

# Church Commissioners' Summary Annual Report 2006

Our mission is to support the  
Church of England's ministry,  
particularly in areas of need  
and opportunity



The Church Commissioners for England

# Our mission

*¶ Our mission is to support the Church of England's ministry, particularly in areas of need and opportunity.*

The Church Commissioners were formed in 1948 by joining together two charitable bodies: Queen Anne's Bounty, established in 1704 to improve clergy incomes and housing in areas of need, and the Ecclesiastical Commissioners, who in 1840 were empowered by Parliament to redistribute some of the Church's historic resources to make 'additional provision for the cure of souls in parishes where such assistance is most required'. That is, to help sustain the Church's ministry and extend it into new areas in ways that would meet the needs of the day.

Today the National Institutions Measure 1998 commits us to pay particular regard to the latter purpose in meeting our legal responsibilities.

Our main responsibilities are:

- 👤 To obtain the best possible long-term return from a diversified investment portfolio in order
  - to meet our pension commitments; and
  - to provide the maximum sustainable funding for our other purposes such as support for the work of bishops, cathedrals and parish ministry.
- 👤 In doing so, to pay particular regard to making 'additional provision for the cure of souls in parishes where such assistance is most required'.
- 👤 To administer the legal framework for pastoral reorganisation and settling the future of redundant churches.

# Introduction

*by the First Church Estates Commissioner*

The Commissioners' fund has performed well, helped once again by good property results. 2006 saw a total return of 13.6%, well exceeding our minimum target of 9.4% for the year. Our consistent out-performance over the last ten years translates into some £43 million annually in extra support for the Church's work.

## Accountability

The newly-enacted Charities Act 2006 prompts fresh thoughts about the delivery of our responsibilities and about accountability. Already we share in extensive dialogue with our stakeholders. Our annual reports go to Synod and to Parliament and we are regularly questioned by both bodies. We have built new opportunities into the process that governs pastoral reorganisation and the re-use of closed churches for those who wish to put their views in person.

We have shared in diocesan seminars and we host Synod fringe events and hold open days for colleagues in dioceses to see some of what we do. Dialogue is a two-way process and we invite partners to be vigorous in feeding back to us their thoughts.

## Working as one body

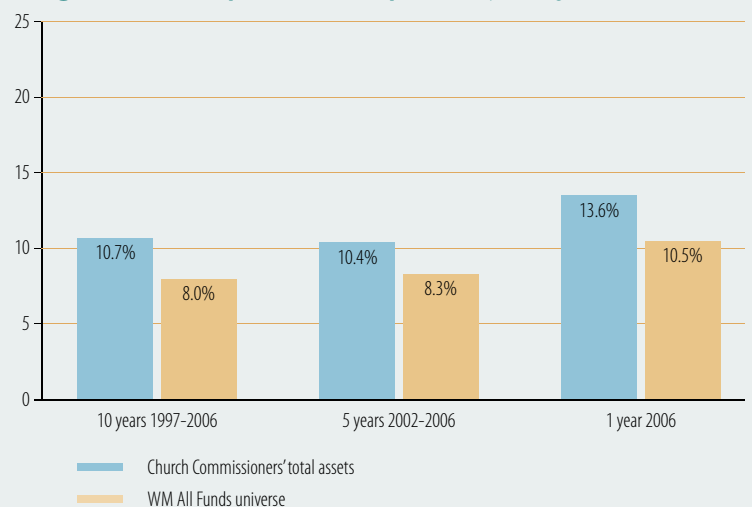
The last century has seen much change in our work. Our investment portfolio, once held in government stocks at a fixed 3% income, now contains commercial and industrial company stocks producing far higher returns. Improving clergy incomes, housing and retirement provision have been constant aims. We have also helped new enterprises such as churches in new housing areas, church schools, the Church Urban Fund and today's parish mission fund, to name just some.

We have sold our offices at Millbank, built 100 years ago to house our predecessors, and now share accommodation with colleagues in Church House, Westminster. We look forward to a new chapter in working together for the Church.



Local representatives addressing the Redundant Churches Committee at a public hearing in February 2006.

