pensions paid from endowment | 122.9 | – | – | 122.9 | – | 122.9 | 121.5 |
| Parish mission and ministry support | | | | | | | |
| Selective grants to low income dioceses | – | 34.3 | – | 34.3 | – | 34.3 | 34.4 |
| Mission funding | – | 6.0 | – | 6.0 | – | 6.0 | 5.9 |
| Strategic development funding | – | 4.6 | – | 4.6 | – | 4.6 | – |
| Growth research and development funding | – | 0.9 | – | 0.9 | – | 0.9 | 0.1 |
| Payments direct to parish clergy | 0.2 | – | – | 0.2 | – | 0.2 | 0.5 |
| Total parish mission and ministry support | 0.2 | 45.8 | – | 46.0 | – | 46.0 | 40.9 |
| Bishops' ministry in the dioceses | | | | | | | |
| Stipends | 4.9 | – | – | 4.9 | – | 4.9 | 5.1 |
| Housing and office premises | 3.5 | – | 0.7 | 4.2 | (0.3) | 3.9 | 2.9 |
| Office and working costs | – | 15.7 | 0.5 | 16.2 | – | 16.2 | 15.8 |
| Total bishops' ministry in the dioceses | 8.4 | 15.7 | 1.2 | 25. 3 | (0.3) | 25.0 | 23.8 |
| Archbishops including Lambeth Palace | | | | | | | |
| Stipends | 0.2 | – | – | 0.2 | – | – | 0.2 |
| Housing and office premises | 1.3 | – | – | 1.3 | (0.1) | 1.2 | 1.2 |
| Office and working costs | – | 5.1 | – | 5.1 | (0.1) | 5.0 | 5.1 |
| Lambeth Palace Library | 0.9 | – | – | 0.9 | – | 0.9 | 0.9 |
| Total archbishops including Lambeth Palace | 2.4 | 5.1 | – | 7.5 | (0.2) | 7.3 | 7.4 |
| Cathedrals' ministry | | | | | | | |
| Sections 21 and 22 grants towards stipends and other purposes | – | 5.6 | – | 5.6 | – | 5.6 | 5.6 |
| Grants towards staff and other costs | – | 3.5 | – | 3.5 | – | 3.5 | 3.5 |
| Total cathedrals' ministry | – | 9.1 | – | 9.1 | – | 9.1 | 9.1 |
| Church buildings | | | | | | | |
| Grant to Churches Conservation Trust – statutory grant | – | 1.4 | – | 1.4 | – | 1.4 | 1.6 |
| Grant to Churches Conservation Trust – funded from proceeds of closed churches | – | – | – | – | (1.4) | (1.4) | (0.7) |
| Net grant to Churches Conservation Trust | – | 1.4 | – | 1.4 | (1.4) | – | 0.9 |
| Chancel repair liability | 0.7 | – | – | 0.7 | – | | 0.7 |
| Support costs for church buildings and pastoral reorganisation | – | – | 2.2 | 2.2 | – | 2.2 | 2.2 |
| Total church buildings | 0.7 | 1.4 | 2.2 | 4.3 | (1.4) | 2.9 | 3.8 |
| Other charitable expenditure (including national clergy payroll costs) | 0.1 | – | 1.2 | 1.3 | – | 1.3 | 1.3 |
| **Total charitable expenditure** | **134.7** | **77.1** | **4.6** | **216.5** | **(1.9)** | **214.5** | **207.8** |

### 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 65.

### Bishops' ministry in the dioceses and archbishops including Lambeth Palace
The Commissioners provide diocesan bishops and archbishops with an annual block grant to cover their stipend and working costs and that of their suffragan bishops. The Commissioners are responsible for providing housing and office space for the diocesan bishops and archbishops and for the maintenance of those buildings including Lambeth Palace.

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

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

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

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

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

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

As described in note 1(a), the past service obligation at 31 December 2014 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 £1,788.6m (2013: £1,889.1m) if all benefits including post retirement increases continue to be paid in accordance with current practice. A full valuation of the obligation was carried out as at 31 December 2012 and has been rolled forward in estimating the obligation at 31 December 2014. The amount of the obligation represents 27.0% (2013: 31.4%) of the market value of the Commissioners' assets, excluding non investment fixed assets, of £6,630.1m (2013: £6,019.6m).

**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED



### 5. Clergy pensions continued

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

The principal assumptions were:

| | 2014 % | 2013 % |
|---|---|---|
| Prospective annual rate of return on investments | 5.0 | 5.9 |
| Rate of future stipend and increases in the starting pension | 2.3 | 3.3 |
| Rate of post retirement pension increases | 2.3 | 3.3 |
| Retail price inflation | 2.3 | 3.3 |

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

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

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

| | 2014 £m | 2013 £m |
|---|---|---|
| **Benefits under the Church of England Pensions Scheme** | | |
| Pensions to clergy | 85.7 | 84.6 |
| Lump sum payments on retirement | 8.1 | 8.3 |
| Pensions to clergy widows and children | 28.8 | 28.2 |
| Total benefits under the Church of England Pensions Scheme | 122.6 | 121.1 |
| Benefits under the Deaconesses and Lay Workers (Pensions) Measure 1980 | | |
| Pensions to deaconesses and licensed lay workers | 0.3 | 0.4 |
| **Total clergy pensions** | **122.9** | **121.5** |

Transfers out of the Scheme amounted to £0.6m (2013: £0.4m) during the year.

#### The Church of England Funded Pensions Scheme

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

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

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

The Commissioners' contributions payable to the Scheme totalled £2.4m (2013: £2.5m) in respect of those bishops, cathedral clergy and bishops' chaplains for whose stipends they are responsible.

### Application of endowment to meet certain pension payments

The Pensions Measure 1997, as amended, enables the Commissioners to spend endowment until 31 December 2018 to meet the costs of paying clergy pensions in respect of service before 1998. The Total Return Order (see note 15) does not affect this. Clergy pensions of £122.9m (2013: £121.5m) were paid from endowment. More detail about the Commissioners' reserves policy is given on page 32.

