Supporting the work and mission of the Church of England

The Church Commissioners
for England
Annual Report 2020

The Church
Commissioners
for England

THE CHURCH
OF ENGLAND

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Annual Report 2020

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of the Church of England

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Cover image: *Portsmouth Cathedral.*

Foreword by the Archbishop of Canterbury and the First Church Estates Commissioner

It is with real gratitude that we are able to report on the work of the Church Commissioners at the end of 2020, a year which challenged us all. The Commissioners continued to show leadership and support for dioceses, cathedrals and churches whilst upholding the good stewardship of the historic assets entrusted to them.

The Commissioners stepped in with financial support as people looked to the Church during this time of tremendous spiritual and practical need. At the same time, the Church itself was challenged by the impact of the COVID-19 pandemic, not least by its acute consequences on finances at the local, diocesan and national level.

In March, the Church Commissioners, in partnership with the Archbishops' Council, announced liquidity measures to assist dioceses and cathedrals whose finances were adversely affected by the pandemic. The first package totalled £75m of liquidity support, and the second was a £35m diocesan sustainability fund. Together with the Cathedral Sustainability Fund, which was replenished during 2020 with an additional £10m on top of the originally budgeted allocation, these were prioritised to give short-term assistance to dioceses and cathedrals in 2020 and 2021.

Aside from this emergency backing, supporting the work and mission of England's cathedrals has always been a priority for the Church Commissioners. Our thanks go especially to Eve Poole, the Third Church Estates Commissioner, who played a pivotal role in preparing the way for the safe passage and implementation of the Cathedrals Measure, which gained final approval from General Synod and is on track for Royal Assent in 2021. The Cathedrals Measure is set to strengthen operational and governance frameworks and bring cathedrals within the ambit of Charity Commission legislation, ensuring alignment with best practice elsewhere in the third sector.

Providing support for the Church is only possible because of the positive financial returns we have achieved. The Commissioners' investments beat their 2020 target despite the volatility and uncertainty in the markets. Our longer-term results also remained strong, with performance over five, ten and 30 years all ahead of our target returns. We extend our thanks to those in the Investment division for their excellent management of the fund.

As signatories to the United Nations-backed Principles for Responsible Investment, we are committed to integrating ESG (environmental, social and governance) considerations into the stewardship of assets across our portfolio. Being Responsible Investors is essential to managing the Church's assets and our efforts achieved external recognition in 2020 with several industry awards. Our approach to Responsible Investment ('RI') includes and goes beyond ethical exclusions to encompass stewardship of climate change impacts, proactive company engagement on other issues of concern, impact investing and collaboration with other asset owners.

We and our National Investing Bodies colleagues restricted investment in nine companies that fail to meet our climate standards, while 12 companies made changes to stay off the restricted list. This was the first time investment was restricted in companies that fall short of specific carbon emissions standards, and demonstrated our commitment to delivering on our 2018 agreement with Synod.

In 2020 we moved towards our goal of a net zero carbon portfolio by 2050 by engaging with companies and policy makers and through joining the Net-Zero Asset Owner Alliance. The Church Commissioners also began to develop a framework with independent specialists, which we will use to assess the ESG aspects of our real estate holdings. This ESG framework will underpin management of our development land and ensure it is used in the most sustainable way possible.

We extend our thanks to Bishop David Walker for his excellent chairing of the Commissioners on Justin's behalf, to Andrew Brown for his long and dedicated service as CEO until his retirement in January and to Gareth Mostyn for a tremendous first year as Andrew's successor.

Our colleagues showed exceptional commitment in 2020, especially given the extraordinary circumstances and added pressures of working from home, caring duties and social isolation. We remain grateful to them and appreciate the resilience they have demonstrated.

It is our prayer for the future, as we emerge from the COVID-19 pandemic, that we share the good news of Jesus Christ through the work of the Church with the support of the Church Commissioners.

Justin Welby
Archbishop of Canterbury

Loretta Minghella
First Church Estates Commissioner

The Church Commissioners at a glance

2020

£162.5m
Total charitable expenditure excluding clergy pensions obligation*

10.4%
Total return 2020

9.5%
Total return (30 years)

£118.9m
* Total cash paid on clergy pensions in 2020

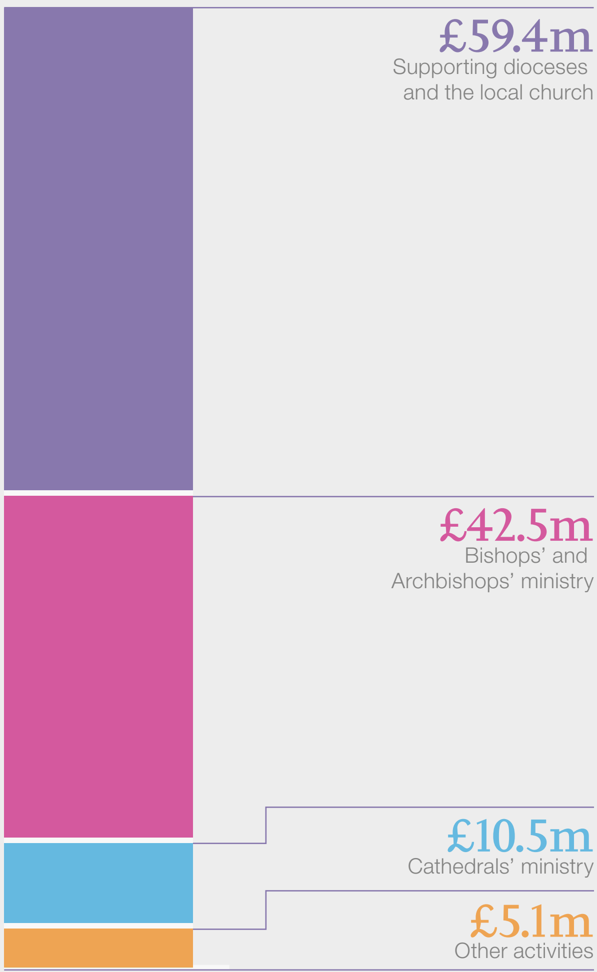
Investment fund: £9.2bn

2019

£117.5m
Total charitable expenditure excluding clergy pensions obligation*

10.0%
Total return 2019

8.5%
Total return (30 years)



£120.1m
* Total cash paid on clergy pensions in 2019

Investment fund: £8.7bn

Aims and objectives

Our strategic priorities

The Church Commissioners' strategic focus is to support the Church of England's ministry, particularly in areas of need and opportunity.

Aims	Strategic objectives
1. Supporting Church's ministry through effective use of Commissioner funding	Help to ensure the Commissioners' funding is intentionally used for mission and growth
2. Supporting Church's ministry through practical guidance and effective processes	Support different parts of the Church to enhance their use of resources to advance mission and growth
3. To manage our investments responsibly	From a portfolio diversified to manage risk consistent with our ethical policies, achieve a real rate of return (target: CPIH+4%) to allow the Church Commissioners to meet their pension obligations and maintain and grow over time their support to the wider church, at the forefront of Responsible Investment globally

2020 achievements

- New governance arrangements established for fund distribution, including new grant funding streams.
- Contributed substantial emergency COVID-19 liquidity and funding support to Church.
- Helped Archbishops' Council establish new social impact investment portfolio.
- Completed Lambeth Palace Library construction within budget.

- Cathedrals Measure received final approval at General Synod.
- Maintained effective operation of adjudicatory functions, providing additional support to diocesan teams during lockdown period.
- Issued guidance to dioceses on implementing Church Representation Rules.

- Genuinely diversified portfolio helped navigate pandemic and resulting challenging markets, achieving returns in excess of target.
- Continued recognition as global leader in Responsible Investment. Recognised in PRI Leaders group for second year and won impact investing category at IPE awards.
- Joined Net–Zero Asset Owner Alliance at World Economic Forum.

2021 priorities

- Work in partnership with the Archbishops' Council to ensure diocesan funding streams continue to be deployed in line with agreed criteria and in accordance with need, reflecting ongoing impact of COVID-19.
- Manage replenished Cathedral Sustainability Fund to address strategic priorities and COVID-19-related support.
- Complete the move into and open the new Lambeth Palace Library, realising the vision to collect, preserve and make accessible the collections so they can be explored and enjoyed by all.

- Implement new Cathedrals Measure and establish co-regulation function with the Charity Commission.
- Ensure continued fairness in adjudicatory functions under the Mission and Pastoral Measure while seeking to improve process efficiency through legislative change – prepare Green Paper for consideration by General Synod.

- Maintain delivery of strong investment returns, above target over the long-term.
- Continue implementation of new investment systems and operational processes to support execution of investment strategy.
- Develop and deliver refreshed Responsible Investment strategy, centred on pillars of "respect for the planet," focussing on climate change and natural capital, and "respect for people," focussed on human rights and diversity and inclusion.

Aims and objectives

Our strategic objectives continued

Aims	Strategic objectives
4. To seek best governance practice	Maximise effectiveness of Board, Committees and Executive, to ensure objectives are met, and with appropriate accountability to Parliament and Church
5. To manage finances effectively	Management and monitoring of costs and liabilities so Commissioners' support, especially for areas of need and opportunity, can be maintained and grown over time
6. Supporting our people	Attract, retain and motivate high-calibre staff. Promote and support staff wellbeing, engagement, performance, belonging and inclusion to maximise effectiveness of the Executive's delivery of Commissioners' goals

2020 achievements

- Strong and diverse trustee and staff appointments made.
- Legislative Reform Order prepared seeking governance improvements – to be considered by General Synod in 2021.
- Research project initiated to explore potential slave-trade links in predecessor bodies of Church Commissioners.

- Aggregate distribution plans maintained in line with triennial budget despite reduced long-term affordability per the annual update of the actuarial review.
- Expenditure in line with 2020 budget and within agreed triennium spending plans.

- Successful transition from outgoing to incoming Chief Executive. Established broader senior management team, with focus on cohesion and collaboration.
- All staff successfully transitioned to home working. Wellbeing central to operational decisions when operating in the context of COVID-19 restrictions. Focus on trust, inclusion and innovation.

2021 priorities

- Continue to support appointment of high-calibre trustees, championing increased diversity. Particular focus on supporting Crown with appointment of next First Commissioner.
- Embed new governance portal to improve effectiveness, efficiency and security of administration for Board and Committee meetings.
- Progress slave-trade research project.

- Continue to manage finances in line with agreed spending plans and budgets. Carry out annual actuarial review to maintain distribution policy consistent with aim of optimising support for today's Church while ensuring long-term sustainability.
- Improve communication and broaden understanding of Church Commissioners' financial investment and distribution strategy.

- Continue focus on belonging, inclusion and wellbeing in the NCIs, informed by results of 2021 staff engagement survey.
- In partnership with other NCIs, develop future (hybrid) working model and associated offer to staff (including policies, technology, office accommodation and training).

Looking forward – letter from the Chief Executive

"The Board has agreed a demanding but exciting set of objectives for 2021, in order to maintain and improve upon the service we give to the Church."

As well as the many personal tragedies, COVID-19 has brought tremendous challenges for individuals and organisations around the world.

Amidst these challenges, there has been a need to refocus and reconsider our priorities. This has been equally true for the Church Commissioners, albeit in the confidence that we serve an unchanging God. In 2020, our Board of Governors specifically considered our own focus and priorities, guided by the Five Marks of Mission that are central to the "Emerging Church" Vision that was presented to the General Synod in November, and agreed some specific activities needed to deliver them.

We have placed particular emphasis on themes of equality, economy, effectiveness, environment, collaboration and innovation. This means building and sustaining a diverse team of trustees and staff, with a strong sense of belonging and inclusion. It means investing strategically to deliver strong and sustainable returns through volatile times, whilst having a broader lasting impact, and controlling expenditure in order to release the maximum sustainable amount possible to serve the wider church.

We also invest in the Church's capacity not only to survive the current financial and other challenges but also to flourish and grow in the future. This involves providing funding, but also information, guidance and support to dioceses, cathedrals and other beneficiaries, where that is best provided at a national level. It means using our asset ownership and estate management roles to become exemplars of environmental best practice and good stewardship, positively influencing corporate behaviour globally. We will play our part in speaking and acting more as one Church, despite the complexity of our structures.

And it means always looking for new ways to run our own operations more efficiently and effectively by embracing technology, seeking best governance practice, and simplifying or improving the legislation and processes under which we work.

The Board has agreed a demanding but exciting set of objectives for 2021, aimed at ensuring the Church Commissioners deliver on our aims, in order to maintain and improve upon the service we give to the Church. As we pursue these objectives, we are aware that it is a great privilege as well as a responsibility. We pray that God will give us wisdom and humility as we serve Him and the Church in the year ahead.

Gareth Mostyn
Chief Executive

Supporting dioceses and the local church

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

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

2020 was the first year of the new three-year spending plans period (2020–2022). However, the COVID-19 pandemic necessitated some significant changes to the spending plans.

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

The Diocesan Sustainability Funding aims to maintain some short-term financial stability for dioceses as they implement or develop their strategies for long-term mission health and financial stability. It comprises two grant schemes:

- Grant funding to help reduce a diocese's estimated deficit in 2020 and into 2021 as a result of the impact of COVID-19 on its income (this is the majority of the funding).
- Funding to offset interest payments on borrowing taken out by dioceses to help with the cash flow implications of COVID-19.

In 2020 the SIB made Sustainability Funding awards totalling £14.9m to 24 dioceses. The funding was targeted at dioceses with fewer investment assets and less affluent populations.

The impact of the pandemic on dioceses' income, whilst very significant, was less in 2020 than originally feared. However, the pandemic is continuing for far longer than many had anticipated and there is real concern amongst dioceses that 2021 may be an even more difficult year financially. The SIB will distribute further Sustainability Funding as needed in the second half of 2021 when the overall impact on dioceses' finances is clearer.

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

Many dioceses use LInC funding to support parishes which, due to their deprivation, cannot meet their parish share, therefore ensuring ministry provision in these areas. The SIB continues to encourage dioceses to ensure that their LInC funding is targeted towards supporting their most deprived communities. In 2020, 26 dioceses received LInC funding totalling £26.3m. An additional £8.3m was paid to support dioceses that are receiving less funding than they did under the previous formula.

As part of a package of measures designed to provide cash flow relief to dioceses during the pandemic, the Council and Commissioners paid all the LInC funding and transitional funding to dioceses in receipt of the funding in one lump sum in April 2020. This provided a short-term liquidity boost totalling approximately £25m.

As the Church continues to grapple with the ongoing challenges caused by the pandemic, the Council and Commissioners similarly paid all the 2021 LInC funding and transitional funding upfront in January to help dioceses with their cash flow.

Strategic Development Funding
Established in 2014, and significantly expanded in 2017, Strategic Development Funding supports major change projects which fit with dioceses' strategic plans and make a significant difference to their mission and financial strength.

In 2020–22, SDF is being targeted towards promoting growth in the largest urban areas of the country and on one or both of younger generations and deprived communities. The SIB will consider programmes not targeted on the largest urban areas if they are focused on areas of particular deprivation or younger generations and have reach and impact in keeping with the other priorities for SDF.

The agreed focus for the funding in 2020–22 reflects the nature and scale of the key strategic challenges that face the Church, channelling the limited funding available towards people and areas in which the Church has long under-invested. The largest urban areas contain:

- 62% of the population.
- 67% of 18-29 year olds.
- 84% of the most deprived areas.

In 2020 £24.2m of SDF was awarded to eight projects in eight dioceses which will be drawn down over more than one year. SDF is awarded on the basis that the cash drawdown keeps within the limits of the monies allocated for this funding in the three-year spending period, reflecting the fact that the projects supported can run for up to six years.

The 2020 awards brought the number of major change programmes that have been supported by SDF to a total of 77. Of these, 61 projects have been funded since January 2017.

Supporting dioceses and the local church continued

In autumn 2020, staff launched a major exercise to work with projects supported by SDF to analyse the impact of the COVID-19 pandemic and of the measures taken to combat it, identify any changes to their project design and draw out key learnings. The first round of analyses was completed in early 2021.

The general picture is encouraging. The majority of projects have responded with great energy and creativity to the COVID-19 pandemic and resulting lockdown. In addition to offering worship services and small groups online, there have been many other online offerings, for example Messy Church, Alpha courses, discipleship courses and marriage courses. SDF programmes have also resourced other churches, helping to inspire and support their online and hybrid offerings and their participation in social engagement.

Inevitably, however, projects have also faced major challenges, including significant difficulties in recruitment to key posts, reduced ability to measure outcomes effectively, and increasing exhaustion on the part of clergy and other leaders.

The SIB and staff are continuing to work closely with projects to support them. Staff will undertake further impact analysis work with projects during the second half of 2021.

Projects awarded SDF in June 2020

- Birmingham – This was the final element of a 2018 application to support the diocese's People and Places strategy. The project will revitalise ministry across parishes in deprived areas by investing in St Mary's church Pype Hayes and launching Gas Street: Shirley. Awarded £1m towards project costs of £3.8m.
- Chelmsford – The project will renew mission in Newham deanery, which has high levels of ethnic diversity and deprivation and very low church attendance levels, by investing in All Saints church, West Ham; the East Ham Mission and Ministry Partnership; St Luke's church, Canning Town; and the E20 church in the Olympic Park. Awarded £3m towards project costs of £5.6m.
- Durham – The project will strengthen mission in deprived urban communities in South Tyneside, Sunderland, Hartlepool, Easington (East Durham former coalfields) and Stockton South by planting 14 replicable 'Communities of Hope' and investing in Stockton All Saints and Cleadon Park with St Peter's, Harton to enable six new congregations. Awarded £4m towards project costs of £5.8m.
- Liverpool – The project will develop mission to the 'missing generation' of 11-29 year olds in Liverpool and Wigan by creating a 'Liverpool Next Generation' network to undertake evangelistic activities in schools and city universities; investing in hubs at St James in the City and St Barnabas Penny Lane in Liverpool; creating a third hub in the northern end of Liverpool City Centre; and investing in a School of Discipleship to form young leaders. Awarded £4.6m towards project costs of £5.2m.
- Manchester – The project will grow the Church in the deprived urban areas of South Manchester (from St Werburgh's, Chorlton, in partnership with St Philip's, Salford and the New Wine Network), Central Manchester (from The Ascension, Hulme, in partnership with HeartEdge and St-Martin-in-the-Fields) and in Rochdale (in partnership with the Church Revitalisation Trust and Church Army). Awarded £5m towards project costs of £6.6m.
- Oxford – SDF will invest in four large urban areas where church attendance is low: Milton Keynes (St Mary's, Bletchley), High Wycombe (St Andrew's), Reading (Greyfriars) and Slough (St Paul's) will deliver a programme of church planting and revitalisation. The programme will also develop fresh expressions of church, supported by a diocesan Development Fund. Awarded £2m towards project costs of £4m.
- Winchester – The project will extend mission in the diocese's largest population areas through investment in Southampton City Centre (St Barnabas), West Southampton (St Winfrid's, Totton) and in the western side of Bournemouth town centre (St Michael). The project will also invest in a learning community and network of church planters. Awarded £3.2m towards project costs of £8.1m.
- York – The project will make new disciples and create new worshipping communities in the deprived areas of Middlesbrough, Scarborough, Cleveland/Redcar and Bridlington by training and mentoring parishes and local lay people to become effective in community evangelism and to equip lay pioneers to plant new worshipping communities. Awarded £1.4m towards total project costs of £1.9m.

Southwell & Nottingham

Developing mission in Newark and amongst rural communities, awarded 2017

The diocese is establishing two new church planting churches to grow and nurture new disciples especially amongst younger families, children, youth and younger adults. One of the two churches is a new church with a specific rural focus. 'The Potting Shed' will be a resource for grafting and planting new worshipping communities into villages and for developing more sustainable forms of mission for younger people in rural communities. It will also encourage, nourish and grow disciples who remain engaged in the life and leadership of smaller local churches. The overall cost of the project is £2.89m, towards which £1.06m of Strategic Development Funding was awarded in June 2017.

Meeting our aims:
Supporting Church's ministry through effective use of Commissioner funding

See more on **pages 4–7**

Supporting dioceses and the local church continued

Strategic Development Funding in 2021–22

When the Archbishops' Council and Church Commissioners agreed their joint three-year spending plans for 2020–22, they reconfirmed that SDF is a ten-year programme (2017–26) totalling an estimated £276m of funding.