**Church Commissioners' total returns per annum against an independent comparator (percentage)**

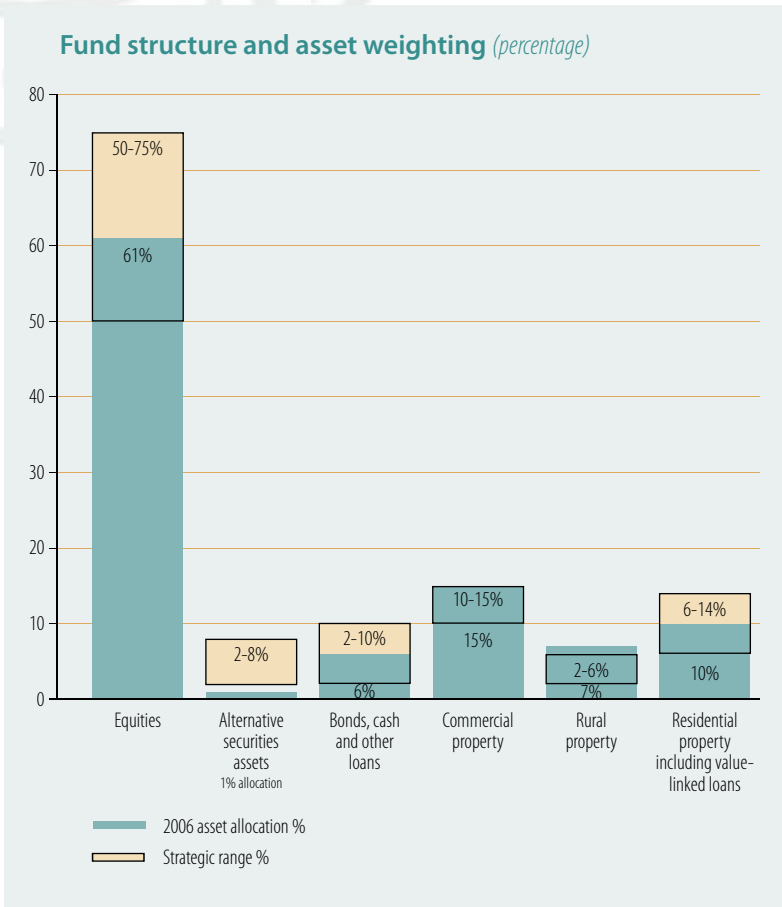


*Andreas Whittam Smith*

**Andreas Whittam Smith**  
First Church Estates Commissioner  
17 April 2007

# Investments

Over the last ten years the total return on our investments has averaged 10.7% per annum, placing us among the top 2% of funds in the WM All Funds universe in that period.



returned 17.2% compared with the 16.8% benchmark (FTSE All Share). Our specialist high-performance and smaller companies mandates contributed very positively.

International stock markets had a good year, though a 14% fall in the US dollar against sterling reduced US stock market returns for UK investors. Our European smaller companies mandate, set up in 2005, did well.

We allocated £100 million to global equities mid-year and switched a further £50 million from UK equities towards the end of the year.

## Commercial property

Capital values rose in most areas of the market. High demand drove strong increases in office rents in Central London. The total return on our commercial property was 23.9%, well ahead of the 18.5% benchmark.

Our purchases in the year totalled £72 million and included a London city office and a retail/office building in Covent Garden. We invested £63 million in Japan, the Nordic region and UK student housing through three indirect property funds. Sales totalled £78 million including an industrial estate in Willenhall (£21.1 million).

We developed three industrial units at our estate in Redditch. In Ashford, Kent, we gained



## Fund strategy

We hold a range of investments, mainly shares and property, aiming for a total long-term return of at least 5% per annum above inflation, within agreed ethical and risk parameters. We specify minimum and maximum levels of exposure to each asset class and review these ranges annually.

In 2006 we made further moves from UK to global equities, including an increased stake in emerging markets. The total return on our fund in 2006 was 13.6%.

## Equities

The UK stock market delivered positive returns for the fourth year running. Our UK equities holdings

Right: Aerial view of the Commissioners' development land at Ashford, Kent.



planning permission for a large urban extension at Cheeseman's Green to include affordable housing, a church and a school.