## 6. Governance and other costs

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

| | 2014<br>£m | 2013<br>£m |
|---|---|---|
| Governance costs | 2.0 | 2.0 |
| Other resources expended: restructuring costs | 0.1 | 0.3 |
| **Total other resources expended** | **2.1** | **2.3** |

| | 2014<br>£000 | 2013<br>£000 |
|---|---|---|
| Audit of Church Commissioners | 122 | 119 |
| Audit of subsidiary undertakings | 51 | 47 |
| Audit-related assurance services | 2 | 2 |
| **Total audit fees** | **175** | **168** |
| | | |
| Taxation compliance services | 36 | 47 |
| Taxation advisory services | 205 | 170 |
| Planning services (Deloitte Real Estate) | 57 | 31 |
| **Total non-audit fees** | **298** | **248** |

## 7. Staff numbers and remuneration

The Commissioners are joint employer, together with the other National Church Institutions (NCIs), of most of the staff of the NCIs. The Secretary and staff employed to manage the Commissioners' investment assets are employed directly by the Commissioners.

In addition to staff employed directly, the work of the Commissioners is supported by staff in shared service departments who provide finance, HR, communications, legal, IT and internal audit services. Since 1 April 2014 they have been employed by a separate NCI, Church of England Central Services (ChECS) (see note 8). Prior to this they had one of the three main NCIs as managing employer and their costs were shown only in the relevant NCI's accounts. The SORP requirements are that the costs of staff employed by third parties who operate on your behalf should be disclosed in the accounts. In order to comply with the spirit of the SORP, the costs of all ChECS staff are shown in aggregate in the tables below and the prior year figures have been restated to allow a full comparison between years – the Commissioners' share of which was £3,222,000 (2013: £3,188,000).

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

## 7. Staff numbers and remuneration continued

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

| | Church Commissioners' own staff | | | | | | ChECS | |
|---|---|---|---|---|---|---|---|---|
| | Asset management | | Church functions and secretariat | | Local property management | | Shared services | |
| | 2014 Number | 2013 Number | 2014 Number | 2013 Number | 2014 Number | 2013 Number | 2014 Number | 2013 Number |
| **Average number employed** | **33** | **34** | **34** | **35** | **41** | **68** | **121** | **122** |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Salaries | 2.3 | 2.3 | 1.6 | 1.8 | 0.4 | 1.1 | 4.9 | 4.7 |
| National Insurance costs | 0.3 | 0.3 | 0.2 | 0.2 | – | 0.1 | 0.5 | 0.5 |
| Pension contributions | 0.6 | 0.3 | 0.6 | 0.2 | – | – | 1.4 | 1.3 |
| | 3.2 | 2.9 | 2.4 | 2.2 | 0.4 | 1.2 | 6.8 | 6.5 |
| Recoverable from third parties | (0.1) | (0.1) | – | – | (0.4) | (1.2) | (6.8) | (6.5) |
| **Total cost of staff** | **3.1** | **2.8** | **2.4** | **2.2** | **–** | **–** | **–** | **–** |

Included in staff costs is £70,000 (2013: £82,000) paid by way of redundancy costs to one (2013: three) individual following a restructuring, the costs of which are accounted for in full in the year in which the restructure is announced.

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

| | Church Commissioners' own staff | | | | ChECS | |
|---|---|---|---|---|---|---|
| | Asset management | | Church functions and secretariat | | Shared services | |
| | 2014 Number | 2013 Number | 2014 Number | 2013 Number | 2014 Number | 2013 Number |
| £60,001 to £70,000 | 3 | 4 | 1 | 1 | 9 | 8 |
| £70,001 to £80,000 | 3 | 1 | 1 | 1 | 3 | 3 |
| £80,001 to £90,000 | – | 1 | 1 | – | 6 | 4 |
| £90,001 to £100,000 | – | 2 | – | – | – | – |
| £110,001 to £120,000 | 1* | – | – | – | – | – |
| £120,001 to £130,000 | 1* | 1 | – | – | 1 | 1 |
| £140,001 to £150,000 | 1* | 1 | – | – | 1 | 1 |
| £150,001 to £160,000 | 1* | – | 1** | 1** | – | – |
| £190,001 to £200,000 | 1* | – | – | – | – | – |
| £220,001 to £230,000 | – | 1 | – | – | – | – |
| £240,001 to £250,000 | 1* | – | – | – | – | – |
| £330,001 to £340,000 | – | 1* | – | – | – | – |
| £340,001 to £350,000 | 1* | – | – | – | – | – |
| £400,001 to £410,000 | 1* | – | – | – | – | – |

*Including Long Term Incentive Plan (LTIP) payment

** Secretary to the Church Commissioners (Chief Executive)

All of the staff above are members of the Church Administrators Pension Fund (note 9). Of those managed directly by the Commissioners, ten (2013: eight) accrue benefits under a defined contribution scheme for which contributions for the year were £143,000 (2013: £121,000). The remaining eight (2013: seven) staff accrue benefits under a defined benefit scheme. Of those managed by ChECS, ten accrue benefits under a defined contribution scheme for which contributions for the year were £58,000. The remaining ten staff accrue benefits under a defined benefit scheme.

The highest paid member of staff was the Director of Investments who earned £409,000 (2013: £334,000) including a LTIP based on the long term performance of the fund of £160,000 (2013: £91,000). Seven other members of staff received LTIPs in the year totalling £509,000 (2013: none). Further details of the Commissioners' remuneration policy are included in the Governance Section of the Board's report on page 30.

### Asset management and national Church functions

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

### Local property management

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

**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED



### 7. Staff numbers and remuneration continued

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 14) at £0.2m (2013: £0.3m). The scheme, which was closed to new business in 2004, has 8 (2013: 11) loans outstanding to 8 (2013: 11) 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. Church of England Central Services (ChECS)

ChECS is a charitable joint venture between the Commissioners (CC), the Archbishops' Council (AC) and the Church of England Pensions Board (PB), who are equal partners. The purpose of ChECS is to enhance the efficiency and effectiveness of the charitable national and diocesan institutions of the Church of England and of other charities with a church ethos, by facilitating the provision of cost-effective shared financial, legal and other services.