In 2017–19, the SIB gave early momentum to the SDF programme by awarding a significant proportion of the total funds expected to be available over the ten-year lifetime of the programme. It was expected that around £128m would remain for distribution to dioceses in 2020–26, depending on the outcome of future spending reviews.

The SIB had agreed that £64m would be made available for award to dioceses in 2020–22, with the remaining £64m being made available from 2023 onwards. However, in autumn 2020, £12m of SDF available for award to dioceses was reallocated to help finance the Sustainability Funding. Taking into account the June 2020 SDF awards of £24m, this leaves a total of approximately £30m of SDF available for award in 2021 and 2022 (£15m per annum).

Strategic Transformation Funding

In 2020–22, the Council and Commissioners have made £44m available as Strategic Transformation Funding (STF) for the SIB to distribute to help those dioceses facing significant financial challenges and planning a major restructuring programme to provide a platform for the Church's sustainable growth.

The overall aims of STF are the same as those of SDF i.e. to support major change programmes which fit with dioceses' strategic plans and make a significant difference to their mission and financial strength. The SIB has agreed that the funding will support a relatively small number of dioceses, targeted at those with the least historic and current resources.

The SIB made the first major award of STF in December 2020, awarding £4.9m to Sheffield diocese to take forward its major change programme. This follows an initial award earlier in 2020 for the diocese to begin the transformation process – the total support provided to the programme is £5.7m. The funding will support the diocese's plans for significantly increased engagement with young people, growth in deprived areas, new congregations across the diocese, and sustained improvement in the Common Fund, alongside implementing a new model of ministry.

The SIB made a further STF Stage 1 award of £1.7m to support Manchester diocese in developing its transformation plan.

Work is under way with several other dioceses on their plans for transformation and potential applications for STF.

Capacity Funding

All dioceses are eligible to apply for funding to strengthen their strategic capacity. This funding has previously been part of the SDF budget but in the 2020–22 triennium the awards are being made from the monies allocated for Strategic Transformation Funding.

£3.8m of Capacity Funding was awarded to 15 dioceses in 2020. The awards largely supported the employment of programme managers and other project staff to develop and deliver SDF projects but some released extra capacity for diocesan teams to tackle significant strategic challenges. A £0.2m award was made to HeartEdge at St Martin-in-the-Fields to support its partnership with the church of The Ascension, Hulme in the Revitalising Manchester Diocese SDF project.

Innovation Funding

The new Innovation Funding stream will support limited-scale projects which will generate learning about 'good growth' through trialling new approaches, scaling up or applying existing successful models in new contexts, that have the potential to be developed to generate further growth. Dioceses and non-diocesan organisations (e.g. mission agencies) will be eligible to apply.

The money available for Innovation Funding in 2020–22 was cut by 20% (from a total of £6m to £4.8m) to help support Sustainability Funding. In the light of the impact of the pandemic on dioceses' capacity to engage with this new funding stream, the SIB has delayed launching the Innovation Funding until later in 2021.

Diocesan Peer Review Programme

The peer review programme aims to ensure mutual accountability and facilitate shared learning between dioceses, while being conducted in a way which is of real value to each diocese being reviewed.

Every diocese participated in the first round of peer reviews which ran from 2016 to 2018 and by the end of 2020 36 dioceses had taken part in a second peer review. Programme delivery was hampered by the impact of COVID-19: several reviews had to be cancelled at relatively short notice although three were later held through video links, giving a total of seven peer reviews completed in 2020.

Any future arrangements for peer review will be shaped by the recommendations which emerge from the national Church's Vision and Strategy work.

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Blackburn

Growing mission and revitalising ministry in Preston city centre was awarded in 2018.

Preston Minster is a city centre church, with a focus on reaching under 25s and student ministry, which was revitalised through a grafted church plant from HTB. At Christmas the worshipping community took part in the Love Christmas campaign.
The diocese anticipates an increase in the combined Preston Minster and St George's regular weekly attendance from under 50 to at least 400, including a net growth of 275 new disciples, by 2023. The total cost of the project is £3.1m towards which Strategic Development Funding contributes over £1.5m was granted over five years.

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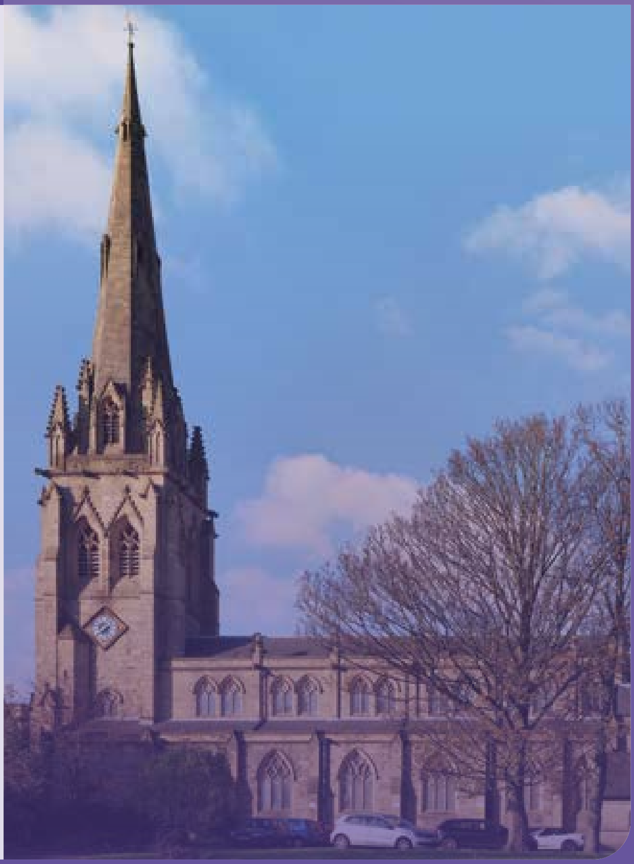


Supporting the Church of England

Bishops', Archbishops' and Cathedrals' ministry

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

Diocesan bishops can spend their funding according to local needs, including decisions on the level of funding to their area and suffragan bishops.

Lambeth Palace
Lambeth Palace is owned and maintained by the Church Commissioners. The Palace needs repair, its infrastructure not having been updated since well before the Second World War. In 2020 we completed a master planning exercise to identify how Lambeth Palace can function as both the home and working office of the Archbishop of Canterbury and as a major central focal point for the worldwide Anglican Communion; design and planning work has started for the essential part of this work to ensure the Palace is a safe and secure place to live and work and providing the opportunity for this building to be a pioneer for sustainability.

Bishops' housing
The Commissioners have a statutory duty to support diocesan bishops with housing and to provide suitable accommodation which facilitates the bishops' work and mission. The work started at the end of 2019 at the Hereford See House was completed to enable the new Bishop to take up his new ministry and responsibility in spring 2020. The Chester See House was refurbished with the demands around undertaking the work during the COVID-19 pandemic including workforce challenges and the shortage of building materials. We took the opportunity to include some minor sustainability works including the installation of secondary glazing. The new Bishop was able to move in and take up his new ministry and responsibilities from autumn 2020.

To assist our commitment in encouraging more bishops to have plug-in hybrid and fully electric cars we have undertaken a small pilot project with providers of electric vehicle charging points to enable us to find a suitable provider. The work to roll out electric vehicle charging points will continue on a needs basis. We have undertaken a pilot project to review the sustainability of ten See Houses across the portfolio. There is more work to be done in order to review and implement any changes required along with the need to review the remaining houses within the portfolio in order to meet the Church's commitment to become 'net zero carbon' by 2030.

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

Consequently, the Bishoprics and Cathedrals Committee became responsible for the oversight of the Commissioners' expenditure on all chancel repairs and related matters. In 2020, we approved 45 new chancel repair projects which, with the existing projects from previous years, enabled us to provide financial and administrative support to approximately 85 parishes during the year.

Similarly, we also supported six cathedrals by taking on the financial responsibility for the repair of approximately 20 chancels which those cathedrals have liability for.

Cathedrals
Cathedrals are focal points not only for the Church but for the communities they serve and open their doors to millions of visitors each year. We support the ministry of cathedrals through two funding streams under the Cathedrals Measure 1999. In 2020, £6.5m provided under section 21 of the Measure supported the stipends and pension costs of the dean and two residentiary canons at all cathedrals except Oxford and the Isle of Man. Any part of the grant unused as a result of a vacancy can, at our discretion, be used to support the employment costs of other cathedral staff.

A further £4m in grant funding was provided under section 23 of the Measure to fund staff costs at cathedrals with the lowest unrestricted income. This funding frees up cathedral resources and helps facilitate their mission and ministry to their local communities. Following the outbreak of the pandemic, this was paid upfront to support cash flows at a critical time.

The Church Commissioners continued to make grants from the Cathedral Sustainability Fund in 2020, which was established in 2017. This fund enables the Commissioners to give discretionary section 23 grants to cathedrals to provide seed funding for projects aiming to help them become more financially sustainable.

In 2020, £6.0m was awarded to 36 cathedrals, bringing the total to date from the fund of £8.6m to 38 cathedrals. More applications are in the pipeline to help cathedrals look towards a financially sustainable future. During 2020 a further £3.0m was distributed in response to the COVID-19 crisis (to 41 cathedrals) including for emergency funding and supporting heritage trades and lay clerks. An additional £10m was made available for spending in 2020–22, on top of the original £10m allocation, to support cathedrals through the pandemic and to ensure future sustainability.

The new Cathedrals Measure
Following the 2018 Cathedrals Working Group ('CWG') report and the draft new Cathedrals Measure debated and passed to revision stage in 2019, General Synod gave final approval to this Measure in 2020. Guidance continued to be drafted to support and incorporate this new Measure (assuming Royal Assent is granted in 2021) to align cathedrals with their new charitable status, co-regulated by the Church Commissioners and the Charity Commission.

Lambeth Palace Library

The Church Commissioners in their 2004 Documentary Heritage review recognised the challenges facing the central libraries and archives of the church.

Having grown over centuries they were housed in spaces never intended to protect archives; and at Lambeth Palace especially, impossible to adapt to meet modern standards. It was a significant problem. Their recommendation was the creation of "a single national library and archive for the Church". The Commissioners have addressed that problem with a new Library building, delivered almost to time despite lockdown and within its budget.

There is now an opportunity to grasp – not only by delivering on the Library's vision for its collections to be explored and enjoyed by all – but for the new building to be a beacon for the mission and work of the Church of England.

Designed to be a sustainable, low energy use building, the Library, rated 'excellent', is due to open in 2021. We look forward to welcoming as many people as possible not only to explore the collections but also to find out more about the Church and its past, present, and ongoing mission to the nation.

Meeting our aims:
Supporting Church's ministry through effective use of Commissioner funding

See more on **pages 4–7**

Parish Reorganisation and Church Property

The Church Commissioners have a responsibility to work with bishops and dioceses to further the mission of the Church by helping them to make changes to the patterns of ministry within their dioceses.

Parish reorganisation and Church property
This work is fundamental to the mission of the Church, as it enables dioceses to respond to changing factors such as demography and population shifts and to encourage growth.

The Commissioners have a quasi-judicial role and are responsible for the management and delivery of the processes of the Mission and Pastoral Measure (2011), the Church Property Measure (2018) and related legislation. This work is overseen by the Mission, Pastoral and Church Property Committee ('MPCPC'). The Committee is chaired by the Third Church Estates Commissioner and met six times in 2020. The Committee considers strategy and policy and adjudicates on schemes for pastoral reorganisation, for church closure and for the reuse of churches which are no longer needed for regular Anglican worship, and other matters. We also continue to work with teams across the NCIs, through the Strategic Buildings Support Group, and wider partners.

The COVID-19 pandemic had a significant impact on our work in 2020, but the staff team managed the demands of transitioning processes very well. The MPCPC was able to continue virtually from March 2020 onwards, but the publication of draft schemes was halted during the first national lockdown. Publication did gradually start again, and the flow of work has been comparable with recent years.

- 90 pastoral schemes and orders were made, from a caseload of 175.
- 88 new schemes were received in year. The majority of the schemes were for the union of benefices and the rest for the union of parishes.
- 24 draft schemes were published which proposed a new use for churches no longer needed for regular Anglican worship, and the disposal of 12 churches was completed. One will retain its worship use, and three others will have a community use as a heritage centre, as a Girl Guides centre for education and culture, and as a workshop and studio for a glass artist.
- Eight pastoral schemes and six schemes for the reuse of closed church buildings were referred to the MPCPC for decision.
- The demolition of St Elizabeth's, Eastbourne was completed, after the important murals by Jewish artist Hans Feibusch were removed. The site will now be marketed and is likely to be sold for social housing development.
- Where appropriate the team obtain their own planning and listed building consents to speed up building or site disposal and maximise value. Permissions were obtained for the residential development of Fraisthorpe St Edmund (Diocese of York) and the property was sold in July 2020.
- In-house research was completed on the reasons for church closure and the trends in reuse over the last 50 years.

In total, just over £2m in net proceeds from the disposal of closed churches and sites was allocated to dioceses to support mission and ministry and new initiatives in 2020. In the past ten years we have transferred £20.5m from proceeds to dioceses to support ongoing mission.

Review of the Mission and Pastoral Measure
The Legislative Reform Committee has commissioned a review of the Mission and Pastoral Measure, as part of further work on simplification. This is being led by the team, and a Green Paper will be published for consultation in the summer of 2021.

Training
The team moved its training function online in March 2020 and provided sessions on Deanery planning for Ely and Ipswich. In addition, training on the disposals of parsonages, glebe and corporate housing was provided to 18 dioceses.

Churches Conservation Trust (CCT)
The MPCPC is also responsible for overseeing the strategy and performance of the CCT, which is jointly funded by the Commissioners and the Department for Digital, Culture, Media and Sport. The CCT works in partnership with communities to conserve the most historically significant church buildings, and is responsible for 356 churches. During the pandemic they were able to keep them open when allowed for worship, providing community and pastoral support at a difficult time. The CCT Chief Executive attended the MPCPC and presented the Annual Report and Accounts for 2020 and gave an update on the impact of COVID-19 on the work of the charity.

Hockerton St Nicholas

During 2020, the Grade II-listed and unused church, St Nicholas, Hockerton, was given a new lease of life, thanks to the work of the Church Commissioners.

The scheme developed by the Commissioners delivered a new community glassblowing studio and workshop in the empty church, enabling local people to take part in future classes on glass making. Visits to support local tourism are also planned and the scheme created new jobs in the glass studio for the local community.

The Church Commissioners worked with the diocese and local planning authority to make the necessary changes to the building, including the installation of a furnace and kilns to enable the sale of the building to go ahead.

Conservation of historic places is key in any conversion, and in this case minimal impact on the fabric of the building was achieved. The final development included retaining the church's pews and keeping the nave area largely unaltered to allow the glassblowing and fabrication process to be viewed by visitors.

Meeting our aims:
Supporting Church's ministry through practical guidance and effective processes

See more on **pages 4–7**

Investing for the future

Investment policy and investment objectives

The Church Commissioners manage an investment fund of £9.2bn in an ethical and responsible way. The fund has delivered an average return of 9.7% per annum over the last ten years.

Objectives

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

Fund strategy and performance

The Church Commissioners manage a diversified portfolio spread across a broad range of asset classes, consistent with our ethical guidelines.

Fund strategy

Our investment objective is to generate a return of CPIH+4.0%, on average, over the long term to support the work and mission of the Church of England today and for future generations. We have managed to match or exceed our target over 1, 3, 5, 10, 20 and 30 years. Over the last ten years, the fund has achieved an average return of 9.7% every year.

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

The Commissioners' investment policy is to hold a diversified portfolio of investments across a broad range of asset classes consistent with our ethical guidelines and our Responsible Investment ('RI') Framework. Our ambition is to be at the forefront of responsible investment globally and this is discussed in more detail on pages 22 to 23. The chart (overleaf) shows our asset weightings at the end of 2020.

Fund performance

At the start of 2020 no-one could have predicted the upheaval that crushed the economy.

2020 was a year where there was a 'tug of war' between the economic damage caused by the pandemic and the unprecedented monetary and fiscal stimulus response by authorities. This gave investors a roller coaster ride in 2020. The economic impact across different countries/regions and returns across and within asset classes was widely divergent.

In response to the pandemic, interest rates were cut to zero across the globe, Central Banks launched successive rounds of quantitative easing (QE) and governments have provided unprecedented fiscal stimulus. For financial assets, like equities, this has more than offset the impact of the economic drag caused by the pandemic. Investor optimism and markets were given a further boost towards the end of the year with the positive news on the efficacy of vaccines (Pfizer, Moderna and AstraZeneca/Oxford). Real assets, like property, had a much more mixed year.

While there were differences across asset classes, 2020 turned out to be a year where the Commissioners' portfolio overall was able to deliver a positive return of 10.4%, which compares favourably to our CPIH+4.0% target. Our longer-term performance, which is significantly more important in terms of determining our distributions, also remains strong. Our 3, 5, 10, 20 and 30-year numbers are all ahead of our target.

Based on these returns the value of the Commissioners' investment assets at 31 December 2020 stood at £9.2bn compared with £8.7bn at the start of the year.

Responsible Investment

The Church Commissioners are committed to being at the forefront of Responsible Investment. A key highlight was the UN-backed Principles for Responsible Investment (PRI) inclusion of the Commissioners in their PRI Leaders' Group for the second year in a row.

More information about our approach to RI, which goes to the heart of the character and objectives of the Commissioners as investors, can be found in the Responsible Investment section of the report.

Public Equities

In aggregate, global equities have benefited from the policy response and delivered a strong return with the MSCI Global index up 13.2% in sterling terms having rallied 70.5% off the lows in March 2020. Although the aggregate index delivered a strong return there was a wide dispersion within the market. The winners and losers, in a wild year for equity markets, were determined by what defined the year for everyone: a global pandemic.

This dispersion within markets proved beneficial for the Commissioners' active strategy. Overall our public equity portfolio returned 18.3% versus the benchmark of 13.2%. This successful active management continues the longer-term outperformance we have been able to achieve in global equities where our portfolios are ahead of the respective indices over 5, 10, 20 and 30 years.

Other securities

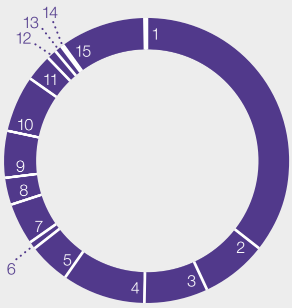
The private equity and venture capital portfolio, which invests in unlisted companies, achieved a total return of 33.6% in 2020. The portfolio experienced exceptionally strong gains in the last quarter, which cannot be immediately realised given the long term and illiquid nature of these assets, but contribute to the strong full year out-turn for these portfolios. We agreed further commitments to the private equity portfolio totalling £429m during the year. In Venture we were very pleased to be able to commit c.£55m to 7 managers across 20 funds during 2020. Over the long-term, our private equity and venture portfolio have significantly outperformed public equity markets, returning 19.9% and 16.3% per annum over the last 5 and 10 years respectively.

Our absolute return portfolio, which represents around 7%, of the fund is designed to generate returns which are largely independent of the external environment. In 2020 it returned 5.1% which is less than equity markets but still ahead of our CPIH+4.0% target.

Fixed Income
Our fixed income portfolio invests in credit strategies, both liquid and illiquid, but is a small allocation within the fund at present. The liquid portfolio, which includes investments in global high yield bonds, emerging market debt and structured credit, delivered a positive return of 7.6%.