## Rural property

House price inflation and high demand strengthened rural land values. We gained planning permission for change-of-use schemes at Bognor Regis, Peterborough and Exeter, and achieved a major sale at Rochester.

Most single farm payments have been received. Commodity price improvements have raised confidence, but milk prices are still low.

Our rural holdings produced net rents of £6.3 million and capital receipts of £40.2 million. The total return was 24.1%.

## Residential property

House prices in 2006 remained high. We made further purchases and refurbishments in Connaught Village, Hyde Park, where shops have proved popular with a range of independent retailers, increasing rental values by 25%.

We completed the sale of the final units on the Octavia Hill estates to the 50:50 partnership between national housing association Genesis Housing Group and Grainger Trust plc, a publicly quoted residential landlord. Our housing portfolio produced a total return of 30.7%.

We also sold the financial interest in our loans to the Pensions Board for clergy retirement homes. The properties' ownership and terms of occupancy are unchanged but the sale, with that of the Octavia Hill estates, reduces the earlier risk to our fund through its over-exposure to the UK housing market.



Top left: Mr Mathews, tenant at Fursdon farmhouse on the Staverton estate in Devon. In the background is a mulberry tree planted by the Commissioners in 1980 to mark the centenary of his family's residence at the farm.

Top: Commissioners and staff visiting the Northallerton rural estate.

Left and below: During the year we continued to make further purchases and shop refurbishments at Connaught Village on the Hyde Park estate.



# Supporting the ministry

*¶ We paid £4.5 million in parish mission grants, helping to fund a range of outreach, community and fresh expressions projects in parishes across the country.*

Over three-quarters of the Church of England's running costs of over £1 billion each year are met by dioceses and parishes, largely from members' giving.

Our support for the Church's ministry totalled £172.6 million in 2006. Every diocese benefits from our funding for the work of bishops and cathedrals as well as clergy pensions. Payments towards ministry in parishes are targeted on the neediest dioceses.

Our actuaries regularly review the fund to assess how much we can safely spend over the next few years. The latest review advises that, at present, 33.0% of the fund is needed for pensions and that the rest can support spending of up to £243.8 million in 2008-2010 including £81.9 million in 2008. We are working with the Archbishops' Council on future spending plans.

Team members of Durham diocese's mission-funded 'Launch' scheme in Stockton, which encourages young people to use their gap year to explore mission and ministry working with local schools, church youth groups and community-based projects.



## Parish mission and ministry support

We paid £26.5 million in grants for clergy stipends, targeted on the neediest dioceses. A further £4.5 million went to dioceses in parish mission grants which help to fund outreach, community and fresh expressions projects in parishes across the country. A further £0.8 million supported the Church Urban Fund as grant aid for projects.

## Clergy payroll

We run the national payroll for nearly 18,000 serving and retired clergy. We gave ten presentations to final year ordinands on tax and housing issues and issued a guide for overseas clergy taking up a post in this country.

## Clergy pensions

We fund clergy pensions earned in service before 1998. Pensions earned from 1998 are paid from a contributory scheme mainly funded by dioceses. Our spending on pension benefits for clergy and their dependants in 2006 was £102.7 million. We also provide capital towards some 2,200 properties to house retired clergy and spouses.

We shared in consultations on the future structure of the clergy pension scheme, on which final decisions will be made by Synod in July 2007.

## Bishops and cathedrals

We pay stipend and pension contributions for bishops, the dean and two residentiary canons at each cathedral. In 2006 these payments totalled £4.6 million for 113 bishops and £4.0 million for 124 cathedral clergy. We also fund bishops' office, staff and working costs (£11.3 million).

We maintain diocesan bishops' houses as homes and workplaces, often including staff offices. The cost (£8.6 million) is offset by rent from surplus areas. We carried out major refurbishments to the Old Palace, Canterbury and Bishopthorpe in York. We bought new properties to replace the Ripon and Worcester see houses; both will save on running costs.