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

The table below shows the total costs for shared services:

| | 2014 | | | 2013 |
|---|---|---|---|---|
| | 1 Jan-31 Mar services provided by AC/CC/PB £m | 1 Apr-31 Dec services provided by AC/CC/PB £m | Total £m | Total £m |
| **Resources expended** | | | | |
| Finance and resources | 1.4 | 2.7 | 4.1 | 4.4 |
| IT | 0.4 | 1.3 | 1.7 | 1.3 |
| Records | 0.1 | 0.6 | 0.7 | 0.7 |
| Office Services | 0.2 | 0.3 | 0.5 | 0.5 |
| Total managed by CC | 2.1 | 4.9 | 7.0 | 6.9 |
| Legal | 0.4 | 0.9 | 1.3 | 1.2 |
| Communications | 0.1 | 0.5 | 0.6 | 0.7 |
| Human Resources | 0.2 | 0.6 | 0.8 | 0.8 |
| Total managed by AC | 0.7 | 2.0 | 2.7 | 2.7 |
| Internal Audit | 0.1 | 0.3 | 0.4 | 0.4 |
| Total managed by PB | 0.1 | 0.3 | 0.4 | 0.4 |
| **Total outgoing resources** | **2.9** | **7.2** | **10.1** | **10.0** |
| Met by: | | | | |
| Archbishops' Council | 1.0 | 2.4 | 3.4 | 3.3 |
| Church Commissioners | 1.3 | 3.3 | 4.6 | 4.6 |
| Pensions Board | 0.5 | 1.3 | 1.8 | 1.9 |
| Other bodies | 0.1 | 0.2 | 0.3 | 0.2 |
| **Total charitable expenditure** | **2.9** | **7.2** | **10.1** | **10.0** |

The Commissioners' one third share of gross incoming and outgoing resources of ChECS for the nine months to 31 December 2014 was £2,393,000.

The Commissioners' share of net assets of ChECS was £nil.

As at 31 December 2014, £348,000 was owed to the Commissioners by ChECS.

## 9. Commissioners' emoluments and expenses

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

| | 2014<br>£000 | 2013<br>£000 |
|---|---|---|
| **First Church Estates Commissioner** | | |
| Salary | 58 | 58 |
| National Insurance costs | 7 | 7 |
| **Total Church Estates Commissioners' costs** | **65** | **65** |

Pensions paid to former First and Third Church Estates Commissioners of £69,000 (2013: £92,000) were charged to the staff pension provision (note 10).

Expenses incurred in attending Board and committee meetings and on other business of the Commissioners were reimbursed to 15 Commissioners (2013: 17). Claims amounting to £14,000 (2013: £13,000) were submitted in respect of travel and subsistence.

## 10. Staff pensions

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

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

### Service before 2000

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

The movements on the provision during the year were:

| | 2014<br>£m | 2013<br>£m |
|---|---|---|
| At 1 January | 112.8 | 111.8 |
| Pensions and lump sums paid | (5.5) | (5.4) |
| Interest on provision – charged to general fund | 4.7 | 4.8 |
| Actuarial loss – charged to endowment capital | 13.8 | 1.6 |
| **At 31 December** | **125.8** | **112.8** |

## NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED



### 10. Staff pensions continued

Analysis of actuarial loss charged to endowment capital:

| | 2014 £m | 2013 £m |
|---|---|---|
| Loss due to effect of change in financial assumptions | 13.8 | 1.6 |
| **Actuarial loss** | **13.8** | **1.6** |

The principal assumptions used in estimating the provision were:

| | 2014 % | 2013 % | 2012 % | 2011 % | 2010 % |
|---|---|---|---|---|---|
| Discount rate (annual rate of return on AA rated corporate bonds) | 3.4 | 4.3 | 4.4 | 4.8 | 5.5 |
| Rate of salary increases | 4.25 | 4.3 | 4.0 | 4.6 | 5.1 |
| Rate of increase of pensions in payment: | | | | | |
| for service before 1 April 1997 (CPI) | 2.25 | 2.3 | 2.3 | 2.6 | 3.1 |
| for service since 1 April 1997 (RPI) | 3.25 | 3.3 | 3.0 | 3.1 | 3.6 |

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

History of experience gains and losses:

| | 2014 £m | 2013 £m | 2012 £m | 2011 £m | 2010 £m |
|---|---|---|---|---|---|
| Actuarial loss/(gain) | 13.8 | 1.6 | 7.8 | 4.0 | (7.0) |

### Service from 2000

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

The contributions to the Fund are assessed by an independent qualified actuary using the projected unit method of valuation. A full valuation of the Fund as at 31 December 2011 showed a deficit of £32.4m (2008: £30.2m). Despite the increase in the Scheme deficit no adjustment to the existing recovery plan was deemed necessary. The level of additional contributions to be made by the employers will be £2,373,000 per annum from 1 July 2013 to 30 June 2025, increasing on 1 January each year by 5.0% (2008: £2,050,000 per annum from 1 July 2010 to 30 June 2025, increasing on 1 January each year in line with general salary inflation). The Commissioners' share of the deficit payment is £1,207,000 (2013: £1,415,000). A full valuation of the fund as at 31 December 2014 is in progress.

In addition the employers are responsible for making contributions towards the administration costs of the Scheme of £216,000 (2013: £210,000) and the cost of Pension Protection Fund levies of £46,000 (2013: £46,000). In 2014 the Commissioners' share of these costs was £117,000 (2013: £153,000).