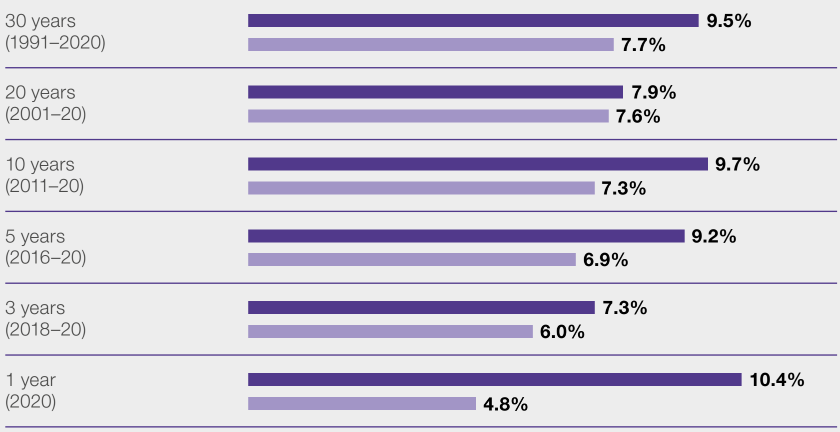
Tactical Asset Allocation and Currency Hedging
In 2020 we added the internal capability to make use of derivatives to enable the investment team to hedge our equity market risk and to support the dynamic implementation of asset allocation decisions. This builds on our existing capability to manage currency risk. These programmes have been used at various points in the year to manage specific identified risks. During 2020, our currency hedging programme showed a cumulative realised and unrealised loss of £56.6m, however included within the total was a realised gain of £24m. Profits and losses partially offset the contrary movement in value of the asset portfolio due to foreign exchange movements. The equity hedging capability was implemented partway through the year, and contributed £34m from the use of derivatives to manage our equity market risk, enabling increased efficient portfolio management activity. Both programmes operate under specific guidelines and limits, set by and reviewed on a regular basis by the Assets Committee.

Commissioners' asset allocation (as at 31 December 2020)



1	Public equities	**35.6%**
2	Defensive equities	**7.5%**
3	Multi-asset	**7.3%**
4	Private equity	**9.5%**
5	Timber	**4.7%**
6	Infrastructure	**0.9%**
7	Credit strategies	**4.7%**
8	Commercial property	**2.9%**
9	Residential property	**5.3%**
10	Farmland	**6.5%**
11	Strategic land	**2.9%**
12	Indirect property	**1.2%**
13	Value linked loans	**0.9%**
14	Currency hedging	**0.2%**
15	Cash and equivalents	**9.9%**

Long-term total returns per annum
(against the Church Commissioners' target return)



Note: Target return was RPI+5% per annum to end 2018, CPIH+4% thereafter

Cash Allocation
The cash allocation of the portfolio remains relatively high, at 10% as at 31 December 2020. Whilst this is slightly above our typical long-term level, this reflects our overall strategy as a long-term investor, with a commitment to manage liquidity and minimise any volatility in distributions that might otherwise flow through from short-term market impacts, This is consistent with our distribution strategy informed by our actuaries' report referenced below and the Going Concern approach set out on page 28. It ensures we do not need to realise short-term negative market impacts in the wider portfolio, and works in tandem with our approach to hedging these risks.

Meeting our aims:
To manage our investments responsibly

See more on **pages 4–7**

Investment policy and investment objectives continued

Real Assets
The Church Commissioners' real asset portfolios consist of a diverse range of property-related investments enabling us to take a long-term approach in line with good stewardship.

Rural
Capital receipts in 2020 totalled £56.5m. A further £7.4m of assets were transferred to the strategic land portfolio to facilitate residential development. The total return for the rural portfolio in 2020 was 3.2%.

Management of the rural portfolio has resulted in active dialogue with our agricultural tenants to explore higher value opportunities where they arise, as well as continuing to drive the revenue and capital performance of the portfolio.

We began a natural capital baseline assessment in 2020, engaging with the Commissioners' net zero ambitions. The output will enable a strategy for environmental impact and reporting to be developed.

Hyde Park Estate
In 2020, £38.8m was generated by the Estate in capital receipts through open market sales and leasehold reform transactions. £3.7m was reinvested in completing refurbishments across the Estate. The total return for the portfolio in 2020 was 3.6%.

Despite the challenges of the pandemic across the residential sector we continued to maintain a low void rate in both new residential lettings and the renewal of existing tenancies. Being supportive of tenants and the changing needs presented by the COVID-19 pandemic has been a priority for the team. Despite the difficult retail market during the pandemic, at Connaught Village we completed two new lettings to independent retailers and agreed terms for two more lettings due to complete in early 2021. In the autumn we collaborated with one of our artist tenants to display an interactive piece of public art, *Wavelengths*, that received national press coverage.

Timberland
The Commissioners' timberland portfolio delivered an exceptionally strong return of 41.3% during 2020. Capital receipts in 2020 totalled £36.2m. Our UK forests had a very strong year buoyed by continued strong demand from investors in high-quality forest properties. We completed the sale of five forests in Scotland during the year and the sale of our timberlands in Louisiana, US. COVID-19 caused some timber price volatility during the year, and we adjusted our timber sale plans to benefit from market conditions.

Construction commenced on a 168MW wind power development in South Scotland, which will add to the existing 31MW of sustainable wind power generated on our forest properties. We signed two new solar option agreements in Virginia, US, with our current options potentially worth up to $33.7m to the Commissioners in the coming years.

We have been working with third party consultants to assess the natural capital benefits of the portfolio and calculate carbon sequestration.

All 92,700 acres of our directly owned commercial forest properties as well as our fund and joint venture interests in the UK, US and Ireland are fully certified to high sustainable standards. During 2020 we planted 2.5m trees, including the establishment of a new 154-acre woodland in Perthshire comprising 142,000 trees.

Commercial
During 2020 we purchased Wycombe Retail Park, High Wycombe, taking advantage of opportunities within this sector, and 83 Clarence Street in Kingston upon Thames to add to an existing holding. At Catford Retail Park we have identified a joint venture partner and work is under way on a development agreement to redevelop the site for a mix of uses. A significant focus throughout the year has been on rent collection in light of the pandemic's impacts. The commercial portfolio delivered capital receipts of £9.2m and a total return of -12.8% in 2020.

Strategic Land
The strategic land portfolio delivered a return of 3.7% and receipts of £7.9m in 2020. Five new sites were delivered into the portfolio through the year, with the potential to deliver approximately 2,600 new homes and 50 hectares of employment land, new education and community facilities, as well as areas of open space and biodiversity improvement.

Planning applications for new communities were submitted at Dewsbury, West Yorkshire and at Bracebridge Heath, Lincolnshire. The proposals at Dewsbury will see the delivery of 1,535 new homes, 35 hectares of land for employment uses, a new primary school and a local centre. At Bracebridge Heath, 1,211 new homes and 2.6 hectares of employment space will be delivered. Further applications were submitted at Northallerton, North Yorkshire, for 145 houses, and at Darton, South Yorkshire, for 73 new houses. In December, planning permission was granted for 1.36m square feet of new employment space to the east of Peterborough. In all schemes, affordable housing is provided in line with the needs of the local community.

We have seen continued house sales at our development sites in Ashford, Kent and in Peterborough through 2020, following a resurgence in the housing market through the second half of the year. Further sales were completed at Thorverton, Devon and at Haskayne, West Lancashire.

Infrastructure

Despite the challenges of COVID-19, 2020 was an active year for the infrastructure portfolio as we continued our focus on energy efficiency and environmentally innovative infrastructure investments. In aggregate we committed over £60m to new areas including supporting the roll-out of electric vehicle charging infrastructure in the UK. We also invested in wind and solar developments in Ireland and a renewable diesel facility in the US creating diesel from animal and vegetable oils – displacing fossil fuel usage. Overall the infrastructure portfolio is estimated to have positively sequestered 32,900 tonnes of carbon dioxide during the year. The infrastructure portfolio delivered a return of -4.1% in 2020.

Indirect Property

COVID-19 presented significant challenges to property, especially retail investments, which were impacted during the year as retailers faced considerable pressures. We focused on resilient sectors, and committed $30m to the Avanath Affordable Housing Fund, which provides support to lower-income families. We also established a co-investment vehicle targeting UK deals with Patron. The indirect portfolio delivered a return of -8.7% in 2020.

Value linked loans

In 2020 £4.6m in capital receipts were generated from the portfolio which delivered a total return of 2.1%. We have continued to work alongside colleagues at a diocesan level to develop relationships with those who manage properties within the portfolio.

West Sussex

The Commissioners have been working with neighbouring landowners to bring together proposals for a new community in West Sussex. In 2020 the masterplan went through an extensive programme of stakeholder, council and public engagement and the site will be the subject of an outline planning application shortly.

The consultation undertaken has culminated in the preparation of a Framework Masterplan for the site, which is currently allocated in the Arun District local plan and which will deliver c.4,300 market and affordable new homes, two new local centres, including two primary schools, community halls/library facilities, as well as extensive areas of green space, and a new sports hub. The Framework Masterplan, which sets the overarching principles for the development and will be used to inform and monitor forthcoming planning applications, was endorsed by Arun District Council in 2020.

Meeting our aims:
To manage our investments responsibly

See more on **pages 4–7**

Investing for the future

Social, environmental and ethical considerations in our Responsible Investment policy

Our ambition remains the same: to be at the forefront, globally, of responsible investment.

Responsible Investment
The Church Commissioners' approach to RI is shaped by the ethical policies we have adopted on the recommendation of the Church of England Ethical Investment Advisory Group ('EIAG') and by our commitment to the UN-backed Principles for Responsible Investment.

Our approach involves ethical exclusions; incorporation of Environmental, Social and Governance (ESG) issues into our investment processes; action on climate change risks and opportunities; engagement and voting; impact monitoring and impact investments.

The Commissioners were rated A+ for RI Strategy & Governance by PRI in our annual assessment in 2020 and gained A+ ratings for Manager Selection, Appointment and Monitoring for all asset classes. We were rated A for engagement and voting, and for our management of our directly held property assets.

We were again recognised in RI awards, winning IPE's inaugural award for Best in Impact Investing in 2020 and being included in the PRI Leaders' Group 2020, which recognises signatories at the cutting edge of RI.

Ethical exclusions
The Church Commissioners maintain a comprehensive range of ethical investment exclusions. We exclude from our direct investments companies involved in indiscriminate weaponry, conventional weaponry, non-military firearms, pornography, tobacco, alcohol, gambling, high interest rate lending, and extraction of thermal coal and production of oil from oil sands, subject to revenue thresholds.

Our policies also allow for investment restrictions on a case-by-case basis, usually as a last resort if we are not satisfied with a company following extensive engagement.

Our approach to indirect investments is shaped by our Pooled Funds Policy. This sets parameters for our use of pooled funds and a cap on indirect exposure to restricted investments.

Integration of environmental, social and governance issues
As PRI signatories, the Commissioners are committed to integrating ESG issues into our investment approach. Our RI Framework sets out how we do this and the way in which we select, appoint and monitor external asset managers.

We rate the RI practices of managers to determine whether they meet our minimum required standards, or are good or outstanding RI practitioners. We regularly engage with our managers on RI trends and practices in an effort to ensure continuous improvement.

Climate risk and opportunities
We regard climate change as a vital issue for responsible investors. The Church Commissioners have pledged to transition our portfolio to net zero greenhouse gas emissions by 2050 as members of the UN-convened Net-Zero Asset Owner Alliance, and we are actively involved in all workstreams of the Alliance: Engagement, Policy, Monitoring Review and Verification, and Financing Transition.

External Assessment of our Portfolio
In 2020, we engaged an investment consultant to assess our portfolio's resilience to climate change. We were reassured that our portfolio scores well, considering both the physical risks and transition risks and opportunities presented by climate change. At an asset class level, our exposure to sustainable listed equity, emerging markets equity, infrastructure and sustainable forestry provide the most positive contribution to resilience.

Carbon footprint
We use data from Trucost to monitor the carbon footprint of as much of our public equities portfolio as possible. We compare our portfolio emissions with those of our globally listed equities benchmark, which slightly changed in 2020 from previous years.

This data indicated that at the end of 2020 the carbon footprint of our portfolio was 335 tonnes of 'carbon dioxide equivalent' per £1m of corporate revenue compared to 222 tCO_2e for our benchmark.

Our carbon footprint is above benchmark as a result of a small number of stock selection decisions by some of our fund managers. The 2020 figure also does not take into account the climate-related investment restrictions that we announced in December 2020. These will be shown in our 2021 carbon footprint figures.

In Q1 2021 we will set our first emissions reduction target on the road to a net zero portfolio by 2050, as members of the Net-Zero Asset Owner Alliance. This target will cover the period 2019 to 2025. Our primary goal is decarbonisation of the real economy, which we actively seek to realise through engagement with policy makers and companies. Our vision is a net zero emissions global economy by 2050.

Engagement

In 2020, in addition to our own extensive engagements with portfolio holdings, the Commissioners continued to work with external provider EOS at Federated Hermes ('EOS'). EOS's extensive engagement activities across a wide range of ESG issues complement our own work to promote responsible and sustainable business practice. Details of our engagement and stewardship activities can be found in our annual Stewardship Report.

Climate change divestments

The climate change engagement of the Church of England National Investing Bodies ('NIBs'), including the Commissioners, is guided by the commitments made by the NIBs in a July 2018 General Synod debate on climate change and investment.

The NIBs reaffirmed their commitment to engage urgently and robustly with companies rated poorly by the Transition Pathway Initiative (TPI) and, beginning in 2020, to start to disinvest from the ones that are not taking seriously their responsibilities to assist with the transition to a low carbon economy.

Following extensive engagement efforts by the NIBs, in December 2020, 12 companies made changes to meet the NIBs' 2020 climate change hurdles. However, the NIBs have restricted investment in nine companies because they don't meet the standards of the climate change hurdles.

Impact investment, monitoring and management

We continue to seek to improve our understanding of the environmental and social impact that our investment portfolio has on the world.

After we agreed our Impact Investment Framework in 2019, the Commissioners published a white paper alongside the UK's Impact Investing Institute on this process and the first impact analysis of our portfolio. This can be found on our website.

In 2020 we invested over £65m into dedicated impact investments and allocated £16m to the Archbishops' Council to create an 'impact-first' portfolio, which will focus on investing into catalytic social impact investments in the UK.

Collaborative work

The Church Commissioners continue to work with and support the Transition Pathway Initiative and Climate Action 100+.

In 2020 the Church Commissioners joined the UN Net-Zero Asset Owner Alliance.

The Church of England's EIAG continues to provide timely and practical advice to the three National Investing Bodies to enable investment in a way that is distinctly Christian and Anglican. The Commissioners work closely with the EIAG to develop investment policy.

Meeting our aims:
To manage our investments responsibly

See more on **pages 4–7**

List of larger holdings, property and equity

Top 20 Property Holdings	Top 20 Equity Holdings
19–26 Long Acre & 28–30 Floral Street	Alphabet
Arbol Tree LLC, US Timberland	Amazon
Ashford Estate	Analog Devices
Brownhills, UK Forest	Baxter International
Canterbury Estate	Becton Dickinson
Carlisle Estate	Charles Schwab
Cherry Tree LLC, US Timberland	Cisco Systems
Chichester Estate	Cognizant Technology
Ely Estate	Dentsply Sirona
Huntingdon Estate	Equifax
Hyde Park Estate	Facebook
MetroCentre	Gartner
Millbank Estate	Henry Schein
Peterborough Estate	Illumina
Rochester Estate	Microsoft
Royal Lancaster Hotel, Bayswater Road	Naspers
Signature Senior Living Fund III	Palo Alto
South Lincoln Estate	Ping An
West Buccleuch, UK Forest	Samsung Electronics
Wycombe Retail Park	Taiwan Semiconductor

Financial Review

A review of our 2020 financial activity

Despite challenging circumstances the Church Commissioners were pleased to be able to distribute £244.1m in 2020 including support for the wider Church to respond to the financial impact of the COVID-19 pandemic.

	2020 £m	2019 £m	Difference £m
Charitable activities			
Supporting dioceses and the local church	**99.1**	59.4	39.7
Bishops' and Archbishops' ministry	**37.9**	42.5	(4.6)
Cathedrals' ministry	**20.0**	10.5	9.5
Other activities	**5.5**	5.1	0.4
Pre-1998 clergy pensions	**81.6**	94.2	(12.6)
Total charitable expenditure	**244.1**	**211.7**	**32.4**
Raising funds	**74.2**	77.2	(3.0)
Total expenditure	**318.3**	**288.9**	**29.4**

Total income for the year was £128.5m (2019: £175.3m), £46.8m lower than the previous year due to a reduction in investment income, including the impact of equity dividend reductions due to COVID-19. Total gains on investment assets, including movements on derivatives, foreign currencies and taxation, was £777.4m (2019: £668.4m). Investment performance is described on page 18 of this report.

Expenditure during 2020 totalled £318.3m (2019: £288.9m), an increase of £29.4m on the previous year. A summary of the expenditure in 2020 and 2019 and the difference between the two is shown above.

The amount spent on supporting dioceses and the local church increased by £39.7m to £99.1m (2019: £59.4m) as the Commissioners were pleased to be able to make additional funding available to the Archbishops' Council for distribution within the 2020–22 spending plans. This included support for the growth of vocations through funding for additional ordinands (£2.6m) and curates; (Strategic Ministry Funding: £5.4m); a national strategy to increase giving and generosity across the Church (£1.7m); and a Strategic Transformation grants programme (£11.4m) to dioceses to help support them with restructuring programmes to better align with their strategic plans. The Commissioners also worked with the Archbishops' Council to respond to the impact of COVID-19, making grants of £14.9m (from an available £35m) to dioceses in the form of Sustainability Funding to help mitigate the loss of income resulting from the pandemic. Further details of expenditure in this category can be found in note 5 to the financial statements and are discussed on pages 9 to 17 of this report.

The other key area where expenditure increased in the year was on Cathedrals' ministry, which increased by £9.5m to £20.0m in 2020 (2019: £10.5m). This reflected additional funding made available in 2020–22 for cathedral sustainability projects, but which was primarily expended in 2020 as part of the response to the impact of COVID-19 as cathedrals saw significant reductions in income as a result of the restrictions imposed. A further £10m has been made available for future years, which will include support for the implementation of the new Cathedrals Measure.

The pre-1998 clergy pensions expenditure decreased by £12.6m to £81.6m (2010: £94.2m) as a result of changes in actuarial assumptions from 2019 to 2020. The Church Commissioners meet the cost of clergy pensions earned in service until the end of 1997. The Commissioners have provided in full for the future clergy pension payments earned until the end of 1997. The most recent annual actuarial update has generated a charge to expenditure in 2020 of £80.5m, with scheme administration costs of £1.0m and support costs of £0.1m resulting in overall spend of £81.6m. In 2020 the Commissioners' cash payments for clergy pensions were £118.9m (2019: £120.1m).

Long-term financial strategy

Reserves policy

The Church Commissioners' policy is to invest its endowment to provide long-term financing to pay the pre-1998 clergy pension obligations and to make charitable distributions to support the mission of the Church of England in perpetuity. There is an aspiration to increase the in-perpetuity distributions in line with an inflationary factor, where such an increase does not hinder the Commissioners' ability to make similar distributions to future beneficiaries. The level of distribution each year is determined having regard to actuarial advice from Hymans Robertson LLP. Further details are provided in the Independent Actuaries' Report on page 45, including their qualifications for providing such advice.

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

Further information on the Total Return Order is provided in note 17 to the financial statements.

In addition to being able to spend unapplied total return, the Commissioners have a time-limited power, which expires in December 2025, to spend endowment capital on its clergy pension obligations. In 2020, this resulted in £118.9m (2019: £120.1m) being charged to the base level of the endowment.

The total endowment fund of the Commissioners as at 31 December 2020 stood at £7.6bn, including the provision for the pre-1998 clergy pension liability of £1.5bn which is due for payment in future years. The base level of the endowment was valued at £2.5bn at 31 December 2020 (2019: £2.6bn). with the unapplied total return at the end of 2020 being £5.1bn (2019: £4.4bn). The trustees consider the level of unapplied total return to be sufficient, in light of their distribution policy, to meet their expenditure plans.

Spending plans

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

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

We continued to make funding available for these priorities in 2020, and no changes were made to the overall amount expected to be available for distribution in 2020–22. However, in light of the impact of COVID-19, decisions were taken in the year to reallocate available expenditure within the agreed spending plans in order to provide Sustainability Funding to dioceses and cathedrals to help mitigate the loss of income which they experienced as a result of the pandemic.

Going concern and carbon reporting

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

The annual actuarial update for the year ended 31 December 2020 includes stress testing scenario analysis which models the impact on distributions in the event of different levels of reduction in asset values. This includes consideration of the impact of changes in the performance of the asset portfolio, expected future returns or inflation on the affordability of distributions. In light of this analysis there was no reason to consider that any changes were required to the planned distributions for the 2020 to 2022 triennium and so the trustees have concluded that the Commissioners are able to sustainably meet both their legal obligations and planned discretionary funding for at least the period to 31 December 2022 notwithstanding the impact of COVID-19. In addition the trustees have given consideration to the availability of liquidity and have increased cash holdings in light of market turbulence caused by COVID-19 and other external factors such that they are satisfied that they have sufficient cash to meet their obligations in the short term. Therefore, the Commissioners continue to adopt the going concern basis of accounting in the preparation of these financial statements.