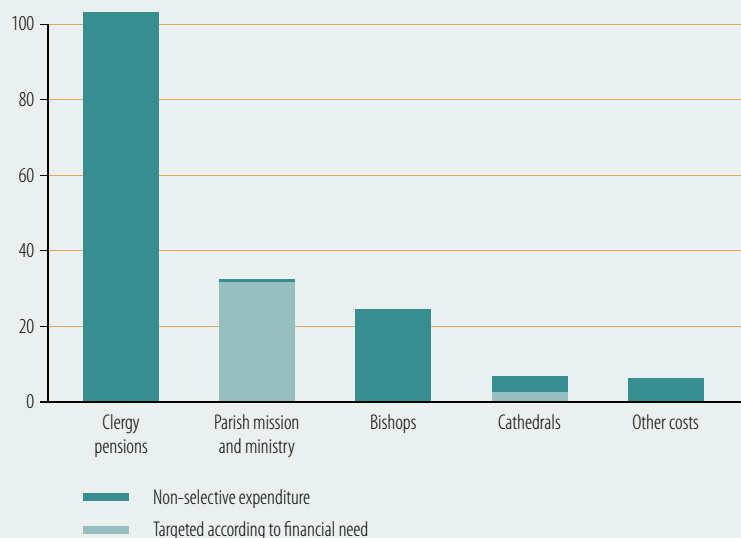
## Car loans

At the end of the year 1,849 clergy had car loans with us with a total value of £6.6 million. We charge interest at 5% per annum on the amount borrowed.



We bought Hollin House in Leeds in 2006 to replace the see house at Ripon. Its location is more suitable and its running costs will be lower than those of the Ripon house.

## The Commissioners' support for the Church in 2006 (£million)



<b>Clergy pensions</b>	102.7
	<b>102.7</b>
<b>Parish mission and ministry support</b>	
<i>Selective grants</i>	26.5
<i>Parish mission funding</i>	4.5
<i>Church Urban Fund</i>	0.8
Non-selective	0.6
	<b>32.4</b>
<b>Bishops</b>	
Stipends	4.6
Housing and office premises	8.6
Office and working costs	11.3
	<b>24.5</b>
<b>Cathedrals</b>	
Stipends	4.0
<i>Grants towards staff costs</i>	2.6
	<b>6.6</b>
<b>Other costs</b>	
Commissioners' administrative and restructuring costs	5.0
Repairs, maintenance and rent of administrative offices	(0.1)
Support for other Church bodies	0.1
Church buildings and other	1.4
	<b>6.4</b>
<b>Total</b>	<b>172.6</b>

Regular = non-selective  
Italic = targeted on financial need

# Pastoral administration and redundant churches

*Our role helps the Church in adapting local structures and using resources to respond to changing mission and pastoral needs.*

Pastoral representation cases dealt with 2002-2006



## Pastoral reorganisation

We help to provide for ministry in parishes by preparing and publishing draft legal documents based on dioceses' proposals for pastoral reorganisation and considering any representations upon them.

In 2006 we completed 147 cases, resulting in a net reduction of 72 benefices. 21 of the 16,000 churches in use were declared redundant. 29 published proposals drew objections. We decided that three should proceed; others were referred back for more consideration or resolved informally.

Working with the national advisor for mission and evangelism we set up regional seminars to help dioceses explore the scope for a local 'mixed economy' of fresh expressions of church alongside historic parish structures. These seminars continue through 2007.

We issued guidance on carrying out local building audits for dioceses, deaneries and parishes involved in strategic reviews and looking to extend the use of church buildings to meet the needs of local communities.

We helped to take forward the draft Dioceses, Pastoral and Mission Measure. We will shortly review our Pastoral and Redundant Churches committees' first full year of public hearings of representations against schemes and orders.

## Redundant churches

Dioceses find suitable alternative uses for most redundant churches. Where they cannot, we normally have to decide, upon advice, between preservation by the Churches Conservation Trust and demolition.

29 schemes determining the future of such churches were confirmed in 2006. 25 provided for their new use; three for demolition and one for vesting in the Trust.

With representatives of dioceses and other bodies, committee members visited 21 redundant or potentially redundant churches in the diocese of Chichester. They were particularly impressed by outreach initiatives at Brighton Kemp Town St George and Hove St Patrick.