## 11. Non investment assets

| Consolidated and Commissioners | IT systems £m | Administrative offices: Freehold property £m | Administrative offices: Leasehold improvements £m | Lambeth Palace and see houses £m | Total £m |
|---|---|---|---|---|---|
| Cost or valuation | | | | | |
| Balance at 1 January | 1.9 | 2.9 | 2.1 | 101.8 | 108.7 |
| Transfers (note 12) | – | (2.9) | – | – | (2.9) |
| Additions | – | – | – | 0.9 | 0.9 |
| Proceeds from disposals | – | – | – | (2.3) | (2.3) |
| Unrealised gains | – | – | – | 8.5 | 8.5 |
| Balance at 31 December | 1.9 | – | – | 108.9 | 112.9 |
| **Accumulated depreciation** | | | | | |
| Balance at 1 January | (1.3) | (0.2) | (1.5) | – | (3.0) |
| Transfers (note 12) | – | 0.2 | – | – | 0.2 |
| Charge for the year | (0.1) | – | (0.2) | – | (0.3) |
| Balance at 31 December | (1.4) | – | (1.7) | – | (3.1) |
| **Net book value** | | | | | |
| Balance at 1 January | 0.6 | 2.7 | 0.6 | 101.8 | 105.7 |
| **Balance at 31 December** | **0.5** | **–** | **0.4** | **108.9** | **109.8** |

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

Lambeth Palace is valued at £1 as explained in note 1(f). Other see houses were valued by Knight Frank LLP as at 31 December 2013 and are increased annually in line with the regional Nationwide housing price index. Freehold see houses are valued at £103.6m (2013: £96.5m). The contents of the see houses were valued by Gurr Johns as at 31 December 2007.

All non investment assets are located in the United Kingdom.

## NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED



### 12. Investment assets

| | Notes | At 1 January £m | Transfer (note 11) £m | Net additions £m | Proceeds from disposal £m | Realised gains £m | Unrealised gains/ (losses) £m | Realised and unrealised surplus/ (deficit) on forward foreign currency contracts £m | At 31 December £m |
|---|---|---|---|---|---|---|---|---|---|
| **Consolidated** | | | | | | | | | |
| Securities portfolio | 12(a) | 3,665.2 | – | 1,612.8 | (1,482.1) | 215.1 | 37.7 | (6.2) | 4,042.5 |
| Investment properties | 12(b) | 1,358.9 | 2.7 | 22.6 | (95.7) | 44.5 | 191.1 | – | 1,524.1 |
| Shared and partnership property interests | 12(c) | 512.7 | – | 50.0 | (449.5) | 156.5 | 34.2 | 3.3 | 307.2 |
| Value linked loans | 12(d) | 125.4 | – | 0.3 | (12.0) | 4.0 | 27.0 | – | 144.7 |
| Timberland | 12(e) | 106.9 | – | 115.6 | (0.3) | (1.6) | 34.8 | – | 255.4 |
| Infrastructure | 12(f) | 2.0 | – | 2.2 | – | – | (2.1) | – | 2.1 |
| **Total investment assets** | | **5,771.1** | **2.7** | **1,803.5** | **(2,039.6)** | **418.5** | **322.7** | **(2.9)** | **6,276.0** |
| **Commissioners** | | | | | | | | | |
| Securities portfolio | 12(a) | 3,504.2 | – | 1,649.7 | (1,482.2) | 215.1 | 25.9 | (6.2) | 3,906.5 |
| Investment properties | 12(b) | 1,267.7 | 2.7 | 20.2 | (84.3) | 40.9 | 180.4 | – | 1,427.6 |
| Shared and partnership property interests | 12(c) | 479.8 | – | 41.0 | (443.9) | 156.4 | 22.1 | 3.3 | 258.7 |
| Value linked loans | 12(d) | 125.4 | – | 0.3 | (12.0) | 4.0 | 27.0 | – | 144.7 |
| Timberland | 12(e) | 45.6 | – | 50.0 | – | – | 9.5 | – | 105.1 |
| Infrastructure | 12(f) | – | – | – | – | – | – | – | – |
| Subsidiary undertakings | 12(g) | 117.8 | – | 4.9 | – | – | 49.8 | – | 172.5 |
| **Total investment assets** | | **5,540.5** | **2.7** | **1,766.1** | **(2,022.4)** | **416.4** | **314.7** | **(2.9)** | **6,015.1** |

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

Future commitments are disclosed in note 15.

The Commissioners have investments denominated in foreign currencies and are impacted by changes in foreign currency exchange rates. Non-sterling assets exposed to currency risk represented 44.3% (2013: 42.1%) 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% (2013: 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 | | | | | |
|---|---|---|---|---|---|---|
| | | | 2014 | | | 2013 |
| | Non-sterling assets £m | Outstanding contracts £m | Total £m | Non-sterling assets £m | Outstanding contracts £m | Total £m |
| Securities portfolio | 2,582.1 | 6.2 | 2,588.3 | 2,215.5 | 12.4 | 2,227.9 |
| Shared and partnership property interests | 200.6 | 1.3 | 201.9 | 185.9 | 2.3 | 188.2 |
| **Total non-sterling assets** | 2,782.7 | 7.5 | 2,790.2 | 2,401.4 | 14.7 | 2,416.1 |

The net surplus from operating the hedging programme was £23.2m (2013: £2.9m), after deducting fees of £1.4m (2013: £1.3m).

### (a) Securities portfolio

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | 2014 £m | 2013 £m | 2014 £m | 2013 £m |
| Quoted UK equities | 1,138.4 | 1,166.5 | 1,138.4 | 1,166.6 |
| Quoted overseas equities | 1,749.6 | 1,749.1 | 1,749.6 | 1,663.8 |
| Unquoted UK equities | 141.2 | 79.8 | 141.2 | 45.3 |
| Unquoted overseas equities | 770.1 | 328.6 | 634.1 | 287.3 |
| Quoted UK fixed interest securities | 174.6 | 191.0 | 174.6 | 191.0 |
| Quoted overseas fixed interest securities | 58.0 | 147.5 | 58.0 | 147.5 |
| Unquoted overseas fixed interest securities | 10.6 | 2.7 | 10.6 | 2.7 |
| **Total securities** | **4,042.5** | **3,665.2** | **3,906.5** | **3,504.2** |

The market value of listed investments includes stock on loan of £35.5m (2013: £12.4m).