Carbon Reporting
In 2018 the Government published Regulations concerning Streamlined Energy and Carbon Reporting (SECR). These are designed to increase awareness of energy costs within organisations, to provide data to inform adoption of energy efficiency measures, and to help them to reduce their impact on climate change. The Commissioners are not required to follow these Regulations; however, they are mindful of the General Synod's resolution of February 2020 for the whole Church, including the National Church Institutions (NCI), to work to achieve year-on-year reductions in emissions and urgently examine what would be required to reach net zero emissions by 2030. The SECR Regulations concern direct energy usage, and the Commissioners disclose further information on this area below. The indirect energy costs incurred by the Commissioners via their investment portfolio are considered elsewhere in this report on page 22.

The Commissioners intend to monitor their emissions using an intensity ratio of tonnes of CO_2e per total square metres of floor space or per headcount. However, the Commissioners do not intend to use 2020 as the base year for monitoring their emissions. As most energy usage relates to the use of offices, 2020 will not be a suitable base year since most staff were working from home for most of the year.

The direct energy usage by the Commissioners is incurred as a result of staff travel and in the operation of offices at Church House, Lambeth Palace, and Bishopthorpe Palace. The data available for energy costs incurred relating to staff travel in past years is limited. However, the NCIs are entering into an arrangement with a travel management provider which will enable travel costs and energy usage to be monitored effectively in 2021. In respect of 2020, travel and the associated energy usage was significantly reduced on previous years as a result of the COVID-19 pandemic. This reduction is likely to continue during 2021.

Energy usage in the buildings our staff occupy principally consists of electricity and gas used in respect of heating and lighting. Usage in 2020 was not normal because most staff worked from home for much of the year. We are unable to quantify whether the additional energy usage incurred as a result of staff working from home outweighs the savings on our buildings. We are working with NCI colleagues to consider all options regarding how to reduce energy usage in Church House. These discussions will also consider the implications of changes to working practices resulting from COVID-19. The Corporation of Church House (the owner of Church House) is now embarking on a programme of work to the building to improve energy efficiency with a commitment to move towards carbon zero. The new Lambeth Palace Library is designed to use no gas and has solar panels that are anticipated to provide approximately half of the annual electricity use of the building.

The total energy use by the Commissioners during 2020 at Church House, Lambeth Palace, and Bishopthorpe Palace was 2.2m kWh and the associated greenhouse gas emissions were 441 tonnes of carbon dioxide equivalent (CO_2e). This was calculated on the basis of energy usage as disclosed on utility bills and Government CO_2e conversion ratios.

Risk Management Statement

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

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

The Board of Governors is ultimately responsible for risk and reviews its risk management arrangements at least annually. The Board is supported by the Audit & Risk Committee, which regularly reviews the content of the Strategic and Operational 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.

There is a clearly defined Risk Appetite Statement that sets out the types and levels of risk the Board of Governors are prepared to accept. A five-category scale from zero tolerance to risk taking is used to express the Church Commissioners' appetite to risk. The evaluation of individual risks through this lens allows the Board to assess whether its risk taking is within the defined risk appetite and whether additional management actions are required.

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. The risk management process is facilitated and monitored by the Internal Audit and Risk Management Department. The management of key risks is subject to independent review and assurance through the internal audit process, which reports to the Audit & Risk Committee.

During the year, the Internal Audit and Risk Management Department commissioned an independent review of risk management processes and a roadmap has been built to further develop good practice.

2020 has brought unprecedented challenges as a result of the COVID-19 pandemic. Whilst these have stretched all organisations, not least the Church Commissioners, the Church Commissioners have benefited from well-established risk management processes. The Investment fund has performed well through huge volatility, testament to the robust approach to Investment Risk and Operational Risk of the Assets Committee.
The Commissioners' teams have also managed to maintain their various operational responsibilities, with previous work on addressing People, Business Continuity, and Technology Risks paying dividends.

Major Risks
The major inherent risks which the Board of Governors considers most significant are:

Principal Risk Area	Key Management Actions and Plans
Investment Return Failure to achieve investment returns required to meet pensions obligations and distributions to support the wider church, for example as a result of events such as Brexit and COVID-19.	— Effective and experienced Assets Committee oversight — Disciplined valuation-led investment strategy and process — Genuinely diversified portfolio — Proactive monitoring of market and currency exposures — Assets Committee has a strong focus on Environmental, Social & Governance matters and reviewed independent climate impact scenarios during the year — Liquidity management policy — Regular review of currency hedging strategy in light of Brexit and other macro-economic risks

Principal Risk Area

Operational Effectiveness

Failure to control costs, liabilities and manage stakeholder expectations impacts the ability to provide sustainable support and assistance to dioceses, cathedrals and other beneficiaries.

Key Management Actions and Plans

- Working closely with the Archbishops' Council, Dioceses and Cathedrals to understand their priorities and manage their expectations
- Assets Committee governance of money available for distribution, including independent actuarial review and advice
- Co-ordinating Group (formerly Triennium Funding Working Group) established to review spending priorities in light of the COVID-19 pandemic. Recognition of need to flex some distributions and to provide additional financial support where most needed, with robust process established
- Improved regular analysis on financial performance of cathedrals to better assess financial strength

Risk Management Statement continued

Principal Risk Area	Key Management Actions and Plans
Financial Control Lack of effective planning of operations, capacity challenges and/or ability to manage projects results in inefficient and ineffective working practices and a failure to achieve objectives to budget/time.	— Budgetary control of costs with regular meetings to review and check expenditure against budget — Project Management Framework developed for the NCIs — Project Review Board in place providing senior management oversight of the most complex or high-risk projects in the NCIs — Commissioners' management regularly review their portfolio of projects
Effective use of Commissioners' funding Strategic Development Fund and other national church funding fails to achieve the outcomes desired/expected, with ineffective review/monitoring controls in place.	— Strategic Investment Board (SIB) and Strategy & Development team give strong oversight of grant allocation and ongoing monitoring. Strategic Ministry Board and Ministry team do likewise for Strategic Ministry Funding — Annual review of SIB activity reported to Commissioners Board and AGM — Communication and information on how grants have been used which provides a well-understood process — In light of the ongoing pandemic, the Co-ordinating Group has identified additional funding needs and agreed where necessary appropriate virements and reallocations for approval by the Church Commissioners and Archbishops' Council — Governance arrangements in place for the new funding workstreams

Principal Risk Area	Key Management Actions and Plans
Reputational risks Reputational risks relating to the Church Commissioners, other NCIs or the wider church impact upon the Commissioners' ability to achieve its strategic objectives. Wider societal issues/concerns with reputational implications for Church of England/Church Commissioners. Long-established endowment funds may give rise to a reputational risk linked to the possibility of their original source, or early investment of funds, having slave trade connections. This could be the case for the original Queen Anne's Bounty and Ecclesiastical Commissioners' funds.	— Proactive and frequent engagement with key church stakeholders on Commissioners' strategy and priorities — Financial Communications team to proactively manage responses to media in relation to investment strategy — Experienced and effective governance and scrutiny applied by the Assets Committee, Audit & Risk Committee and Board of Governors — Improved regular analysis on financial performance of cathedrals to better assess which cathedrals are in a potentially challenging situation — Proactive engagement with local communities and churches regarding local housing schemes — Triennium plans include support for the Archbishops' Council to allocate resources into Social Impact Investments aligned to the common good — Monitoring societal attitudes and proactive consideration of social justice issues with potential relevance to the Church Commissioners, past and present — The Church Commissioners have established a sub-group of the Board, to lead research into the issue of historical linkages to Transatlantic Chattel Slavery

Risk Management Statement continued

Principal Risk Area	Key Management Actions and Plans
Business Continuity Business Continuity, IT resilience, Cyber Security etc. impact delivery of strategic objectives. Inability to deliver key services in the event of a major business continuity threat (e.g. COVID-19).	— Cyber Essentials Plus accreditation secured and key control measures are monitored on an ongoing basis by management — Critical technology infrastructure housed in a remote location — Business Continuity Plan in place for the NCIs, including IT Disaster Recovery — Business Continuity capability tested with new emergency contact system and remote-working day well ahead of the pandemic — Remote working successfully implemented at start of pandemic. Pan-NCI COVID-19 Business Continuity Group has been meeting weekly through 2020: considers access to buildings based on latest governance advice, agrees H&S risk assessments for each site and monitors sickness, leave, technology and staff wellbeing
People Inability to recruit and/or retain high-quality staff with the requisite skills. Poor diversity amongst leadership and trustees detracts from quality of decision making. Looking after physical and mental welfare of staff.	— NCI Staff Survey completed in late 2019. Action plan is closely monitored by Chief Officers of the NCIs — Inclusion & Belonging strategy developed and 24-month action plan well under way — Focus on staff wellbeing with Employee Assistance programme introduced and NCI Mental Health "first-aid" support — Increased focus on health and wellbeing in light of COVID-19 with additional resilience and mental health training provided — Investments team remuneration structures overseen by Remuneration Committee

Principal Risk Area	Key Management Actions and Plans
Health & Safety Risk to staff, tenants, or general public on Commissioners' owned land.	See Houses — See House team have been trained on new approach to H&S monitoring and reporting. Quarterly reporting and review on any incidents to NCI H&S committee Investment assets — Robust contractual arrangements in place with third party providers including compliance with H&S legal requirements and insurance cover. Area of significant focus throughout pandemic — Quarterly reporting and monitoring of H&S action, reviews and issues via contact management with Agents — Regular site visits to help identify H&S issues. Reviewed fire risks at Hyde Park Estate following Grenfell Tower fire with ongoing reports to Assets Committee and Property Group
Climate Change Failure to understand and respond to the paradigm shifts caused by climate change. Heightened exposure and cost in relation to the Church Commissioners' property portfolio, with assets potentially damaged as a result of a major weather event.	— Implementation of a comprehensive Responsible Investment Framework — Market-leading approach to climate change risks incorporating assertive engagement and assessment of companies through the Transition Pathway Initiative (TPI) — Member of Net-Zero Asset Owner Alliance committed to net zero portfolio emissions — Periodic assessment of the investment portfolio's resilience to different climate scenarios — Pilot under way in relation to increasing the sustainability of See Houses

Governance

How the charity is constituted

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

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

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

We are confident that the financial resources provided to parishes, bishops and cathedrals help to promote the Church's whole mission (pastoral, evangelistic, social and ecumenical) more effectively, at a national level, in the dioceses and in individual parishes. In doing so, the Church provides a benefit to the public by:
– providing facilities for public worship, pastoral care and spiritual, moral and intellectual development both for its members and for anyone who wishes to benefit from the Church's offering;
– promoting Christian values, and service by members of the Church in and to their communities, to individuals and society as a whole.

The report outlines examples of this public benefit in action.

Trustees and the Board of Governors
There are 33 Church Commissioners and they have trustee responsibility for meeting our charitable obligations. Six of these hold offices of State and the other 27 constitute the Board of Governors.

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

Since the publication of the 2019 Annual Report, we have said farewell to three Commissioners. The former Archbishop of York, John Sentamu, retired on 7 June 2020 and thus ceased to be an ex officio Church Commissioner. Board member and Audit & Risk Committee Chair Jeremy Clack stepped down having completed the maximum term as a Commissioner. And Lord (Richard) Best decided to step down after three years' service as a Commissioner, during which he served on the former Church Buildings (Uses & Disposals) Committee and the Archbishops' Council's Strategic Investment Board. We are enormously grateful to Sentamu, Jeremy and Richard for their leadership and their partnership and we wish them the very best for the future. In their places we were delighted to welcome Archbishop Stephen Cottrell, Busola Sodeinde and Nigel Timmins.

We also said farewell to non-Commissioner committee members the Rt Revd Martyn Snow, the Ven Penny Driver (members of the Mission, Pastoral and Church Property Committee) and Rosemary Butler (Bishoprics & Cathedrals Committee). In addition the Revd Simon Talbott stepped down from the Mission, Pastoral & Church Property Committee in the early part of 2021. In thanking them for their great contributions we also warmly welcome their successors, the Rt Revd Paul Bayes, the Ven Mark Steadman, the Ven Amatu Christian-Iwuagwu and Mark Beard (all of whom joined the Mission, Pastoral & Church Property Committee), the Revd Canon Jennifer Thomas and Ruth Mounstephen both of whom joined the Bishoprics & Cathedrals Committee.

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

All new members are offered a comprehensive induction programme involving meetings with key staff and we recently developed a new 'trustee's toolkit' to supplement this. Other specific training is provided from time to time as required.

Second Church Estates Commissioner
The Second Church Estates Commissioner maintains the statutory accountability of the Church Commissioners to Parliament, including through the answering of questions in the House of Commons. Mr Andrew Selous MP was appointed to the role in January 2020.


CHRIST WILL COME AGAIN

Organisational structure and staffing

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

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

Chief Executive and Secretary:	Gareth Mostyn
Chief Investment Officer:	Tom Joy
Head of Bishoprics and Cathedrals:	Michael Minta
Head of Mission, Pastoral and Church Property:	Wendy Matthews
Chief Operating Officer:	Rosie Slater-Carr
Director of Libraries and Archives:	Declan Kelly
Director of Finance:	Joanna Woolcock
People Director:	Christine Hewitt-Dyer
Official Solicitor:	Alexander McGregor

Responding to the pandemic
Over the past few years a number of initiatives, such as our annual remote working day, have helped teams to prepare contingency plans should the need ever arise for NCIs staff to work from home or away from their usual office. This preparatory work enabled teams to adapt quickly to new ways of working and continue to deliver core functions, such as clergy payroll services and the high volume of detailed technical guidance for churches, when the first national lockdown was announced in March.

The health and wellbeing of staff has been the number one priority when making decisions about how we work through the pandemic. Staff have access to a range of internal and external health and wellbeing support which are regularly promoted through our internal communication channels. This includes our team of trained mental health first aiders – 24 volunteer staff – who are a highly visible support service for staff, hosting regular talks and virtual drop-in sessions.

To measure how staff were coping with the prolonged period of working from home we held two wellbeing surveys, one in May and one in September. As a result, we provided additional advice and guidance on matters of personal resilience, home working set-up, creating and maintaining boundaries between work and personal lives, as well as encouragement to take regular breaks and outdoor exercise. A new internal Skills Exchange Scheme put colleagues in touch with each other to help manage one-off peaks in workload as a result of the pandemic was launched in April.

Connecting people
New communication channels were quickly established to ensure that colleagues across the NCIs were kept informed during the pandemic and as a way of connecting colleagues. These included a first all-staff meeting on Zoom, attended by 440 colleagues on 23 March, hosted by the Chief Officers of the NCIs. Monthly webinars continued through to the end of the year, covering a wide range of topics and guest speakers, including Archbishop Stephen Cottrell in October. These sessions are now a regular fixture in our employee engagement calendar.

Oversight of our response was monitored by the Business Continuity Group who met on a weekly basis. A dedicated section on the NCIs intranet was published at the beginning of March to provide a single, trusted source of information about the impact of the virus on the NCIs. This included a comprehensive list of FAQs and an approval process to manage access to Church House, Westminster. Daily bulletins were published during March and April.

To help compensate for the loss of informal face-to-face meetings during the prolonged period of working from home a new online initiative to aid social and professional networking at the NCIs, Coffee Connect, was launched in October.

Creating a sense of Belonging and Inclusion
Our aim is for everyone in the NCIs to feel that they belong, and are valued for who they are and what they contribute. To achieve this, we are focusing our efforts in four areas: mentoring and learning, leading and signalling, generous behaviours, and celebrating and storytelling.

Our first pan-NCIs mentoring scheme started at the beginning of 2020 with 33 colleagues paired with senior leaders. This developmental programme was open to everyone and promoted to groups that are under-represented at more senior levels. This was an important first step towards addressing progression and retention, by signalling an explicit investment in developing cross-NCI relationships at all levels. A second round for a new cohort was launched in December 2020.

In February, we hosted a live event to talk about a range of topics including civil partnerships, minority ethnic clergy's lived experiences, and belonging and inclusion. Panellists included the Archbishop of Canterbury, Justin Welby, and the First Church Estates Commissioner, Loretta Minghella.

Throughout the year staff marked key dates, from a personal perspective commemorating Holocaust Memorial Day to the celebration of LGBTQ+ and Black History months. Networking events were also held by the Women's Network and the Disability Network.

Following the death of George Floyd in May, two safe space online events were hosted by the BAME Network to provide a place for colleagues to share how they were feeling, and to provide support for one another. During Black History Month our BAME Network shared books, videos and podcasts that recognised and celebrated the important events and contributions that black people have made to our society. The month culminated with a webinar with Jenny Louis, Acting Governor of Belmarsh Prison, who spoke about her career journey.

Open forum events were also held for staff to talk about the Living in Love and Faith project following the publication of resources in November, along with briefing sessions for the LGBTQ+ network and senior leaders. Staff cited the thoughtful and caring approach to support in their feedback.

Summary of our people

At the end of 2020, a total of 107 staff are employed or funded directly by the Commissioners, a 7% increase from 2019 (100 staff). The Commissioners make up 18% of the overall staff at the NCIs. The NCIs ended 2020 with 598 employed staff, an increase of 7% in the headcount compared to 2019.

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

Overall, 96 staff joined the NCIs in 2020, a 34% decrease from 2019, with a considerable drop-off in recruitment activity from April 2020 as lockdown began. Almost half of the joiners in 2020 (47 staff) started in the first three months of the year before restrictions were put in place.

The majority of NCI recruitment (52%) was to replace existing posts. Where new posts were recruited, these were for specific projects, including some funded by external bodies, or for agreed strategic priorities such as for safeguarding, digital and giving. Nearly a third of all new joiners (31%) were employed on fixed-term contracts. This is double the NCI average (15%).

The percentage of people who classed themselves as black or minority ethnic within the Commissioners was 10.9% (2019: 9.5%) compared with overall representation of 15.7% (2019: 15.8%) across the NCIs.

Across the NCIs, the ratio of female to male employees remained static (56% to 44% respectively). The percentage of women in senior positions rose from 38% in 2019 to 41% in 2020. The percentage of people who classed themselves as having a disability was 3.3%, a slight fall from 2019 (3.8%). Staff turnover dropped in 2020 to 9% compared to 19% in 2019.

Staff remuneration and executive pay

The staff of the Church Commissioners, excluding asset management staff, are covered by a unified pay policy that operates across all the NCIs. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value based on eight bands. For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market-related salaries and is subject to annual review.

Staff pay is reviewed annually and any increases as a result of the annual pay negotiations are awarded with effect from 1 January. The NCIs are an accredited Living Wage employer and ensure all staff including apprentices, interns and those on training schemes receive the appropriate living wage for their location.

A number of senior roles, including those of the Chief Executives, sit outside the banding system, as the skill sets required to fulfil the roles are not readily measured within the NCIs' standard job evaluation system. Salaries for these roles are set individually with reference to the wider marketplace. This process is overseen by the Remuneration Committee (JECSB), 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 those on the NCI bands.

Asset management staff

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

Accordingly, salaries are designed to reflect the market for investment specialists and for senior staff incorporate an element of Long-Term Incentive Payment ('LTIP') which encourages consistent outperformance of the Commissioners' target investment return over a sustained period of five years.

The level of pay and the value of incentive awards are overseen by a Remuneration Committee, comprising trustees on the Assets Committee supported by independent benchmarking data. The scheme is reviewed for consistency with the executive remuneration policy adopted by the Church's National Investing Bodies on the recommendation of the EIAG. A comprehensive review was carried out in 2019 to ensure the Church Commissioners can continue to attract, retain and motivate high-calibre investment professionals. Payments under this new scheme will be made from 2021 onwards.

Amounts payable under the LTIP scheme 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 ensure incentives are directly aligned with their objectives and are also long-term in nature. In the year to 31 December 2020, ten asset management staff for the Commissioners were paid LTIP payments totalling £753,077 based on the long-term performance of the fund. Additional awards given to other members of the investment team based on their individual performance totalled £349,900.

The highest paid member of staff received an LTIP payment of £214,825. The Secretary to the Church Commissioners does not participate in the LTIP scheme. During 2020 the total remuneration (salary and LTIP) for the highest paid member of Commissioners' staff was 20.8 times (2019: 22) the total remuneration received by the lowest paid member of Commissioners' staff and 10.3 times (2019: 10.9) the median total remuneration.

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

Staff pensions

The staff of the Church Commissioners are either members of the Church Administrators Pension Fund defined benefit section (if employed before July 2006), or a separate defined contribution arrangement if employed subsequently. Employer contribution rates range from 8% to 18% depending on age and additional voluntary contributions made.

Board of Governors and Trustees

The Church Commissioners and Board of Governors at April 2021.
The Board of Governors transacts the functions and business of the Commissioners except where, by statute or through delegation by the Board, these are exercised by committees. Except State office holders, all Church Commissioners are members of the Board of Governors.

Archbishop of Canterbury, Justin Welby **Chair**

Archbishop of York, Stephen Cottrell

Church Estates Commissioners appointed by HER MAJESTY

Loretta Minghella OBE, First Church Estates Commissioner

Andrew Selous MP, Second Church Estates Commissioner

Church Estates Commissioner appointed by THE ARCHBISHOP OF CANTERBURY

Eve Poole, Third Church Estates Commissioner

Elected by the General Synod

HOUSE OF BISHOPS

Bishop of Manchester, David Walker*

Bishop of Bristol, Vivienne Faull

Bishop of Birmingham, David Urquhart

Bishop of Newcastle, Christine Hardman

HOUSE OF CLERGY

Revd Anne Stevens

Revd Christopher Smith

Revd Stephen Trott

HOUSE OF LAITY

Canon Peter Bruinvels

Jay Greene

Canon Elizabeth (Betty) Renshaw MBE

Jacob Vince

Elected by the deans

Dean of Ely, Mark Bonney

Dean of Gloucester, Stephen Lake

Nominated by HER MAJESTY

Duncan Owen

Suzanne Avery

Nigel Timmins

Nominated by THE ARCHBISHOPS OF CANTERBURY AND YORK

Morag Ellis QC

Busola Sodeinde

Mark Woolley

Nominated by THE ARCHBISHOPS OF CANTERBURY AND YORK

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

Poppy Allonby

Helen Steers

Alan Smith

State office holders

First Lord of the Treasury

Lord President of the Council

Lord Chancellor

Secretary of State for Digital, Culture, Media and Sport

Speaker of the House of Commons

Speaker of the House of Lords

Secretary to the Church Commissioners and Board of Governors

Gareth Mostyn

Assets Committee

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

Loretta Minghella OBE **Chair**

Revd Christopher Smith

Bishop of Birmingham, David Urquhart

Canon Peter Bruinvels

Poppy Allonby

Suzanne Avery

Helen Steers

Duncan Owen

Mark Woolley*

Gareth Mostyn **Committee Secretary**

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

Hilary Wild **Chair**

Busola Sodeinde

Ian Ailles

Jay Greene

Alan Smith

Emma Upstone

Stephanie Harrison **Committee Secretary**

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

Eve Poole **Chair**

Bishop of Bristol, Vivienne Faull

Bishop of Manchester, David Walker

Dean of Ely, Mark Bonney

Dean of Gloucester,* Stephen Lake

Dean of Winchester, Catherine Ogle

Dean of Guernsey, Tim Barker

Jacob Vince

Canon Elizabeth (Betty) Renshaw MBE

Ruth Mounstephen – Representative of Bishops' spouses

Kathryn Blacker – Representative for AEC/CAFA

Michael Minta **Committee Secretary**

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

Eve Poole **Chair**

Bishop of Liverpool, Paul Bayes

Bishop of Newcastle, Christine Hardman

Ven Mark Steadman

Revd Canon Clare MacLaren

Revd Christopher Smith

Revd Anne Stevens

Ven Amatu Christian-Iwuagwu

Revd Stephen Trott

Canon Peter Bruinvels*

Morag Ellis QC

Jay Greene

Susan Pope

Garth Watkins

Wendy Matthews **Committee Secretary**

* Deputy Chair

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Actuaries:
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London EC2Y 5EA

Board of Governors and Trustees continued

Attendance at Board and Committee meetings

Board/Committee	Board	Assets	Audit and Risk	Bishoprics and Cathedrals	Mission, Pastoral and Church Property
Number of meetings	**5**	**7**	**4**	**8**	**6**
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 Manchester is the Archbishop's appointed deputy.				
Archbishop of York, John Sentamu (until 23 April meeting)	1				
Archbishop of York, Stephen Cottrell (from 24 September meeting)	1				
First Church Estates Commissioner, OBE, Loretta Minghella	5	7			
Second Church Estates Commissioner, MP, Andrew Selous	5				
Third Church Estates Commissioner, Dr Eve Poole	5			8	6
Bishop of Birmingham, David Urquhart	4	6			
Bishop of Bristol, Vivienne Faull	3			4	
Bishop of Leicester, Martyn Snow					3
Bishop of Manchester, David Walker	5			7	
Bishop of Newcastle, Christine Hardman	3				2
Dean of Gloucester, Stephen Lake	5			8	
Dean of Ely, Mark Bonney	4			7	
Dean of Guernsey, Tim Barker				8	
Dean of Winchester, Catherine Ogle				6	
Ven Penny Driver					1
Revd Christopher Smith	4	6			5
Revd Simon Talbot					6
Revd Stephen Trott	5				5

Board/Committee	Board	Assets	Audit and Risk	Bishoprics and Cathedrals	Mission, Pastoral and Church Property
Lord Best	5				
Canon Peter Bruinvels	4	7			6
Canon Elizabeth (Betty) Renshaw	5			8	
Poppy Allonby	5	7			
Suzanne Avery	5	5			
Kathryn Blacker				7	
Rosemary Butler				8	
Mark Beard					2
Jeremy Clack	1		4		
Ian Ailles			4		
Morag Ellis	5				4
Jay Greene	5		4		6
Revd Canon Clare MacLaren					4
Canon Susan Pope					6
Duncan Owen	5	6			
Alan Smith	5		4		
John Steel					1
Helen Steers	4	6			
Revd Anne Stevens	4				6
Emma Upstone			4		
Jacob Vince	5			6	
Garth Watkins					5
Hilary Wild			4		
Mark Woolley	5	7			

Those listed in italics are non-Commissioners.

Trustees' Responsibility Statement

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK 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 and its subsidiaries' transactions and disclose with reasonable accuracy at any time the financial position of the charity and the Group and enable them to ensure that the financial statements comply in all material respects with the Charities Act 2011, the Church Commissioners Measure 1947, and the Charity (Accounts and Reports) Regulations 2008.

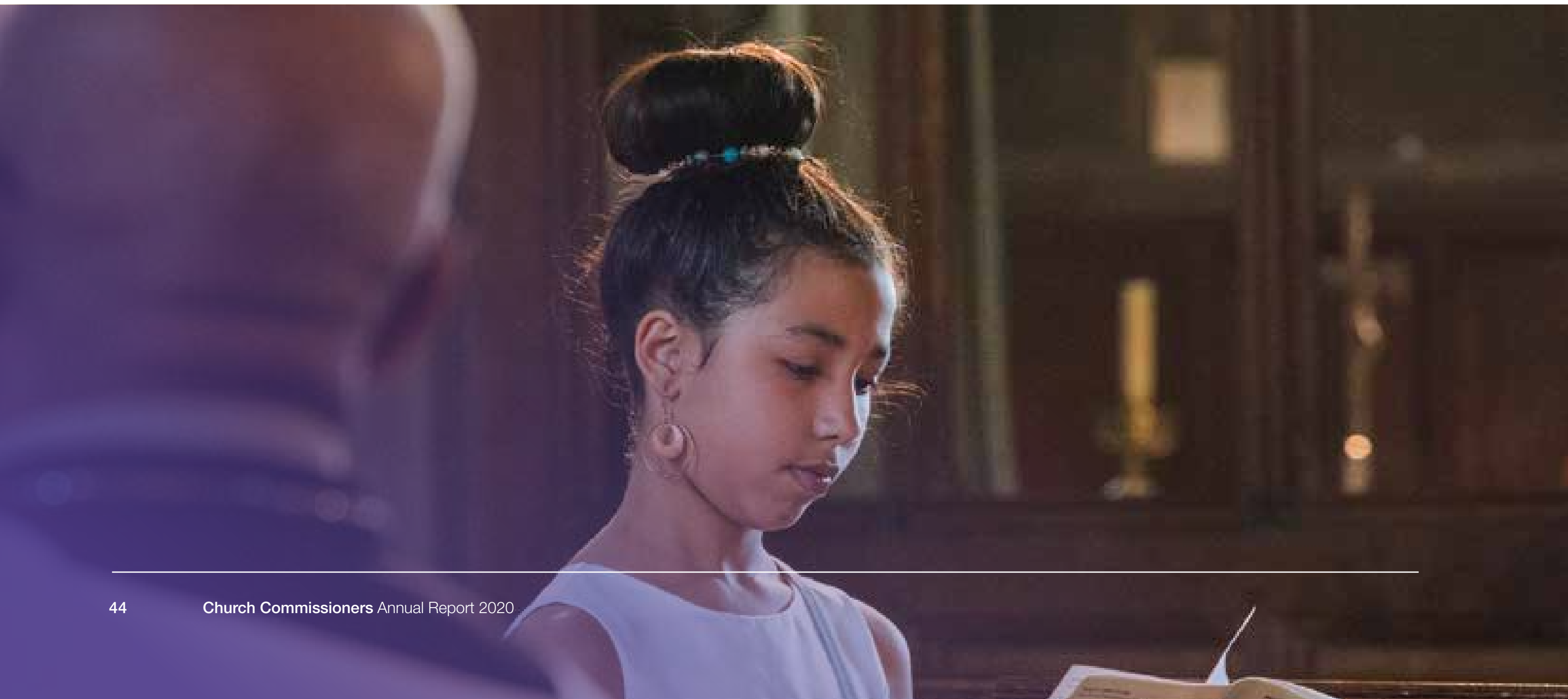
The trustees are also responsible for safeguarding the assets of the Church Commissioners for England (the 'parent charity') and its subsidiaries ('the Group') and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The trustees are responsible for the maintenance and integrity of the organisational and financial information included on the Commissioners' section of the Church of England website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board by:

Loretta Minghella

Loretta Minghella
First Church Estates Commissioner

27 May 2021



Money available resolution and summary of report from the independent actuaries

Introduction
As required by the Church Commissioners Measure 1947 (as amended), at the 2021 Annual General Meeting of the Commissioners, the Board of Governors will recommend that the meeting (i) receives the Annual Report and Financial Statements; (ii) notes an update on the spending plans for 2020–22.

Money Available Resolution
At its meeting on 25 March 2021 the Assets Committee, having received updated advice from its actuarial advisors Hymans Robertson LLP (as required by the Pensions Measure 1997) which is summarised below, resolved (i) to inform the Board that sufficient funds can be made available in 2021 and 2022 to meet the Commissioners' expenditure plans for 2021 and 2022 respectively and (ii) that there was insufficient reason to amend the following sums the Committee expected it could make available for distribution in 2020-2022 following the most recent full actuarial review:

- Up to £383m for pensions.
- Up to £45m for fixed-term distributions.
- Up to £353m for core in-perpetuity distributions.
- Up to £156m for multi-year additional distributions.

Summary of the report from the independent actuaries
The Commissioners hold assets ("the assets") from which they pay pensions to retired clergy and other licensed ministers ("the pensions obligation") and staff ("the pensions liability"), and provide money to support the mission and ministry of bishops, cathedrals and parishes and for other purposes ("the distribution"). The distribution is affected by the extent of the pensions obligation and pensions liability. In order to assist the Commissioners in formulating the distribution policy, we carry out a detailed review from time to time.

Our most recent detailed review was carried out as at 31 December 2018 and we carried out an annual update of this review as at 31 December 2020. The review involved calculating the capital value (also known as the present value) of the following three areas of future expenditure from the assets, according to their term:

1. The pensions obligation and pensions liability. As the pensions are payable throughout the lifetimes of the pensioners, the term of this area of expenditure is longevity related and not known in advance. We therefore make assumptions of future life expectancy for the purpose of calculating the capital value of the pensions obligation and pensions liability.
2. Distributions previously agreed or agreed in principle which have a fixed term, for example the distributions to enable the construction of a new Lambeth Palace Library.
3. Planned core in-perpetuity distributions, for example the block grants to support Bishops' and Cathedrals' ministry, subdivided into separate elements with differing rates of planned annual increases.

Having calculated the capital values of the above areas of expenditure, we compare the total with the value of the assets held to assess whether the planned distributions are sustainable. If the level of assets exceeds the aggregate of the above distributions, as was the case in our most recent full review, we also calculate the level of multi-year additional distributions that could be afforded in perpetuity on our central assumptions.

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

Money available resolution and summary of report from the independent actuaries continued

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

The main results of our calculations were that:

(i) as at 31 December 2020, £1,477m of the Commissioners' assets were required to meet their clergy pension obligations and a further £85m to meet the staff pensions liabilities;

(ii) we had no objection to the Commissioners maintaining the package of longevity-related, fixed-term, core in-perpetuity payments and 'additional distributions' agreed in principle following the 2020–22 triennium. The affordability of this package should be re-examined in detail at the next triennial assessment due as at 31 December 2021;

(iii) the fund's capacity for "additional distributions" had reduced since the most recent full review. Had this been a triennial assessment we would have advised that the Commissioners should commence planning to reduce their "additional distributions" from £50m per annum to £29m per annum by the end of the 2023–25 triennium.

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

Alec Day FIA
Peter Carver FIA CERA

For and on behalf of
Hymans Robertson LLP

April 2021

Independent Auditor's Report to the Church Commissioners for England

Opinion

We have audited the financial statements of The Church Commissioners for England (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2020, which comprise the consolidated and Commissioners statements of financial activities, the consolidated and Commissioners balance sheets, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent charity's affairs as at 31 December 2020 and of the group's and the parent charity's incoming resources and application of resources, including the group's and the parent income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the trustees' conclusions, we considered the inherent risks associated with the parent charity's and group's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the trustees and the related disclosures and analysed how those risks might affect the parent charity's and group's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the trustees with respect to going concern are described in the 'Responsibilities of trustees for the financial statements' section of this report.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report as set out on pages 1 to 44, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities 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
- the parent charity has not kept sufficient and proper accounting records; or
- the parent charity's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor's Report to the Church Commissioners for England
continued

Responsibilities of trustees for the financial statements
As explained more fully in the Trustees' Responsibilities Statement set out on page 44, the trustees are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:
We obtained an understanding of the legal and regulatory frameworks applicable to the parent charity and group and industry in which it operates. We determined that the following laws and regulations were most significant: the Charities Act 2011, Charities SORP, and FRS 102. We enquired of management whether there were any instances of non-compliance with laws and regulations or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of board minutes. We did not identify any matters relating to non-compliance with laws and regulation or matters in relation to fraud.

In assessing the potential risks of material misstatement, we obtained an understanding of:
– the group's operations, including the nature of its revenue sources, and of its objective and strategy to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
– the group's control environment, including the policies and procedures implemented to comply with annual and financial reporting requirements.

We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the group engagement team included:
– Determining completeness of journal entries and identifying and testing high risk journal entries, in particular manual journal entries processed at the year-end for financial statements preparation;
– As per International Standard on Auditing (UK) 240 'The auditor's responsibilities relating to fraud in an audit of financial statements, we also maintained the presumed fraudulent revenue recognition risk for investment income because it is a significant balance in the financial statements.

The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
– understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
– knowledge of the industry in which the parent charity and group operates;
– understanding of the legal and regulatory requirements specific to the parent charity and group including:
  – the provisions of the applicable legislation;
  – the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules;
  – the applicable statutory provisions.

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
27 May 2021

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

Consolidated statement of financial activities
For the year ended 31 December 2020

	Notes	2020 Other funds £m	2020 Endowment £m	2020 Total £m	2019 Other funds £m	2019 Endowment £m	2019 Total £m
Income from:							
Donations and legacies		1.4	–	1.4	2.1	–	2.1
Investments	2	–	125.9	125.9	–	171.5	171.5
Other income		1.2	–	1.2	1.7	–	1.7
Transfer to income	17	160.6	(160.6)	–	113.9	(113.9)	–
Total income		163.2	(34.7)	128.5	117.7	57.6	175.3
Expenditure on:							
Raising funds	3	(0.1)	(74.1)	(74.2)	(0.5)	(76.7)	(77.2)
Charitable activities							
Supporting dioceses and the local church	4	(99.1)	–	(99.1)	(59.4)	–	(59.4)
Bishops' and Archbishops' ministry	4	(37.9)	–	(37.9)	(42.5)	–	(42.5)
Cathedrals' ministry	4	(20.0)	–	(20.0)	(10.5)	–	(10.5)
Other activities	4	(5.5)	–	(5.5)	(5.1)	–	(5.1)
Pre 1998 clergy pensions	4, 15	(1.1)	(80.5)	(81.6)	(1.0)	(93.2)	(94.2)
Total charitable expenditure		(163.6)	(80.5)	(244.1)	(118.5)	(93.2)	(211.7)
Total expenditure		(163.7)	(154.6)	(318.3)	(119.0)	(169.9)	(288.9)
Total net (expenditure) before investment gains		(0.5)	(189.3)	(189.8)	(1.3)	(112.3)	(113.6)
Gains on investment assets	2(a)	–	819.7	819.7	–	652.7	652.7
(Losses)/gains on derivatives		–	(15.6)	(15.6)	–	24.9	24.9
(Losses) on foreign currency		–	(26.1)	(26.1)	–	(8.6)	(8.6)
Total net income (expenditure) before taxation		(0.5)	588.7	588.2	(1.3)	556.7	555.4
Current taxation	10	–	(0.1)	(0.1)	–	(0.3)	(0.3)
Deferred taxation	10	–	(0.5)	(0.5)	–	(0.3)	(0.3)
Total net income (expenditure) after taxation		(0.5)	588.1	587.6	(1.3)	556.1	554.8
Other recognised gains and losses							
Actuarial (losses)/gains on defined benefit pension schemes (staff pre 2000)	16(b)	–	(12.2)	(12.2)	–	(6.7)	(6.7)
Total other recognised gains and losses		–	(12.2)	(12.2)	–	(6.7)	(6.7)
Net movement in funds		(0.5)	575.9	575.4	(1.3)	549.4	548.1
Reconciliation of funds:							
Total funds brought forward		0.6	6,996.6	6,997.2	1.9	6,447.2	6,449.1
Total funds carried forward		0.1	7,572.5	7,572.6	0.6	6,996.6	6,997.2

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

The breakdown of other funds are shown in note 17.

Commissioners' statement of financial activities

For the year ended 31 December 2020

		2020			2019		
	Notes	Other funds £m	Endowment £m	Total £m	Other funds £m	Endowment £m	Total £m
Income from:							
Donations and legacies		1.4	18.0	19.4	2.1	9.4	11.5
Investments		–	114.4	114.4	–	160.8	160.8
Other income		1.1	–	1.1	1.2	–	1.2
Transfer to income	17	160.6	(160.6)	–	113.9	(113.9)	–
Total income		163.1	(28.2)	134.9	117.2	56.3	173.5
Expenditure on:							
Raising funds		–	(75.6)	(75.6)	–	(70.9)	(70.9)
Charitable activities							
Supporting dioceses and the local church		(99.1)	–	(99.1)	(59.4)	–	(59.4)
Bishops' and Archbishops' ministry		(37.9)	–	(37.9)	(42.5)	–	(42.5)
Cathedrals' ministry		(20.0)	–	(20.0)	(10.5)	–	(10.5)
Other activities		(5.5)	–	(5.5)	(5.1)	–	(5.1)
Pre 1998 clergy pensions	4, 15	(1.1)	(80.5)	(81.6)	(1.0)	(93.2)	(94.2)
Total charitable expenditure		(163.6)	(80.5)	(244.1)	(118.5)	(93.2)	(211.7)
Total expenditure		(163.6)	(156.1)	(319.7)	(118.5)	(164.1)	(282.6)
Total net (expenditure) before investment gains		(0.5)	(184.3)	(184.8)	(1.3)	(107.8)	(109.1)
Gains on investment assets	2(a)	–	812.4	812.4	–	650.0	650.0
(Losses)/gains on derivatives		–	(15.6)	(15.6)	–	24.9	24.9
Losses on foreign currency		–	(23.9)	(23.9)	–	(10.5)	(10.5)
Total net income (expenditure) before taxation		(0.5)	588.6	588.1	(1.3)	556.6	555.3
Current taxation		–	–	–	–	(0.2)	(0.2)
Deferred taxation		–	(0.5)	(0.5)	–	(0.3)	(0.3)
Total net income (expenditure) after taxation		(0.5)	588.1	587.6	(1.3)	556.1	554.8
Other recognised gains and losses							
Actuarial (losses)/gains on defined benefit pension schemes (staff pre 2000)	16(b)	–	(12.2)	(12.2)	–	(6.7)	(6.7)
Total other recognised gains and losses		–	(12.2)	(12.2)	–	(6.7)	(6.7)
Net movement in funds		(0.5)	575.9	575.4	(1.3)	549.4	548.1
Reconciliation of funds:							
Total funds brought forward		0.6	6,996.6	6,997.2	1.9	6,447.2	6,449.1
Total funds carried forward		0.1	7,572.5	7,572.6	0.6	6,996.6	6,997.2

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

The breakdown of other funds are shown in note 17.