### (b) Investment properties

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | 2014 £m | 2013 £m | 2014 £m | 2013 £m |
| Freehold interests | 1,504.3 | 1,342.5 | 1,407.8 | 1,251.3 |
| Leasehold properties with more than 50 years to run | 20.6 | 17.5 | 20.6 | 17.5 |
| Total carrying value | 1,524.9 | 1,360.0 | 1,428.4 | 1,268.8 |
| Adjustment for concessions to tenants (see note 13) | (0.8) | (1.1) | (0.8) | (1.1) |
| **Total investment properties** | **1,524.1** | **1,358.9** | **1,427.6** | **1,267.7** |

The valuers of the properties were:

Let and strategic land properties: Savills
Commercial properties: DTZ Debenham Tie Leung
Residential properties: Jones Lang LaSalle
Mineral portfolio: Wardell Armstrong.

All investment properties are located in the United Kingdom.

## NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED



### 12. Investment assets continued
(c) Shared and partnership property interests

| | | Consolidated | | Commissioners |
|---|---|---|---|---|
| | 2014 £m | 2013 £m | 2014 £m | 2013 £m |
| **Shared interests** | | | | |
| Properties | – | 268.3 | – | 268.3 |
| Borrowings | – | (40.3) | – | (40.3) |
| Other net assets | – | 2.9 | – | 2.9 |
| Total shared interests | – | 230.9 | – | 230.9 |
| Property funds | | | | |
| Unquoted UK funds | 105.3 | 93.6 | 73.8 | 77.2 |
| Unquoted overseas funds | 176.2 | 166.6 | 159.2 | 150.1 |
| Quoted overseas funds | 25.7 | 21.6 | 25.7 | 21.6 |
| Total partnership interests | 307.2 | 281.8 | 258.7 | 248.9 |
| **Total shared and partnership property interests** | **307.2** | **512.7** | **258.7** | **479.8** |

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

(d) Value linked loans

| | Consolidated and Commissioners | |
|---|---|---|
| | 2014 £m | 2013 £m |
| To provide and improve Church property and for other purposes | 32.0 | 27.8 |
| To Church of England Pensions Board | 112.7 | 97.6 |
| **Total value linked loans** | **144.7** | **125.4** |

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

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

(e) Timberland

| | | Consolidated | | Commissioners |
|---|---|---|---|---|
| | 2014 £m | 2013 £m | 2014 £m | 2013 £m |
| **UK forestry** | | | | |
| Directly held | 105.1 | 45.6 | 105.1 | 45.6 |
| Total UK forestry | 105.1 | 45.6 | 105.1 | 45.6 |
| **Overseas timberland** | | | | |
| Directly held | 104.7 | 41.3 | – | – |
| Partnership interests | 45.6 | 20.0 | – | – |
| Total overseas timberland | 150.3 | 61.3 | – | – |
| **Total timberland** | **255.4** | **106.9** | **105.1** | **45.6** |

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

### (f) Infrastructure

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | 2014 £m | 2013 £m | 2014 £m | 2013 £m |
| Unquoted overseas funds | 2.1 | 2.0 | – | – |
| **Total infrastructure** | **2.1** | **2.0** | **–** | **–** |

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

### (g) Subsidiary undertakings

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

#### Registered in England and Wales

CC Trading Ltd, CC Lincoln Ltd, CC Projects, Cedarvale, CC Licensing, Quivercourt, Easton Tree Ltd and Weston Tree Ltd.

#### Registered in the US

Cherry Tree Timber LLC, Arbol Tree LLC.

#### Registered in Australia

Jarh Tree Co Pty.

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

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

The Commissioners have no associated undertakings.

## 13. Debtors

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | 2014 £m | 2013 £m | 2014 £m | 2013 £m |
| Trade debtors | 5.5 | 7.8 | 4.9 | 7.1 |
| Subsidiary undertakings | – | – | 294.7 | 271.8 |
| Joint venture (ChECS) | 0.3 | – | 0.3 | – |
| Dioceses (Clergy Stipends and Diocesan Debtors Accounts) | 1.7 | 0.8 | 1.7 | 0.8 |
| Loans | 6.3 | 8.7 | 6.3 | 8.7 |
| Other debtors | 3.1 | 2.9 | 1.7 | 2.8 |
| Prepayments and accrued income | 15.5 | 26.4 | 15.6 | 25.0 |
| **Total debtors** | **32.4** | **46.6** | **325.2** | **316.2** |

Consolidated trade debtors of £5.5m (2013: £7.8m) is after deducting a provision for bad and doubtful debts of £0.6m (2013: £0.6m).

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 £6.3m total (2013: £8.7m), £3.7m (2013: £7.4m) is due after one year.

Other debtors include £0.5m (2013: £1.1m) relating to concessions to tenants which are amortised over the shorter of the period to the first break clause or the period to the first rent review. Accordingly, the independent valuation of investment properties is reduced by this amount.

## NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED



### 14. Creditors

| | Consolidated | | Commissioners | |
|---|---|---|---|---|
| | 2014 £m | 2013 £m | 2014 £m | 2013 £m |
| Trade creditors | 9.1 | 9.0 | 8.9 | 8.6 |
| Subsidiary undertakings | – | – | 40.4 | 40.2 |
| Dioceses and other Church bodies | 7.1 | 4.6 | 7.1 | 4.6 |
| Other creditors | 0.6 | 0.8 | 0.2 | 0.4 |
| Taxation and National Insurance contributions | 8.6 | 5.3 | 4.8 | 5.1 |
| Accruals and deferred income | 28.3 | 17.7 | 22.7 | 16.5 |
| **Total creditors** | **53.7** | **37.4** | **84.1** | **75.4** |