Balance sheets
As at 31 December 2020

	Notes	Consolidated 2020	Consolidated 2019	Commissioners 2020	Commissioners 2019
Fixed assets					
Tangible assets	11	**122.9**	118.1	**122.1**	117.3
Heritage assets	12	**3.5**	3.5	**3.5**	3.5
Investments	2	**8,027.2**	7,771.5	**7,548.3**	7,340.4
Total fixed assets		**8,153.6**	7,893.1	**7,673.9**	7,461.2
Current assets					
Debtors	13	**137.7**	204.0	**640.4**	650.2
Current asset investments		**126.3**	384.3	**126.3**	384.3
Cash at bank and in hand		**995.0**	351.9	**989.3**	348.3
Total current assets		**1,259.0**	940.2	**1,756.0**	1,382.8
Liabilities					
Creditors: amounts falling due within one year	14	**(129.1)**	(106.2)	**(146.4)**	(116.9)
Net current assets		**1,129.9**	834.0	**1,609.6**	1,265.9
Total assets less current liabilities		**9,283.5**	8,727.1	**9,283.5**	8,727.1
Creditors: amounts falling due after one year	14	**(98.4)**	(85.7)	**(98.4)**	(85.7)
Provisions					
Deferred tax liability	10	**(1.5)**	(1.0)	**(1.5)**	(1.0)
Clergy pre 1998 pension obligation:					
Expected to fall due within one year		**(118.9)**	(120.1)	**(118.9)**	(120.1)
Expected to fall due after one year		**(1,358.3)**	(1,395.5)	**(1,358.3)**	(1,395.5)
Total clergy pre 1998 pension obligation	15	**(1,477.2)**	(1,515.6)	**(1,477.2)**	(1,515.6)
Net assets excluding pension scheme liabilities		**7,706.4**	7,124.8	**7,706.4**	7,124.8
Defined benefit pension scheme liabilities	16	**(133.8)**	(127.6)	**(133.8)**	(127.6)
Total net assets		**7,572.6**	6,997.2	**7,572.6**	6,997.2
Funds of the charity					
Endowment funds		**7,706.3**	7,124.2	**7,706.3**	7,124.2
Pension reserves	16	**(133.8)**	(127.6)	**(133.8)**	(127.6)
Unrestricted funds:					
Designated funds		**–**	0.2	**–**	0.2
General funds		**–**	–	**–**	–
Restricted funds		**0.1**	0.4	**0.1**	0.4
Total charity funds	17	**7,572.6**	6,997.2	**7,572.6**	6,997.2

By order of the Board

Loretta Minghella
First Church Estates Commissioner
27 May 2021

Consolidated cash flow statement
For the year ended 31 December 2020

Cash flow statement

	Notes	2020 £m	2019 £m
Cash flows from operating activities		175.4	(502.4)
Cash paid from endowment capital for pre 1998 clergy pensions	15	(118.9)	(120.1)
Net cash generated by (used in) operating activities		56.5	(622.5)
Cash flows from investing activities			
Income from investments		127.6	177.8
Expenditure on raising funds paid from endowment capital	3	(74.1)	(76.7)
Tangible assets: additions	11	(4.8)	(17.7)
Investments: additions	2	(3,553.3)	(1,944.8)
Investments: sale proceeds	2	4,117.3	2,538.9
Net cash provided by investing activities		612.7	677.5
Change in cash and cash equivalents in the year		669.2	55.0
Reconciliation of cash and cash equivalents and analysis of changes in net debt			
Cash at the start of the year		351.9	305.5
Change in cash and cash equivalents in the year		669.2	55.0
Change in cash due to exchange rate movements		(26.1)	(8.6)
Cash at the end of the year		995.0	351.9

The Commissioners has no debt and therefore the reconciliation of cash and cash equivalents also represents the analysis of changes in net debt.

Reconciliation of net income to net cash inflow from operating activities

	Notes	2020 £m	2019 £m
Net income for the year		587.6	554.8
Adjustments for:			
Expenditure on raising funds paid from endowment capital	3	74.1	76.7
Expenditure on charitable activities paid from endowment capital	6	80.5	93.2
(Income) from investments	2	(125.9)	(171.5)
(Gains) on investments	2	(819.7)	(652.7)
Losses on foreign currency		26.1	8.6
Movement in debtors, excluding accrued investment income	13	64.6	(156.7)
Movement in current asset investments		258.0	(234.5)
Movement in creditors	14	35.6	(12.6)
Movement in deferred tax provision	10	0.5	0.3
Pension reserve adjustment to net income	16	(6.0)	(8.0)
Net cash flow from operating activities		175.4	(502.4)

1. Accounting policies

(a) Legal status

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

(b) Basis of preparation

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

The Commissioners meet the definition of a Public Benefit Entity ("PBE") and therefore apply the PBE prefixed paragraphs in FRS 102. The financial information has been prepared on the historical cost basis (except for the revaluation of investments) and on the accruals basis. A summary of the accounting policies, which have been applied consistently across the group, is set out below. The Commissioners adopt a total return approach to investments. Note 17 explains how the unapplied total return and the use thereof is calculated. The Commissioners have presented a consolidated cash flow statement and have taken advantage of the exemption within FRS 102 from presenting a cash flow statement for the Commissioners only.

(c) Significant judgements and estimates

The key judgements and estimations, which have a significant effect on the amounts recognised in the financial statements, are described in the accounting policies and are summarised below:
- Clergy pension obligation – the estimations surrounding the pre 1998 Clergy pensions obligation. Further details are disclosed in note 15.
- Pension deficit liabilities – the estimations surrounding the recognition of the Commissioners' defined benefit pension deficit liabilities. Further details are disclosed in note 16.
- Carrying value of investment assets and tangible fixed assets – the judgements around appropriate valuation methods used for the assets of the Commissioners. Further details are disclosed in note 1(j), 1(k), 1(l) and 1(m).
- Value of creditors due after more than one year – judgement in respect of whether long-term creditor balances needs to be discounted to present value. There is an estimate concerning the appropriate discount rate to use. Further details are disclosed in note 1(g).

(d) Going concern

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

The annual actuarial update for the year ended 31 December 2020 includes stress testing scenario analysis which models the impact on distributions in the event of different levels of reduction in asset values. This includes consideration of the impact of changes in the performance of the asset portfolio, expected future returns or inflation on the affordability of distributions. In light of this analysis there was no reason to consider that any changes were required to the planned distributions for the 2020 to 2022 triennium and so the trustees have concluded that the Commissioners are able to sustainably meet both their legal obligations and planned discretionary funding for at least the period to 31 December 2022 notwithstanding the impact of COVID-19. In addition the trustees have also given consideration to the availability of liquidity and have increased cash holdings in light of market turbulence caused by COVID-19 and other external factors such that they are satisfied that they have sufficient cash to meet their obligations in the short term. Therefore, the Commissioners continue to adopt the going concern basis of accounting in the preparation of these financial statements.

(e) Basis of consolidation and subsidiary undertakings

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

The Commissioners, together with the Archbishops' Council and the Church of England Pensions Board are equal partners in Church of England Central Services ("ChECS"), a joint venture. Further details are given in note 20. This jointly controlled entity is included in the Commissioners' consolidated financial statements using the equity method. The Commissioners' share of profits or losses from ChECS is included in the SOFA and its share of net assets is included in the balance sheet.

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

1. Accounting policies continued

(f) Income

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

Donations and legacies

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

Investment income

Dividends are recognised when the Commissioners' right to receive payment is established, which is on the ex-dividend date of the underlying holdings. Gift aid payments from subsidiaries are recognised in the Commissioners only financial statements when the gift aid payment is payable under Deeds of Covenant. The income is accrued in the year in which the associated profits arise in the subsidiary company with the payment being made to the Commissioners in the following financial year.

All other investment income is recognised on the accruals basis.

(g) Expenditure

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

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

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

(h) Provisions

The liability for the pre-1998 clergy pension obligation is recognised at the actuarial valuation provided by Hymans Robertson LLP. This is the best estimate of the total value of future discounted cash flows. The assumptions and methodology behind the cash flow projections are disclosed in note 15.

(i) Pensions

Pensions are described in note 16.

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

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

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

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

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

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

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

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

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

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

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

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

Historic contents of Lambeth Palace
Historic items are recognised at cost. On transition to FRS 102, the Commissioners deemed the cost of these assets to be their carrying value at 1 January 2014, based on the value attributed to them in a valuation carried out in 2007.

Any additional items purchased or donated are capitalised if the cost is greater than £1,000. Maintenance costs are charged to the SOFA in the period they are incurred. The collection is reviewed for impairment at each accounting date.

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

The exception is for books, manuscripts and other items purchased or donated since 1 January 2015, which are capitalised if the cost is greater than £1,000. Items in the collection that are capitalised are stated at cost but are not depreciated as the amount of depreciation is regarded as immaterial due to their anticipated high residual value. The collection is reviewed for impairment at each accounting date.

Historic contents of former see houses
Historic items, including the Hurd Library which is on loan to the Hartlebury Castle Preservation Trust, are recognised at cost. On transition to FRS 102, the Commissioners deemed the cost of these assets to be their carrying value at 1 January 2014, based on the value attributed to them in a valuation carried out in 2007.

Any additional items purchased or donated since 1 January 2015 are capitalised if the cost is greater than £1,000. Maintenance costs are charged to the SOFA in the period they are incurred. The collection is reviewed for impairment at each accounting date.

1. Accounting policies continued

(l) Fixed assets: Non-financial instrument investments

Investment properties

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

The valuers of the properties are shown below.
Rural: Savills (UK) Limited
Strategic land: Savills (UK) Limited
Commercial: Cushman & Wakefield LLP
Residential: Jones Lang LaSalle Limited
Minerals: Wardell Armstrong LLP

Timberland (including biological assets)

Timberland includes land, its standing timber and other assets. Standing timber is a biological asset.

Timberland is valued externally at least every three years at market value in line with International Valuation Standards, which is calculated on the timber maturity profile, the species, the geographic location and other environmental considerations. In intermediate years it is valued by in-house professionals at brought forward market value adjusted for capitalised expenditure and decreases caused by harvesting during the year. Changes in fair value in the year resulting from both net growth and change in the market value of standing timber are reported in the gains and losses on investments in the SOFA. At point of harvesting, the carrying value of forestry assets is valued at fair value less estimated point-of-sale costs. The revenue from the sale of standing timber is recognised as income.

UK timberland was valued by Bidwells LLP. Overseas timberland was valued by local qualified valuers.

Subsidiary undertakings

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

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

(m) Financial instruments

The Commissioners have chosen to adopt sections 11 and 12 of FRS 102 in respect of recognition and measurement of financial instruments.

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

Basic financial instruments

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

Cash at bank and in hand is held to meet short-term cash commitments as they fall due rather than for investment purposes and includes all cash equivalents. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. A cash equivalent will have a short maturity of three months or less from the date of acquisition.

Listed and unlisted securities are a form of basic financial instrument and are initially measured at fair value. Such assets are subsequently held at fair value at each balance sheet date, with changes in fair value recognised in the SOFA. The fair value of listed investments is determined using bid price in accordance with the practice of the appropriate stock exchange. Unlisted equity investments are valued by reference to latest dealing prices, estimated net asset values or final net asset values at year end.

Listed and unlisted securities comprise listed public equities, private equity investments in unlisted companies, multi asset funds, fixed income bonds, emerging market debt and private credit.

Basic financial liabilities, including **trade and other payables** and **intra-group balances** are initially recognised at transaction price. Bank loans are subsequently measured at the amortised cost, using the effective interest rate.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled or expires.

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

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

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

Indirect property
Indirect property is minority investments by the Commissioners and its subsidiaries in property partnerships, where the partnership is managed by a third party and the Commissioners receive distributions from the partnerships.

Indirect property is 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, on a rolling three year programme or more frequently. Property funds are valued independently by valuers appointed by the partnerships.

Indirect timberland
Indirect timberland is the Commissioners and its subsidiaries' investments in timberland partnerships or joint ventures, which are managed by a third party and where distributions are received from the partnerships and joint venture managers.

Indirect timberland is valued annually and independently by valuers appointed by the partnerships at the Commissioners' share of the underlying net assets.

Infrastructure
Infrastructure is an alternative investment class, where the Commissioners' subsidiaries hold a minority interest in a partnership investing in infrastructure projects.

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

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

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

Where securities are loaned at the balance sheet date, the securities loaned are included in the balance sheet as the Commissioners retain the risks and rewards of ownership of the securities and also retain the contractual rights to any cash flows relating to the securities. The market value of listed investments includes stock on loan of £86.6m (2019: £161.4m).

Derivatives
The Commissioners use forward foreign currency and options contracts as part of their investment portfolio risk management. The contracts reduce the impact of changes in foreign currency rates in relation to investments priced in certain currencies other than Sterling. In addition, equity futures and options are used in relation to investment portfolio risk management and for efficient portfolio management. In accordance with their investment policy, derivatives are not entered into for investment gain or trading purposes. Derivatives are also used by some external fund managers to manage the risk of not achieving overall performance benchmarks.

Derivatives are initially recognised at their fair value, which is equivalent to any transaction price paid. Derivative contracts outstanding at the balance sheet date are stated at fair value at the balance sheet date, which is derived from exchange prices if the derivative is listed or from third party valuations if unlisted. If the fair value of the derivative is in a gain position, the contract is shown within debtors. If the fair value of the contract in a loss position, it is shown within creditors. Realised and unrealised gains and losses arising from these contracts are charged to the endowment fund in the SOFA. Cash delivered as collateral for derivative contracts continue to be reflected as an asset within cash at bank and in hand. At 31 December 2020, £4.7m cash was delivered as collateral (2019: none).

Current investment assets
Current investment assets are investments in treasury bills which have maturity periods of less than one year. They are held to meet short term cash commitments as they fall due. Movements in the value of these bonds are recognised in income under the effective interest method.

1. Accounting policies continued

(n) Foreign currencies

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

(o) Taxation

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

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

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

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

(p) Related parties

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

The Commissioners are related to their subsidiaries. Details are given in note 2(b). Transactions between the Commissioners and their subsidiaries are disclosed in note 20.

The Commissioners are related to ChECS, as they are a partner in this joint venture. Details are given in note 2(c) and note 20.
The Commissioners are also related to the following pension funds, administered by the Church of England Pensions Board: Church of England Funded Pensions Scheme; Church Administrators Pension Fund; and Church Workers Pension Fund. Details about the pension funds, including contributions paid, are given in notes 4, 8 and 16.

2. Investments

(a) Summary of movement on investments

Consolidated

	At 1 January 2020 £m	Additions £m	Sale proceeds £m	Change in market value £m	**At 31 December 2020 £m**	**2020 investment income £m**
Securities portfolio:						
Listed securities (*)	2,904.1	2,921.6	(3,358.7)	272.3	**2,739.3**	**50.2**
Unlisted securities	2,539.1	529.2	(575.5)	471.9	**2,964.7**	**10.7**
Total securities	5,443.2	3,450.8	(3,934.2)	744.2	**5,704.0**	**60.9**
Properties:						
Direct property	1,682.8	55.6	(109.7)	(19.4)	**1,609.3**	**41.7**
Indirect property	122.5	10.4	(15.3)	(11.7)	**105.9**	**0.6**
Total properties	1,805.3	66.0	(125.0)	(31.1)	**1,715.2**	**42.3**
Value linked loans	91.3	–	(4.5)	(1.2)	**85.6**	**3.0**
Timberland:						
Land	83.5	1.2	(12.8)	23.6	**95.5**	**–**
Standing timber (**)	205.5	4.8	(22.4)	97.2	**285.1**	**13.5**
Indirect timberland	60.8	–	–	(5.7)	**55.1**	**2.1**
Total timberland	349.8	6.0	(35.2)	115.1	**435.7**	**15.6**
Infrastructure	81.9	30.5	(18.4)	(7.3)	**86.7**	**4.1**
Total	7,771.5	3,553.3	(4,117.3)	819.7	**8,027.2**	**125.9**

	At 1 January 2019 £m	Additions £m	Sale proceeds £m	Change in market value £m	**At 31 December 2019 £m**	**2019 investment income £m**
Securities portfolio:						
Listed securities (*)	2,989.7	1,437.9	(1,997.5)	474.0	**2,904.1**	**90.2**
Unlisted securities	2,386.5	411.6	(438.5)	179.5	**2,539.1**	**15.3**
Total securities	5,376.2	1,849.5	(2,436.0)	653.5	**5,443.2**	**105.5**
Properties:						
Direct property	1,717.2	47.9	(63.1)	(19.2)	**1,682.8**	**41.3**
Indirect property	131.7	12.1	(14.0)	(7.3)	**122.5**	**1.6**
Total properties	1,848.9	60.0	(77.1)	(26.5)	**1,805.3**	**42.9**
Value linked loans	96.0	–	(7.9)	3.2	**91.3**	**3.2**
Timberland:						
Land	83.9	–	(2.0)	1.6	**83.5**	**–**
Standing timber (**)	189.3	3.8	(12.6)	25.0	**205.5**	**15.2**
Indirect timberland	64.7	–	–	(3.9)	**60.8**	**2.7**
Total timberland	337.9	3.8	(14.6)	22.7	**349.8**	**17.9**
Infrastructure	53.9	31.5	(3.3)	(0.2)	**81.9**	**2.0**
Total	7,712.9	1,944.8	(2,538.9)	652.7	**7,771.5**	**171.5**

* Investment income includes £0.8m (2019: £1.7m) of income relating to interest on cash and interest on current asset investments, and £0.4m (2019: £0.5m) stock lending income.

** Change in market value of standing timber comprises revaluation gains of £116.3m (2019: gains of £37.1m) and a reduction of £7.5m (2019: £12.1m) due to harvesting of standing timber. Standing timber represents the biological assets held by the Commissioners.

2. Investments continued

(a) Summary of movement on investments continued

Commissioners

	At 1 January 2020 £m	Additions £m	Sale proceeds £m	Change in market value £m	At 31 December 2020 £m
Securities portfolio:					
Listed securities	2,904.1	2,921.6	(3,358.7)	272.3	**2,739.3**
Unlisted securities	2,264.5	439.8	(537.8)	428.3	**2,594.8**
Total securities	5,168.6	3,361.4	(3,896.5)	700.6	**5,334.1**
Properties:					
Direct property	1,529.1	53.6	(104.0)	(20.1)	**1,458.6**
Indirect property	90.1	10.4	(15.3)	(9.4)	**75.8**
Total properties	1,619.2	64.0	(119.3)	(29.5)	**1,534.4**
Value linked loans	91.3	–	(4.5)	(1.2)	**85.6**
Timberland:					
Land	42.8	–	(3.6)	20.7	**59.9**
Standing timber (*)	121.9	1.6	(15.7)	121.3	**229.1**
Total timberland	164.7	1.6	(19.3)	142.0	**289.0**
Infrastructure	–	14.9	(7.5)	(1.0)	**6.4**
Subsidiaries	296.6	0.7	–	1.5	**298.8**
Total	7,340.4	3,442.6	(4,047.1)	812.4	**7,548.3**

	At 1 January 2019 £m	Additions £m	Sale proceeds £m	Change in market value £m	At 31 December 2019 £m
Securities portfolio:					
Listed securities	2,989.7	1,437.9	(1,997.5)	474.0	**2,904.1**
Unlisted securities	2,027.9	342.4	(280.8)	175.0	**2,264.5**
Total securities	5,017.6	1,780.3	(2,278.3)	649.0	**5,168.6**
Properties:					
Direct property	1,572.7	34.9	(49.4)	(29.1)	**1,529.1**
Indirect property	98.9	12.1	(14.0)	(6.9)	**90.1**
Total properties	1,671.6	47.0	(63.4)	(36.0)	**1,619.2**
Value linked loans	96.0	–	(7.9)	3.2	**91.3**
Timberland:					
Land	40.1	–	(1.8)	4.5	**42.8**
Standing timber (*)	107.7	1.5	(12.2)	24.9	**121.9**
Total timberland	147.8	1.5	(14.0)	29.4	**164.7**
Subsidiaries	291.5	0.7	–	4.4	**296.6**
Total	7,224.5	1,829.5	(2,363.6)	650.0	**7,340.4**

* Change in market value comprises revaluation gains of £28.7m (2019: £34.7m) and a reduction of £3.8m (2019: £9.8m) due to harvesting of standing timber. Standing timber represents the biological assets held by the Commissioners.