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

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

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

| | Notes | Base value of endowment £m | Unapplied total return £m | Total endowment fund £m | General fund £m | Total funds £m |
|---|---|---|---|---|---|---|
| 1 January | | 2,920.9 | 3,204.4 | 6,125.3 | – | 6,125.3 |
| Add investment return for the year: | | | | | | |
| Income return – gross income | 2 | – | 137.9 | 137.9 | 2.5 | 140.4 |
| Income return – cost of generating funds | 3 | – | (49.4) | (49.4) | – | (49.4) |
| Capital return – non investment assets | 11 | – | 8.5 | 8.5 | – | 8.5 |
| Capital return – investment assets | 12 | – | 738.3 | 738.3 | – | 738.3 |
| Capital return – foreign currency | | – | 14.4 | 14.4 | – | 14.4 |
| Total investment return during the year | | – | 849.7 | 849.7 | 2.5 | 850.3 |
| **Less** | | | | | | |
| Pensions paid from capital | 5 | (122.9) | – | (122.9) | – | (122.9) |
| Transfers out of capital | 5 | (0.6) | – | (0.6) | – | (0.6) |
| Losses on defined benefit pension schemes (staff) | 10 | (13.8) | – | (13.8) | – | (13.8) |
| Charitable expenditure: non-pensions | 4 | – | – | – | (93.5) | (91.6) |
| Other expenditure | 6 | – | – | – | (6.8) | (6.8) |
| Total other movements during the year | | (137.3) | – | (137.3) | (100.3) | (235.7) |
| Add indexation on base value of endowment | | 46.7 | (46.7) | – | – | – |
| Application of non-applied total return | | – | (97.8) | (97.8) | 97.8 | – |
| **31 December** | | **2,830.3** | **3,909.6** | **6,739.9** | **–** | **6,739.9** |

## 16. Capital commitments and contingent liabilities

### Capital commitments

| | | Consolidated | | Commissioners | |
|---|---|---|---|---|---|
| | Notes | 2014 £m | 2013 £m | 2014 £m | 2013 £m |
| Securities portfolio | 11(a) | 214.6 | 160.2 | 159.5 | 141.9 |
| Shared and partnership property interests | 11(c) | 53.4 | 63.5 | 38.2 | 36.5 |
| Timberland | 11(e) | 40.8 | 80.4 | – | – |
| Infrastructure | 11(f) | 27.0 | 27.6 | – | – |
| **Total capital commitments** | | **355.8** | **331.7** | **197.7** | **178.4** |

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

## NOTES TO THE FINANCIAL STATEMENTS
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### 16. Capital commitments and contingent liabilities continued
Contingent liabilities

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

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

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

### 17. Funds held on behalf of others

| | 2014 £m | 2013 £m |
|---|---|---|
| Residential service charges, sinking funds and tenants' deposits | 9.1 | 10.6 |
| Trust funds | 6.7 | 5.6 |
| **Total funds held on behalf of others** | **15.8** | **16.2** |

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

Residential service charges, sinking funds and tenants' deposits

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

Trust funds

The Commissioners are trustees of 40 funds, mainly restricted permanent endowment funds. Their income, £0.2m (2013: £0.2m), is applied in accordance with the terms of the trusts.

Certain other trustees are directed to pay some or all of their income to the Commissioners for specified purposes. The total amount received was £0.1m (2013: £0.1m).

### Professional advisors

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

### Money available resolution

As required by the Church Commissioners Measure 1947 (as amended), at the Annual General Meeting of the Commissioners to be held on 24 June 2015, the Board of Governors will recommend that the meeting (i) receives the Annual Report and financial statements; and (ii) notes an update on the spending plans for 2014-16.

At its meeting on 26 March 2015 the Assets Committee, having received updated advice from its actuarial advisors Hymans Robertson LLP (as required by the Pensions Measure 1997) which is summarised on the next page, resolved to inform the Board that the Commissioners' expenditure plans for 2015 could be made firm.

### Statement of responsibilities

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

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

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

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

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

## 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 2012. Our most recent annual update of this review was carried out as at 31 December 2014. The main purposes of our review were to (i) place a value on the Commissioners' obligations to pay pensions to clergy; (ii) determine a sustainable level of annual discretionary distribution that can be paid by the Commissioners from their funds after taking into account their pensions obligations; and (iii) recommend maximum distribution levels to the Commissioners' Assets Committee.

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

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

The main results of our calculations were that:

(i) As at 31 December 2014, £1,788.6m of the Commissioners' assets were required to meet their pension obligation.

(ii) Having regard to the Commissioners' long term objective to increase the level of their support for purposes other than pensions in line with the general level of earnings, we advise that no more than £283.8m should be distributed for these purposes in 2014-16. In the light of the most recent review as at 31 December 2013, we have no objection to the Commissioners continuing with the planned distributions for 2014. We consider that distributions at this level are not likely to lead to an adverse consequence for the Commissioners' long term financial position.

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

We have been provided with details of the Commissioners' actual distributions in 2014 and a forecast of proposed distributions in 2015. The proposals are in line with the results of our review set out above.

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

Richard Crowhurst FIA, for and on behalf of Hymans Robertson LLP
26 March 2015

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

| | Parish mission and ministry support[1] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Strategy development funding | Other diocesan support | | Bishops' and archbishops' ministry[2] | | Cathedrals' ministry | | Total | |
| | 2014 £m | 2014 £m | 2013 £m | 2014 £m | 2013 £m | 2014 £m | 2013 £m | 2014 £m | 2013 £m |
| Bath & Wells | – | 0.1 | 0.1 | 0.6 | 0.5 | 0.2 | 0.2 | 0.8 | 0.7 |
| Birmingham | 1.0 | 2.0 | 2.0 | 0.4 | 0.4 | 0.3 | 0.3 | 3.6 | 2.6 |
| Blackburn | – | 1.0 | 1.0 | 0.5 | 0.6 | 0.3 | 0.3 | 1.8 | 1.9 |
| Bristol | – | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 | 1.0 | 1.0 |
| Canterbury | – | 0.8 | 0.8 | 0.4 | 0.5 | 0.2 | 0.2 | 1.4 | 1.5 |
| Carlisle | – | 0.7 | 0.7 | 0.5 | 0.4 | 0.3 | 0.3 | 1.5 | 1.4 |
| Chelmsford | 0.9 | 2.9 | 2.9 | 0.7 | 0.7 | 0.3 | 0.3 | 4.7 | 3.9 |
| Chester | – | 0.2 | 0.2 | 0.5 | 0.5 | 0.2 | 0.2 | 0.9 | 0.9 |
| Chichester | – | 0.1 | 0.2 | 0.5 | 0.5 | 0.2 | 0.2 | 0.9 | 0.8 |
| Coventry | – | 0.1 | 0.1 | 0.4 | 0.4 | 0.2 | 0.2 | 0.7 | 0.7 |
| Derby | – | 1.7 | 1.7 | 0.4 | 0.4 | 0.3 | 0.3 | 2.4 | 2.4 |
| Durham | – | 2.7 | 2.7 | 0.6 | 0.6 | 0.1 | 0.1 | 3.5 | 3.4 |
| Ely | – | 0.1 | 0.1 | 0.4 | 0.4 | 0.2 | 0.2 | 0.6 | 0.6 |
| Exeter | – | 1.5 | 1.5 | 1.1 | 0.6 | 0.2 | 0.2 | 2.8 | 2.3 |
| Gloucester[3] | – | 0.0 | 0.0 | 0.4 | 0.4 | 0.2 | 0.2 | 0.7 | 0.7 |
| Guildford[3] | – | 0.0 | 0.0 | 0.4 | 0.4 | 0.2 | 0.2 | 0.7 | 0.6 |
| Hereford | – | 0.5 | 0.5 | 0.4 | 0.4 | 0.2 | 0.2 | 1.1 | 1.1 |
| Leicester | 0.8 | 1.5 | 1.5 | 0.4 | 0.4 | 0.3 | 0.3 | 3.1 | 2.2 |
| Lichfield | – | 2.0 | 2.2 | 0.6 | 0.6 | 0.2 | 0.2 | 2.8 | 3.0 |
| Lincoln | – | 1.0 | 1.0 | 0.5 | 0.5 | 0.1 | 0.1 | 1.6 | 1.6 |
| Liverpool | 0.9 | 1.7 | 1.7 | 0.5 | 0.4 | 0.1 | 0.1 | 3.3 | 2.3 |
| London | – | 0.4 | 0.3 | 1.2 | 0.9 | 0.1 | 0.1 | 1.8 | 1.3 |
| Manchester | – | 2.9 | 2.9 | 0.5 | 0.6 | 0.2 | 0.2 | 3.7 | 3.8 |
| Newcastle | – | 1.6 | 1.6 | 0.4 | 0.4 | 0.3 | 0.3 | 2.2 | 2.2 |
| Norwich | – | 1.6 | 1.6 | 0.6 | 0.6 | 0.2 | 0.2 | 2.4 | 2.4 |
| Oxford[3] | – | 0.2 | 0.2 | 0.6 | 0.6 | 0.0 | 0.0 | 0.8 | 0.8 |
| Peterborough | – | 0.1 | 0.1 | 0.5 | 0.4 | 0.2 | 0.2 | 0.8 | 0.7 |
| Portsmouth | – | 0.5 | 0.5 | 0.3 | 0.3 | 0.3 | 0.3 | 1.1 | 1.0 |
| Rochester | – | 0.2 | 0.2 | 0.4 | 0.4 | 0.2 | 0.2 | 0.8 | 0.9 |
| St Albans | – | 0.2 | 0.2 | 0.5 | 0.5 | 0.2 | 0.2 | 0.9 | 0.9 |
| St Eds & Ipswich | – | 0.3 | 0.3 | 0.4 | 0.4 | 0.3 | 0.3 | 0.9 | 0.9 |
| Salisbury[3] | – | 0.0 | 0.0 | 0.5 | 0.5 | 0.1 | 0.1 | 0.7 | 0.7 |
| Sheffield | 1.0 | 2.1 | 2.1 | 0.4 | 0.4 | 0.2 | 0.2 | 3.7 | 2.7 |
| Sodor & Man[3] | – | 0.0 | 0.0 | 0.2 | 0.2 | – | – | 0.2 | 0.2 |
| Southwark | – | 0.3 | 0.3 | 0.6 | 0.6 | 0.2 | 0.2 | 1.1 | 1.1 |
| Southwell & Nott'm | – | 1.5 | 1.5 | 0.4 | 0.5 | 0.3 | 0.3 | 2.2 | 2.2 |
| Truro | – | 0.9 | 0.9 | 0.4 | 0.4 | 0.2 | 0.2 | 1.5 | 1.5 |
| Winchester | – | 0.1 | 0.2 | 0.6 | 0.6 | 0.1 | 0.1 | 0.9 | 0.9 |
| Worcester | – | 0.4 | 0.4 | 0.5 | 0.4 | 0.2 | 0.2 | 1.1 | 1.0 |
| York | – | 2.1 | 2.1 | 0.3 | 0.3 | 0.1 | 0.1 | 2.6 | 2.6 |
| West Yorks & the Dales | – | 3.8 | 3.8 | 1.3 | 1.0 | 0.9 | 0.9 | 6.0 | 5.8 |
| Europe | – | 0.1 | – | 0.5 | 0.4 | – | – | 0.6 | 0.4 |
| National support | – | 0.9 | 0.4 | 10.6 | 10.7 | – | – | 11.5 | 11.2 |
| Total | 4.6 | 41.5 | 40.9 | 32.3 | 31.2 | 9.1 | 9.1 | 87.4 | 81.2 |

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

Notes:

(1) Parish mission and ministry support comprises grants to dioceses by the Archbishops' Council, payments direct to dioceses and the parishes for strategic development initiative, payments direct to clergy and national support (insurance subsidies and minor grant payments).