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

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

Unlisted securities includes £0.2m (2019: £0.2m) invested in shares in the Churches Mutual Credit Union Limited, which is a mixed motive investment.

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

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 60.5% (2019: 56.7%) of the investment portfolio. A currency overlay programme is used which hedges back into sterling a variable proportion of foreign currency exposure to manage specific identified risks. At 31 December, 10.9% (2019: 44.8%) of non sterling assets were hedged to sterling. The net loss from operating the currency overlay programme was £56.6m before deducting fees of £2.3m (2019: profit of £24.9m after deducting fees of £3.6m). Net additions and sale proceeds during the year exclude the purchase and sale of foreign currency for the purposes of conversion and currency hedging.

(b) Subsidiaries

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

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

* Unlimited companies.

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

	CC Licensing		CC Projects		CC Trading Ltd		Cedarvale		Quivercourt	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Revenue	**50.4**	14.5	**2.7**	8.1	**2.7**	4.1	**2.2**	1.1	**–**	0.2
Expenditure*	**(20.1)**	(13.9)	**(2.7)**	(8.1)	**(2.7)**	(4.1)	**–**	–	**(2.3)**	(0.5)
Profit/(loss)	**30.3**	0.6	**–**	–	**–**	–	**2.2**	1.1	**(2.3)**	(0.3)
Assets	**505.7**	407.7	**63.3**	63.9	**12.4**	13.4	**32.9**	30.7	**30.1**	32.6
Liabilities	**(351.4)**	(283.7)	**(28.9)**	(29.5)	**(6.3)**	(7.3)	**–**	–	**(11.1)**	(11.3)
Net Funds	**154.3**	124.0	**34.4**	34.4	**6.1**	6.1	**32.9**	30.7	**19.0**	21.3

* Includes Gift Aid payments to the Commissioners.

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

(c) Joint ventures

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

ChECS 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 National Church Institutions ("NCIs"). The Commissioners' share of net assets of ChECS was £nil (2019: £nil). As at 31 December 2020, other than the amounts disclosed in debtors in note 13, £52,000 was owed by the Commissioners to ChECS (2019: £342,000).

The Commissioners have no associated undertakings.

2. Investments continued

(d) Future commitments

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

	Consolidated		Commissioners	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Securities portfolio	**983.3**	562.6	**478.4**	361.1
Indirect property	**65.3**	37.0	**63.2**	34.9
Timberland	**–**	23.2	**–**	–
Infrastructure	**87.6**	30.2	**33.7**	–
Total capital commitments	**1,136.2**	653.0	**575.3**	396.0

3. Expenditure on raising funds

	Direct costs £m	**Internal management costs £m**	**Support costs (note 7) £m**	**2020 Total £m**	Direct costs £m	Internal management costs £m	Support costs (note 7) £m	2019 Total £m
Securities	**40.0**	**8.6**	**3.8**	**52.4**	37.6	5.0	3.8	46.4
Properties	**15.2**	**3.3**	**1.2**	**19.7**	14.9	2.5	1.2	18.6
Indirect property	**0.1**	**0.2**	**0.1**	**0.4**	0.3	0.1	–	0.4
Value linked loans	**–**	**0.2**	**0.1**	**0.3**	–	0.1	–	0.1
Timberland	**(0.4)**	**0.7**	**0.3**	**0.6**	10.0	0.4	0.2	10.6
Infrastructure	**0.5**	**0.1**	**0.1**	**0.7**	0.6	–	–	0.6
Total investment management costs	**55.4**	**13.1**	**5.6**	**74.1**	63.4	8.1	5.2	76.7
Costs of managing events at Lambeth Palace	**0.1**	**–**	**–**	**0.1**	0.5	–	–	0.5
Total cost of raising funds	**55.5**	**13.1**	**5.6**	**74.2**	63.9	8.1	5.2	77.2

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

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

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

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

4. Expenditure on charitable activities

	Grant funding £m Note 5	**Direct funding £m Note 6**	**Support costs £m Note 7**	**2020 Total £m**	Grant funding £m Note 5	Direct funding £m Note 6	Support costs £m Note 7	2019 Total £m
Supporting dioceses and the local church	**97.8**	**–**	**1.3**	**99.1**	58.0	0.1	1.3	59.4
Bishops' and Archbishops' ministry	**19.8**	**15.6**	**2.5**	**37.9**	19.0	21.0	2.5	42.5
Cathedrals' ministry	**19.5**	**0.2**	**0.3**	**20.0**	10.0	0.2	0.3	10.5
Other activities	**1.7**	**2.3**	**1.5**	**5.5**	1.4	2.1	1.6	5.1
Total charitable expenditure excluding clergy pensions obligation	**138.8**	**18.1**	**5.6**	**162.5**	88.4	23.4	5.7	117.5
Pre 1998 clergy pensions	**–**	**81.5**	**0.1**	**81.6**	–	94.1	0.1	94.2
Total costs of charitable activities	**138.8**	**99.6**	**5.7**	**244.1**	88.4	117.5	5.8	211.7

The Commissioners support dioceses and the local church through providing grants to the Archbishops' Council.

Strategic development funding is for new growth opportunities which aim to support major change projects which fit with dioceses' strategic plans.

4. Expenditure on charitable activities continued

Lowest income communities funding and Transition funding are to provide funding for mission in communities with the lowest incomes.

Transition funding is distributed to dioceses whose funding for the support of the lowest income communities is less than under the previous ‘Darlow’ grant funding method which ended in 2016.

Strategic Transformation Funding is for those dioceses facing financial difficulties wishing to undertake major restructuring programmes in order to better align with their strategic plans and make a significant difference to their mission and financial strength, in turn supporting the Church’s sustainable growth.

Sustainability Funding provides extra help to dioceses in the face of loss of income caused by the COVID-19 pandemic.

Strategic Ministry Funding provides financial support for growth in the number of clergy, including support for pensions and housing, in a tailored manner so that it is proportionately higher for those dioceses that need it most.

Additional Ordinands Funding is intended to meet costs of training the incremental increase in ordinands throughout the next triennium, supporting dioceses to deliver the Church wide goal of providing for future ordained ministry through increasing the number of ordinands by 50%.

Bishops’ and Archbishops’ ministry

The Commissioners are responsible for stipends, providing housing and office space for the diocesan bishops and archbishops and for the maintenance of those buildings including Lambeth Palace. They also provide diocesan bishops and archbishops with an annual block grant to cover their stipend and working costs and that of their suffragan bishops. Pension contributions are paid from this grant to the Church of England Funded Pensions Scheme for bishops and their chaplains, and the Church Administrators Pension Fund for bishops’ support staff (see note 16).

Cathedrals’ ministry

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

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

Pre 1998 clergy pensions

The Commissioners meet the costs of clergy pensions for service up to 31 December 1997. This amount is the movement in the provision for clergy pensions until 31 December 1997 in the year to 31 December 2020 (with associated administration costs). The cash paid under the pre 1998 scheme was £118.9m (2019: £120.1m). Further details are provided in note 15.

Other activities

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

The Commissioners makes a grant to the Churches Conservation Trust to support its work in preserving church buildings closed for regular worship which are of historic and archaeological interest and architectural quality. During the year, the Commissioners paid the statutory grant to the Churches Conservation Trust of £1.6m (2019: £1.3m). The Commissioners also applied income of £0.9m (2019: £1.1m) from its share of proceeds on the sale of closed churches to these grants. Therefore, net expenditure on the annual grant to the Churches Conservation Trust was £0.7m (2019: £0.2m).

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

5. Grant making

All grants are made to institutions.

	2020 £m	2019 £m
Supporting dioceses and the local church		
Grants to the Archbishops' Council for:		
Strategic Development Funding	22.6	22.1
Lowest Income Communities Funding	26.4	25.6
Transition Funding	8.3	9.8
Strategic Transformation Funding	11.4	–
Sustainability Funding	14.9	–
Strategic Ministry Funding	5.4	–
Additional Ordinands	2.6	–
National Giving Strategy	1.7	–
Restructuring	–	1.3
Digital church	1.4	–
Other grants	1.5	0.9
Discounting adjustment (see note 14)	1.6	(1.7)
Total grants to support dioceses and the local church	97.8	58.0
Bishops' and Archbishops' ministry		
114 (2019: 114) grants to bishops in 42 (2019: 42) dioceses	20.8	19.0
Return of unspent grants from bishops	(1.0)	–
Total grants for Bishops' and Archbishops' ministry	19.8	19.0
Cathedrals' ministry		
96 (2019: 8) grants to 41 (2019: 8) cathedrals – Cathedral Sustainability Fund	9.0	1.2
83 (2019: 130) grants to 42 (2019: 42) cathedrals – other grants	10.5	8.8
Total grants to pay for cathedrals' ministry	19.5	10.0
Other activities		
Statutory grant to Churches Conservation Trust	1.6	1.3
Other grants	0.1	0.1
Total grants for other activities	1.7	1.4
Total grant funding	138.8	88.4

A full list of grant recipients is available upon request in writing from the Commissioners' website.

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

Grantmaking creditors can be analysed as follows:

		Consolidated and Commissioners	
	Note	2020 £m	2019 £m
As at 1 January		114.7	114.1
Changes in liability due to:			
New grant commitments in the year		140.7	88.4
Return of unspent grants		(1.9)	–
Grant payments in the year		(117.8)	(86.1)
Changes in discounting adjustment	14	1.6	(1.7)
As at 31 December		137.3	114.7

6. Direct funding

	2020 £m	2019 £m
Supporting dioceses and the local church		
Payments direct to parish clergy	–	0.1
Total supporting dioceses and the local church	–	0.1
Bishops' and Archbishops' ministry		
Bishops and archbishops' housing and office premises	5.1	5.6
Lambeth Palace Library running costs	1.1	1.1
Archbishops' office and working costs and stipends	5.9	6.9
Other national costs	2.4	6.3
Archbishops' advisors	0.5	0.5
Direct costs of administering bishops' and archbishops' ministry	0.6	0.6
Total bishops' ministry and cathedral costs	15.6	21.0
Cathedrals' ministry		
Direct costs of administering cathedrals' ministry	0.2	0.2
Total cathedrals' ministry	0.2	0.2
Pre 1998 clergy pensions		
Payments made to clergy	118.9	120.1
Actuarial adjustments	(38.4)	(26.9)
Other pre 1998 clergy pensions expenditure	1.0	0.9
Total clergy pension obligation	81.5	94.1
Other activities		
National payroll for clergy	0.3	0.3
Chancel repair liability	0.8	0.7
Managing pastoral reorganisations and closed church buildings	1.2	1.1
Total other activities	2.3	2.1
Total direct costs	99.6	117.5

7. Support costs

	Raising funds £m Note 3	Charitable activities £m Note 4	2020 Total £m	Raising funds £m Note 3	Charitable activities £m Note 4	2019 Total £m
Shared services	3.1	3.2	6.3	2.4	2.9	5.3
Accommodation costs	0.5	0.8	1.3	0.5	0.8	1.3
Governance costs	0.7	0.7	1.4	0.7	0.8	1.5
Total support costs before staff pension costs	4.3	4.7	9.0	3.6	4.5	8.1
Staff pension costs (note 16):						
Interest on staff pension scheme liabilities	1.3	1.0	2.3	1.8	1.4	3.2
Other costs	–	–	–	(0.2)	(0.1)	(0.3)
Total support costs	5.6	5.7	11.3	5.2	5.8	11.0

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

Allocation of costs

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

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

7. Support costs continued

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

	2020 £000	2019 £000
Audit of Church Commissioners:		
Current year	181	177
Audit of subsidiary undertakings	44	44
Total audit fees	225	221

8. Staff numbers and remuneration

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 provided by ChECS which provides finance, HR, communications, legal, IT and internal audit services to the NCIs. The costs of all ChECS staff are shown in aggregate in the tables below – the Commissioners' share of which was £5,066,000 (2019: £4,666,000).

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

	Commissioners' own staff				ChECS	
	Asset management		Church functions and secretariat		Shared services	
	2020 Number	2019 Number	2020 Number	2019 Number	2020 Number	2019 Number
Average number employed	49	41	33	32	178	165
	£m	£m	£m	£m	£m	£m
Salaries	7.4	4.3	1.7	1.6	8.2	7.4
National Insurance costs	0.6	0.5	0.2	0.2	0.9	0.8
Pension contributions	0.6	0.4	0.3	0.3	1.1	0.9
Total cost of staff	8.6	5.2	2.2	2.1	10.2	9.1

Salaries includes £136,000 (2019: £51,000) paid by way of termination costs to three people (2019: one person).

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

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

Pensions are described in more detail in note 16.

Asset management and national Church functions

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

Staff emoluments

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

	Commissioners' own staff				ChECS	
	Asset management		Church functions and secretariat		Shared services	
	2020 Number	2019 Number	**2020 Number**	2019 Number	**2020 Number**	2019 Number
£60,001 to £70,000	**7**	7	**2**	4	**14**	13
£70,001 to £80,000	**6**	1	**1**	1	**7**	5
£80,001 to £90,000	**1**	4	**2**	1	**2**	5
£90,001 to £100,000	**3**	2	**–**	1	**3**	4
£100,001 to £110,000	**1**	1*	**–**	–	**5**	1
£110,001 to £120,000	**2**	–	**–**	–	**–**	–
£120,001 to £130,000	**–**	1	**–**	–	**–**	1
£130,001 to £140,000	**1**	1	**–**	–	**1**	–
£150,001 to £160,000	**1**	–	**–**	–	**–**	1
£160,001 to £170,000	**1**	–	**1****	–	**–**	–
£170,001 to £180,000	**–**	–	**–**	1**	**–**	–
£190,001 to £200,000	**2***	2*	**–**	–	**–**	–
£200,001 to £210,000	**–**	1*	**–**	–	**–**	–
£210,001 to £220,000	**1***	1*	**–**	–	**–**	–
£230,001 to £240,000	**1***	1*	**–**	–	**–**	–
£240,001 to £250,000	**–**	2*	**–**	–	**–**	–
£250,001 to £260,000	**–**	1*	**–**	–	**–**	–
£260,001 to £270,000	**2***	–	**–**	–	**–**	–
£270,001 to £280,000	**1***	–	**–**	–	**–**	–
£380,001 to £390,000	**1**	–	**–**	–	**–**	–
£510,001 to £520,000	**1***	–	**–**	–	**–**	–
£520,001 to £530,000	**–**	1*	**–**	–	**–**	–

* Including LTIP payment.
** Secretary to the Church Commissioners (Chief Executive).

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

Of those staff managed directly by the Commissioners, 32 (2019: 25) accrue benefits under a defined contribution scheme for which contributions for the year were £415,000 (2019: £321,000). The remaining 5 (2019: 7) staff accrue benefits under a defined benefit scheme. Of those managed by ChECS, 28 (2019: 24) accrue benefits under a defined contribution scheme for which contributions for the year were £295,000 (2019: £256,000). The remaining 4 (2019: 6) staff accrue benefits under a defined benefit scheme.

The highest paid member of staff was the Chief Investment Officer who earned £305,000 (2019: £295,000) and a LTIP of £215,000 (2019: £228,000) based on the long term performance of the fund. Including the Chief Investment Officer, 10 (2019: 9) members of staff received LTIPs in the year totalling £753,000 (2019: £735,000). Further details of the Commissioners' remuneration policy are included in the Governance Section of the Board's report on page 39.

The Commissioners' senior executive leadership team comprise six posts, four of whom are employed directly by the Commissioners and two by ChECS. Their aggregate remuneration, including LTIPs, national insurance and pension contributions, is £1,152,000 (2019: £1,287,000).

9. Trustees' emoluments and expenses

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

	2020 £000	2019 £000
First Church Estates Commissioner		
Salary	**79**	77
National Insurance costs	**10**	9
Pension	**10**	8
Third Church Estates Commissioner		
Salary	**47**	46
National Insurance costs	**5**	5
Pension	**7**	5
Total Church Estates Commissioners' costs	**158**	150

Pensions paid to former First and Third Church Estates Commissioners of £27,000 (2019: £26,000) were charged to the staff pension provision.

The Commissioners meet the expenses incurred by the trustees in carrying out their duties. During the year, 15 (2019: 20) trustees claimed expenses or had their expenses met by the Charity totalling £11,000 (2019: £33,000) in respect of travel and subsistence. The Commissioners meet the expenses of Committee members in carrying out their duties. During the year, 6 (2019: 10) Committee members claimed expenses or had their expenses met by the Charity totalling £1,000 (2019: £6,000) in respect of their travel and subsistence.

10. Taxation

	US Withholding Tax £m	Australian Corporate Income Tax £m	Australian Withholding Tax £m	**2020 £m**
Consolidated				
Current tax	0.1	–	–	**0.1**
Deferred tax	–	–	0.5	**0.5**
Total Taxation charge	0.1	–	0.5	**0.6**
Commissioners				
Current tax	–	–	–	**–**
Deferred tax	–	–	0.5	**0.5**
Total Taxation charge	–	–	–	**0.5**

	US Withholding Tax £m	Australian Corporate Income Tax £m	Australian Withholding Tax £m	2019 £m
Consolidated				
Current tax	0.3	–	–	0.3
Deferred tax	–	–	0.3	0.3
Total Taxation charge	0.3	–	0.3	0.6
Commissioners				
Current tax	0.2	–	–	0.2
Deferred tax	–	–	0.3	0.3
Total Taxation charge	0.2	–	0.3	0.5

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

11. Tangible assets

Consolidated	Assets in the course of construction £m	Freehold buildings	Green energy generation £m	IT systems £m	Leasehold improvements £m	Operational properties and contents £m	**Total £m**
Cost or valuation							
Balance at 1 January	25.7	–	0.7	1.9	2.1	91.7	**122.1**
Additions	4.8	–	–	–	–	–	**4.8**
Transfers	(30.5)	30.5	–	–	–	–	**–**
Balance at 31 December	–	30.5	0.7	1.9	2.1	91.7	**126.9**
Accumulated depreciation							
Balance at 1 January	–	–	–	(1.9)	(2.1)	–	**(4.0)**
Charge for the year	–	–	–	–	–	–	**–**
Balance at 31 December	–	–	–	(1.9)	(2.1)	–	**(4.0)**
Net book value							
Balance at 1 January	25.7	–	0.7	–	–	91.7	**118.1**
Balance at 31 December	–	30.5	0.7	–	–	91.7	**122.9**

Commissioners	Assets in the course of construction £m	Freehold buildings	IT systems £m	Leasehold improvements £m	Operational properties and contents £m	**Total £m**
Cost or valuation						
Balance at 1 January	25.7	–	1.9	2.1	91.6	**121.3**
Additions	4.8	–	–	–	–	**4.8**
Transfers	(30.5)	30.5	–	–	–	**–**
Balance at 31 December	–	30.5	1.9	2.1	91.6	**126.1**
Accumulated depreciation						
Balance at 1 January	–	–	(1.9)	(2.1)	–	**(4.0)**
Charge for the year	–	–	–	–	–	
Balance at 31 December	–	–	(1.9)	(2.1)	–	**(4.0)**
Net book value						
Balance at 1 January	25.7	–	–	–	91.6	**117.3**
Balance at 31 December	–	30.5	–	–	91.6	**122.1**

Assets in the course of construction relate to the works on the Lambeth Palace Library project after planning permission was granted on 12 September 2017. The building has been transferred to freehold buildings at 31 December 2020 as the building is now complete. The building will start to be depreciated in 2021.