(2) Bishops' and archbishops' ministry includes grants to individual bishops towards their office and working costs, housing costs and stipends. National support includes the stipends and office and workings costs of the two archbishops, their advisors and the Provincial Episcopal Visitors, premises costs for Lambeth Palace and Lambeth Palace Library and the income from ancillary properties in all sees.

(3) Gloucester, Guildford, Salisbury and Sodor & Man received parish mission and ministry support but the amount was less than £50,000. Oxford received support for cathedral ministry but the amount was less than £50,000.

# LIST OF LARGER INVESTMENTS
## AS AT 31 DECEMBER 2014

The Commissioners' investment policy is to hold a diversified portfolio of investments across a broad range of asset classes. The largest single entity investment is the Commissioners' holding in UK Treasury 2.75% 22 January 2015 of £70.1m which represents 1.1% of the total investment portfolio. The table below shows the largest 20 public equity holdings and property holdings (including shared, partnership, forestry and timberland).

| Twenty most valuable property holdings (including indirect, timberland and infrastructure) | Twenty most valuable direct stock exchange and fixed interest holdings | £m |
|---|---|---|
| Ashford Estate | UK Treasury 2.75% 22 January 2015 | 70.1 |
| Blackrock Asia III (partnership interest) | UK Treasury 4.75% 7 September 2015 | 51.5 |
| Canterbury Estate | UK Treasury Bill 9 February 2015 | 50.0 |
| Carlisle Estate | UK Treasury Bill 23 February 2015 | 50.0 |
| Castlelake Land Opportunities | UK Treasury Bill 18 May 2015 | 49.9 |
| CBRE Property Fund Central Europe (partnership interest) | Royal Dutch Shell | 48.5 |
| Chichester Estate | HSBC | 36.6 |
| Ely Estate | BP | 31.2 |
| Greenchip Timber | UK Treasury Bill 5 January 2015 | 30.0 |
| Halsall Estate | Microsoft | 29.6 |
| Huntingdon Estate | Oracle | 27.9 |
| The Hyde Park Estate | Unilever | 26.3 |
| Imperial House, 15-19 Kingsway, London, WC2 | GlaxoSmithKline | 25.1 |
| Lendlease Retail Partnership | UK Treasury Bill 9 March 2015 | 25.0 |
| 19-26 Long Acre & 28-30 Floral Street, London, WC2E | Qualcomm | 24.9 |
| MetroCentre (10% interest and associated land) | Vodafone | 23.8 |
| Molpus Timber | Lloyds Banking Group | 20.8 |
| Rochester Estate | Prudential | 19.9 |
| South Lincolnshire Estate | AstraZeneca | 18.1 |
| York Estate | Samsung Electronics | 17.8 |

## THE CHURCH COMMISSIONERS AND BOARD OF GOVERNORS AT APRIL 2015

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

Archbishop of Canterbury, Justin Welby, **Chair**

Archbishop of York, Dr John Sentamu

### Church Estates Commissioners appointed by:

#### Her Majesty

Andreas Whittam Smith CBE **First Church Estates Commissioner**

Vacancy pending General Election **Second Church Estates Commissioner**

#### The Archbishop of Canterbury

Andrew Mackie **Third Church Estates Commissioner**

### Elected by the General Synod

#### House Of Bishops

Bishop of London, Dr Richard Chartres
Bishop of Manchester, David Walker
Bishop of Bristol, Mike Hill
Bishop of Chichester, Dr Martin Warner

#### House Of Clergy

Revd Canon Bob Baker
Revd Amanda Fairclough
Revd Stephen Trott

#### House of Laity

April Alexander
Canon Peter Bruinvels
Sally Muggeridge
Jacob Vince MRICS

#### Elected by the deans

Dean of Wakefield, Jonathan Greener
Dean of Wells, John Clarke

### Nominated by:

#### Her Majesty

Harry Hart
Ian Watmore
John Wythe FRICS

#### The Archbishops of Canterbury and York

Simon Picken QC
Jeremy Clack
Mark Woolley

#### The Archbishops of Canterbury and York

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

Graham Oldroyd
Poppy Allonby
Hywel Rees-Jones

### State office holders

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

## SECRETARY TO THE CHURCH COMMISSIONERS AND BOARD OF GOVERNORS

Andrew 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

Andreas Whittam Smith CBE **Chair**
Revd Amanda Fairclough
Bishop of Bristol, Mike Hill
Canon Peter Bruinvels
Poppy Allonby
Harry Hart
Mark Woolley
Graham Oldroyd
John Wythe FRICS
**Committee Secretary** Andrew Brown FRICS

## AUDIT & RISK COMMITTEE

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

Hywel Rees-Jones **Chair**
April Alexander
Ian Ailles
Stephen East
Jeremy Clack
George Lynn
**Committee Secretary** Michael Cole

## BISHOPRICS AND CATHEDRALS COMMITTEE

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

Andrew Mackie **Chair**
Bishop of Chichester, Dr Martin Warner
Bishop of Doncaster, Peter Burrows
Dean of Wakefield, Jonathan Greener
Dean of Wells, John Clarke
Revd Anne Hollinghurst
Revd Mary Bide
Jacob Vince MRICS
Canon Elizabeth (Betty) Renshaw
Rosemary Butler Representative of Bishops' spouses
**Committee Secretary** Paul Lewis MRTPI

## PASTORAL COMMITTEE

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

Andrew Mackie **Chair**
Bishop of Manchester, David Walker
Bishop of Truro, Tim Thornton
Dean of Wakefield, Jonathan Greener
Canon Bob Baker
Canon Stephen Evans
Ven Penny Driver
Canon Peter Bruinvels
Simon Picken QC
Julia Flack
Susan Pope
**Committee Secretary** Paul 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

Andrew Mackie **Chairman**
Canon Bob Baker
Canon Peter Cavanagh
Revd Simon Talbott
Revd Stephen Trott
Ian Watmore
April Alexander
John Steel
Sally Muggeridge
Margaret Davies
**Committee Secretary** Paul Lewis MRTPI

The Church Commissioners for England

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