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

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

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

All tangible fixed assets are located in the United Kingdom.

12. Heritage assets

Analysis of Heritage Assets

	Lambeth Palace £m	Contents of Lambeth Palace Library £m	Historic contents of Lambeth Palace £m	Historic contents of former see houses £m	**Total £m**
Balance at 1 January	–	0.3	1.1	2.1	**3.5**
Balance at 31 December	–	0.3	1.1	2.1	**3.5**

Lambeth Palace

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

Contents of Lambeth Palace Library

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

Historic contents of Lambeth Palace

Included within heritage assets are the historical contents of Lambeth Palace. These items are held primarily for their historical and artistic value. The contents' fair value has been calculated based on the market value last calculated at 31 December 2007. The Commissioners have performed a review of the historic contents of Lambeth Palace, which includes works of art, and are satisfied that there is no material difference between the fair value at 31 December 2020 and the full professional valuation obtained as at 31 December 2007.

Historic contents of former see houses

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

The contents' fair value has been calculated based on the market value last calculated at 31 December 2007. The Commissioners have performed a review of the historic contents, which includes works of art, and are satisfied that there is no material difference between the fair value at 31 December 2020 and the full professional valuation obtained as at 31 December 2007.

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Purchases					
Lambeth Palace	**–**	–	–	–	–
Contents of Lambeth Palace Library	**–**	–	–	0.1	–
Contents of Lambeth Palace	**–**	–	–	–	–
Donations	**–**				
Lambeth Palace	**–**	–	–	–	–
Contents of Lambeth Palace library	**–**	–	–	–	–
Contents of Lambeth Palace	**–**	–	–	–	–
Total additions	**–**	–	–	0.1	–

13. Debtors

	Consolidated 2020 £m	Consolidated 2019 £m	Commissioners 2020 £m	Commissioners 2019 £m
Trade debtors	**6.6**	8.9	**5.4**	5.4
Subsidiary undertakings	**–**	–	**490.1**	441.3
Joint venture (ChECS)	**1.4**	0.7	**1.4**	0.7
Dioceses (Clergy Stipends and Diocesan Debtors Accounts)	**10.2**	1.2	**10.2**	1.2
Loans	**2.4**	3.4	**2.4**	3.4
Other debtors	**2.0**	2.0	**1.4**	1.4
Prepayments	**2.3**	2.0	**2.0**	1.5
Accrued income	**6.8**	8.4	**21.5**	17.9
Outstanding trades receivable	**56.8**	67.5	**56.8**	67.5
Derivative open contracts	**49.2**	109.9	**49.2**	109.9
Total debtors	**137.7**	204.0	**640.4**	650.2

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

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

14. Creditors

Falling due within one year

	Consolidated 2020 £m	Consolidated 2019 £m	Commissioners 2020 £m	Commissioners 2019 £m
Trade creditors	**5.6**	8.9	**5.3**	8.5
Subsidiary undertakings	**–**	–	**20.8**	20.5
Dioceses and other Church bodies	**5.4**	4.7	**5.4**	4.7
Other creditors	**3.6**	2.0	**3.4**	1.7
Taxation and National Insurance contributions	**7.4**	5.5	**7.4**	5.3
Accruals and deferred income	**36.6**	37.1	**33.6**	28.2
Grants payable	**38.9**	29.0	**38.9**	29.0
Outstanding trades payable	**7.2**	1.7	**7.2**	1.7
Derivative open contracts	**24.4**	17.3	**24.4**	17.3
Total creditors	**129.1**	106.2	**146.4**	116.9

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

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

Falling due after one year

	Consolidated 2020 £m	Consolidated 2019 £m	Commissioners 2020 £m	Commissioners 2019 £m
Grants payable	**98.5**	87.4	**98.5**	87.4
Discounting adjustment	**(0.1)**	(1.7)	**(0.1)**	(1.7)
Total creditors	**98.4**	85.7	**98.4**	85.7

15. Provisions

Provision for clergy pre 1998 pension obligation

	Notes	Consolidated and Commissioners 2020 £m	2019 £m
As at 1 January		**1,515.6**	1,542.5
Release of provision for:			
Pensions to clergy for service prior to 1998		**(82.1)**	(83.9)
Lump sum payments on retirement for service prior to 1998		**(5.6)**	(5.8)
Pensions to clergy widows and children for service prior to 1998		**(30.4)**	(29.7)
Benefits under the Deaconesses and Lay Workers (Pensions)		**(0.1)**	(0.2)
Transfers out of scheme		**(0.7)**	(0.5)
		(118.9)	(120.1)
Changes in provision for:			
Interest on provision		**57.6**	58.5
Changes in assumptions and due to experience		**22.9**	34.7
	6	**80.5**	93.2
As at 31 December		**1,477.2**	1,515.6

History
Prior to 1998, the Commissioners were responsible for paying the pensions benefits to clergy who accrued years of pensionable service as members of the Church of England Pensions Scheme. By the mid-1990s this financial burden had become unsustainable and legislation was enacted to provide for new pensions schemes to be established and administered by the Church of England Pensions Board, with contributions for future service to be paid by all responsible bodies and employers (dioceses, cathedrals, the NCIs, and other church organisations). This effectively capped the Commissioners' obligation for clergy pensions for clergy for which they are not the 'responsible body' to service up until 31 December 1997 only.

Details of the Commissioners financial responsibilities in respect of their role as 'responsible body' for bishops, cathedral clergy and certain other clergy for service since 1 January 1998 are described in note 16(a).

Church of England Pensions Scheme
The Commissioners are obliged to pay pension benefits to clergy who accrued years of pensionable service until 31 December 1997 as members of the Church of England Pensions Scheme. The Scheme is administered by the Church of England Pensions Board on behalf of the Commissioners. The obligation is recognised in full using the actuarial valuation carried out by Hymans Robertson LLP, independent qualified actuaries. A full valuation is carried out every three years and it is rolled forward in other years. The last full valuation was carried out as at 31 December 2018.

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

The principal assumptions were:

	2020 %	2019 %	2018 %	2017 %	2016 %
Prospective annual rate of return on investments	**3.8**	3.9	4.2	4.4	4.3
Rate of increase of future stipend and increases in the starting pension	**3.3**	3.2	3.2	3.1	3.2
Rate of post retirement pension increases	**3.3**	3.2	3.2	3.1	3.2
Retail price inflation	**3.3**	3.2	3.2	3.1	3.2

The assumptions were made on a best estimate basis over a time period reflecting the long term nature of the fund and its objectives over 30 years. In their assessments of the pensions obligation, Hymans Robertson LLP have used bespoke Club Vita mortality tables. The life expectancy for beneficiaries aged 65 is 22.8 years (2015 valuation: 24.6 years) for men and 26.4 years (2015 valuation: 26.9 years) for women. In respect of future improvements in mortality rates the projection model from the 2017 Continuous Mortality Investigation has been used.

16. Pensions

	Clergy	Staff			Clergy	Staff		
	Post 1997 service Note 16(a) £m	Pre 2000 service Note 16(b) £m	Post 1999 service Note 16(c) £m	2020 £m	Post 1997 service Note 16(a) £m	Pre 2000 service Note 16(b) £m	Post 1999 service Note 16(c) £m	2019 £m
Pension reserves at 1 January	2.0	119.8	5.8	127.6	5.7	115.6	7.6	128.9
Benefits/contributions paid	(0.9)	(5.7)	(1.7)	(8.3)	(0.9)	(5.6)	(1.6)	(8.1)
Interest on liability	–	2.3	–	2.3	0.1	3.1	0.1	3.3
Re-measurement of liability	–	–	–	–	(2.9)	–	(0.3)	(3.2)
	(0.9)	(3.4)	(1.7)	(6.0)	(3.7)	(2.5)	(1.8)	(8.0)
Actuarial losses	–	12.2	–	12.2	–	6.7	–	6.7
Pension reserves at 31 December	1.1	128.6	4.1	133.8	2.0	119.8	5.8	127.6

The reduction in pensions reserves due to cash paid is £8.3m (2019: £8.1m) and the total amount shown in expenditure is £2.3m (2019: credit of £0.1m). Actuarial losses of £12.2m (2019: losses of £6.7m) have been recognised in other gains or losses.

(a) Clergy pensions post 1997: Church of England Funded Pensions Scheme

Pensions in respect of service from 1 January 1998 are provided by the Church of England Funded Pensions Scheme, administered by the Church of England Pensions Board. The Board publishes the Scheme's financial statements and is its custodian trustee.

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

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

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

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

	Until 31 December 2020 %	From 1 January 2021 %	From 1 January 2023 %
Normal contributions	26.5	31.3	31.3
Deficit contributions	11.9	7.1	–
Contributions towards administration expenses	1.2	1.2	1.2
Total contribution	39.6	39.6	32.5

Normal contributions relate to providing benefits in relation to ongoing pensionable service. Deficit contributions relate to recovery of the deficit until 31 December 2022. Administration expenses cover the day-to-day expenses of running the scheme.

This liability represents the present value of future deficit contributions and has been valued using assumptions set by reference to the duration of the deficit recovery payments.

(b) Staff pensions pre 2000: Church Commissioners Superannuation Scheme

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

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

Using the projected unit method, and assuming all benefits including post retirement increases continue to be paid in accordance with current practice, the provision is shown in the table above.

16. 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 principal assumptions used in estimating the provision were:

	2020 %	2019 %	2018 %	2017 %	2016 %
Discount rate (annual rate of return on AA rated corporate bonds)	**1.20**	1.95	2.75	2.45	2.65
Rate of salary increases	**3.80**	3.70	4.45	4.40	4.45
Rate of increase of pensions in payment:					
for service before 1 April 1997 (CPI)	**2.50**	2.35	2.50	2.40	2.45
for service since 1 April 1997 (RPI)	**3.05**	3.25	3.45	3.40	3.45

In their assessments of the pensions liability, Hymans Robertson LLP used bespoke Club Vita mortality tables. In respect of future improvements in mortality rates, the projection model from the 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:

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Actuarial loss (gain)	**12.2**	6.7	(18.3)	4.7	21.4

(c) Staff pensions post 1999: Church Administrators Pension Fund
Pensions in respect of service from 1 January 2000 are provided by the Church Administrators Pension Fund, administered by the Church of England Pensions Board. The Board publishes the Fund's financial statements, and is its custodian trustee.

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

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

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

Following the valuation, the employers have collectively entered into an agreement with CAPF to pay contributions of 27.6% of Pensionable Salaries. The employers have also agreed to make deficit payments of £2.4m per annum until December 2023 in respect of the shortfall in the Defined Benefit Section. In addition, the employers have agreed to pay £500,000 pa towards expenses, plus the full cost of any Pension Protection Fund levies. These contributions are made by each employer in proportion to Pensionable Salaries of those in the Defined Benefit Section. For comparison, the deficit recovery plan in force at 31 December 2020 was for the deficit payments of £2,667,723 pa as at 1 January 2018 to be payable monthly until 30 June 2023 (increasing each 1 January by 3.3% pa).

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

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

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

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

	Notes	Base value of endowment £m	Unapplied total return £m	Total endowment fund £m	Other funds £m	Total funds £m
At 1 January 2020		2,567.6	4,429.0	6,996.6	0.6	6,997.2
Add investment return for the year:						
Income return – gross income		–	125.9	125.9	2.6	128.5
Income return – cost of raising funds	3	–	(74.1)	(74.1)	(0.1)	(74.2)
Capital return and foreign exchange			778.0	778.0	–	778.0
Taxation payable	10	–	(0.6)	(0.6)	–	(0.6)
Total investment return during the year		–	829.2	829.2	2.5	831.7
Less						
Clergy pensions paid	15	(118.9)	–	(118.9)	–	(118.9)
Release of clergy pensions paid		–	118.9	118.9	–	118.9
Movement on clergy pensions provision	15		(80.5)	(80.5)	–	(80.5)
Loss on defined benefit pension schemes (staff pre 2000)	16	(12.2)	–	(12.2)	–	(12.2)
Charitable expenditure: non-pensions	4	–	–	–	(163.6)	(163.6)
Total other movements during the year		(131.1)	38.4	(92.7)	(163.6)	(256.3)
Add indexation on base value of endowment		20.5	(20.5)	–	–	–
Application of non-applied total return		–	(160.6)	(160.6)	160.6	–
At 31 December 2020		2,457.0	5,115.5	7,572.5	0.1	7,572.6

	Notes	Base value of endowment £m	Unapplied total return £m	Total endowment fund £m	Other funds £m	Total funds £m
At 1 January 2019		2,636.4	3,810.8	6,447.2	1.9	6,449.1
Add investment return for the year:						
Income return – gross income		–	171.5	171.5	3.8	175.3
Income return – cost of raising funds	3	–	(76.7)	(76.7)	(0.5)	(77.2)
Capital return and foreign exchange		–	669.0	669.0	–	669.0
Taxation payable	10	–	(0.6)	(0.6)	–	(0.6)
Total investment return during the year		–	763.2	763.2	3.3	766.5
Less						
Clergy pensions paid	15	(120.1)	–	(120.1)	–	(120.1)
Release of clergy pensions paid		–	120.1	120.1	–	120.1
Movement on clergy pensions provision	15	–	(93.2)	(93.2)	–	(93.2)
Loss on defined benefit pension schemes (staff pre 2000)	16	(6.7)	–	(6.7)	–	(6.7)
Charitable expenditure: non-pensions	4	–	–	–	(118.5)	(118.5)
Total other movements during the year		(126.8)	26.9	(99.9)	(118.5)	(218.4)
Add indexation on base value of endowment		58.0	(58.0)	–	–	–
Application of non–applied total return		–	(113.9)	(113.9)	113.9	–
At 31 December 2019		2,567.6	4,429.0	6,996.6	0.6	6,997.2

17. Funds continued

Other funds comprise the following balances:

	At 1 January 2020 £m	Income £m	Expenditure £m	Transfers £m	**At 31 December 2020 £m**
Restricted funds					
Thy Kingdom Come	0.1	0.1	(0.2)	–	**–**
Reconciliation	0.1	0.2	(0.3)	–	**–**
Closed churches	–	0.9	(0.9)	–	**–**
Other restricted funds individually below £0.1m	0.2	–	(0.1)	–	**0.1**
Total restricted funds	0.4	1.2	(1.5)	–	**0.1**
Unrestricted funds (designated)					
Cathedral Sustainability Fund	0.2	–	(0.2)	–	**–**
Unrestricted funds (general)					**–**
General fund	–	1.4	(162.0)	160.6	**–**
Total unrestricted funds	0.2	1.4	(162.2)	160.6	**–**
Total other funds	0.6	2.6	(163.7)	160.6	**0.1**

	At 1 January 2019 £m	Income £m	Expenditure £m	Transfers £m	At 31 December 2019 £m
Restricted funds					
Thy Kingdom Come	0.2	0.6	(0.7)	–	0.1
Reconciliation	0.2	0.2	(0.3)	–	0.1
Closed churches	–	1.1	(1.1)	–	–
Other restricted funds individually below £0.1m	0.1	0.2	(0.1)	–	0.2
Total restricted funds	0.5	2.1	(2.2)	–	0.4
Unrestricted funds (designated)					
Cathedral Sustainability Fund	1.4	–	(1.2)	–	0.2
Unrestricted funds (general)					
General fund	–	1.7	(115.6)	113.9	–
Total unrestricted funds	1.4	1.7	(116.8)	113.9	0.2
Total other funds	1.9	3.8	(119.0)	113.9	0.6

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

Thy Kingdom Come

The Archbishop of Canterbury receives external funding to plan and deliver the Thy Kingdom Come project, which is a global prayer movement. The funding is for staffing, events, communications and a very wide range of resources required to deliver the project in churches, cathedrals and online.

Reconciliation

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

Closed churches

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

Cathedral sustainability fund

The fund is designated to promote the financial sustainability of cathedrals by setting aside monies that had been received from unrestricted legacies to make additional distributions to cathedrals under section 23 of the Cathedrals Measure 1999. The funding is approved by the Board upon receipt of a detailed bid and fully costed financial plans. The timing of expenditure on the fund is dependent on bids being received from cathedrals that meet the bid criteria.

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

	General fund £m	Designated fund £m	Restricted £m	Pension reserve £m	Endowment fund £m	**2020 £m**
Fixed assets	30.5	–	–	–	8,123.1	**8,153.6**
Current assets	123.5	1.5	0.1	–	1,133.9	**1,259.0**
Creditors: amounts falling due within one year	(56.2)	(0.9)	–	–	(72.0)	**(129.1)**
Creditors: amounts falling due after one year	(97.8)	(0.6)	–	–	–	**(98.4)**
Provisions	–	–	–	–	(1,478.7)	**(1,478.7)**
Defined benefit pension scheme liabilities		–	–	(133.8)	–	**(133.8)**
Total funds	–	–	0.1	(133.8)	7,706.3	**7,572.6**

	General fund £m	Designated fund £m	Restricted £m	Pension reserve £m	Endowment fund £m	2019 £m
Fixed assets	25.7	–	–	–	7,867.4	7,893.1
Current assets	105.9	2.3	0.4	–	831.6	940.2
Creditors: amounts falling due within one year	(46.4)	(1.6)	–	–	(58.2)	(106.2)
Creditors: amounts falling due after one year	(85.2)	(0.5)	–	–	–	(85.7)
Provisions	–	–	–	–	(1,516.6)	(1,516.6)
Defined benefit pension scheme liabilities	–	–	–	(127.6)	–	(127.6)
Total funds	–	0.2	0.4	(127.6)	7,124.2	6,997.2

18. 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.

19. Leases

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

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

19. Leases continued

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

	2020 £m	2019 £m
Amounts due within one year	8.1	6.8
Amounts due after one year but not more than five years	25.2	21.1
Amounts due after five years	150.7	141.0
Total rents receivable under non-cancellable operating leases	184.0	168.9

20. Related party transactions

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

As at 31 December 2020, other than the amounts disclosed in debtors in note 13, £52,000 was owed by the Commissioners to ChECS (2019: £342,000). The Commissioners' share of net assets of ChECS was £nil (2019: £nil). In addition, the Church Commissioners charged ChECS a total of £500,000 during 2020 (2019: £473,000) to rent a building for use in ChECS' charitable activities.

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

If taxable profits are generated by the subsidiaries, these are paid to the Commissioners as donations made under gift aid. The Commissioners have recognised income relating to gift aid payments of £18.0m (2019: £9.4m) from its subsidiaries in the year.

During the year, no (2019: 1) properties were sold from the Commissioners to CC Projects for a total of £nil (2019: £11.4m).

As disclosed in notes 13 and 14, the Commissioners maintain inter-company accounts between itself and its subsidiaries. The total debtors and creditors relating to subsidiary undertakings, excluding loan notes in Jahr Tree Co Pty Ltd, are debtors of £447.2m (2019 £418.8m) and creditors of £20.8m (2019: £20.5m). The Commissioners use these accounts for efficient cash management across the group and charge or pay interest at 1% above Bank of England Base Rate on these balances. The balances are unsecured with no fixed repayment date. During the year, the Commissioners received £6.4m (2019: £7.0m) and paid £0.3m (2019: £0.4m) interest in the year.

The Commissioners hold loan notes issued by its subsidiary Jahr Tree Co Pty in Australia totalling £24.9m (2019: £22.5m) at year end. The interest accrued on these loan notes in the year was £4.2m (2019: £3.4m). This transaction was made at open market value.

During the year, Palace Public Occasions Limited was charged less than £0.1m (2019: £0.2m) by the Commissioners for costs incurred by the Commissioners on behalf of the company. An additional amount of less than £0.1m (2019: £0.1m) was charged to the company by the Commissioners for the use of premises owned by the Commissioners.

21. Funds held on behalf of others

	2020 £m	2019 £m
Residential service charges, sinking funds and tenants' deposits	15.8	16.3
Trust funds	9.8	8.9
Total funds held on behalf of others	25.6	25.2

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 of properties owned by the Commissioners in order that property repairs and maintenance works can be carried out.

Trust funds

The Commissioners are trustees of 38 funds, mainly restricted permanent endowment funds. Their income, £0.3m (2019: £0.3m), is applied in accordance with the terms of the trusts.

Certain other trustees are directed to pay some or all of their income to the Commissioners for specified purposes. The total amount received in the year was £0.1m (2019: £0.1m).

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