Several churches affected by the Brighton and Hove deanery review are possible candidates for vesting in the Trust, but high costs and financial pressures make it vital to work with the diocese and public bodies to try to secure new uses.

## Funding and partnership

We have raised £38 million since 1969 from the disposal of redundant churches and sites, including £1.2 million in 2006. Nearly £30 million has gone back to dioceses for the living Church and £8.1 million to the Churches Conservation Trust, which we co-finance with the Department for Culture, Media and Sport.

The Trust's 2006-09 funding order took effect last year. With funding for years 1 and 2 frozen at 2001 levels, its long-term sustainability is of growing concern. As part of our management of the flow of new vestings we are increasing our efforts to find new uses.

In 2006 the Trust acquired a redundant church, Stirchley St James, whose freehold had already been conveyed away. We helped to negotiate an endowment from the previous owners to cover vesting and upkeep over a fifty-year period.

As members of the Church Heritage Forum we continue to press the need for more public financial support for church buildings' upkeep in recognition of their community and heritage value. We worked with the Archbishops' Council on a report to move the discussion forward.



Left: Outreach work at the former church of Brighton Kemp Town St George impressed the Redundant Churches Committee visiting during the year

Above: The Churches Conservation Trust has taken on the former church of Stirchley St James along with an endowment to cover management and upkeep costs.

# Governance and staff

*¶ We have consistently reduced yearly administration costs by investing in training, new technology and working practices.*

## Governance

The Board of Governors is responsible for policy overall, and normally meet five times a year as well as at our annual general meeting. It receives reports on the activities of the other committees. The Audit Committee has a statutory role in examining our internal controls.

In 2006 we began workshops for governors with externally-facilitated sessions on the role and responsibilities of charity trustees and on issues of investment, expenditure and ethics.

The staff corporate governance group finalised the fraud response policy. It plans to update trustees' eligibility, interest conflict and code-of-conduct policies in the light of best practice and new legislation.

## Stewardship and the environment

Apart from common service staff managed by the Archbishops' Council, our staff numbered 84 at the end of 2006. Our total costs in 2006 were £8.2 million, £2.0 million less than ten years ago. This reduction results from investing in training, new technology and working practices.

2006 was the final year in which staff worked at No 1 Millbank, which we sold in 2005. The refurbished Church House is now home to the staff of all the main national Church bodies. The refurbishment work and equipment installation aimed for optimum energy efficiency compatible with effective output.

We also encourage our tenant farmers to respond to environmental factors positively and we keep a watching brief on sustainability and corporately responsible companies.

## Ethical investment

The Ethical Investment Advisory Group develops policy recommendations for the Church's main investing bodies. In 2006 it concluded, upon review, that our long-standing restriction on investment in newspapers should be lifted. We agreed.

The group also engaged with public consultation on extending Sunday trading hours. Further information on its work is at [www.cofe.anglican.org/info/ethical](http://www.cofe.anglican.org/info/ethical).

The Board of Governors before its final meeting at the Commissioners' 1 Millbank office, held in February 2007.



# Accountability and communication

*Throughout the year we worked with the communications office of the Archbishops' Council to help promote greater understanding and awareness of our role.*

We are accountable to Parliament and the General Synod. Both are represented in our membership, both approve Church of England measures including those affecting our role, and both receive copies of our annual report and accounts.

MPs and Synod members may ask us questions. In 2006 we answered 71 parliamentary questions on topics such as clergy pensions, ethical investment and the ongoing debate about consecrating women as bishops.

The Second Commissioner continued to support in Parliament the efforts of the Church Heritage Forum to secure a better funding partnership between Church and State in the cost of maintaining the nation's church buildings.

We answered 19 questions from General Synod members. A number focused on the sale of the London Octavia Hill housing estates. A lively debate in July ended with a request for more engagement with the views of Synod on investment decisions that might affect the mission or reputation of the Church. We will report back to Synod this summer.



## Communication

Our induction days for diocesan secretaries expanded to include cathedral deans who in 2006 were invited to the Commissioners' office to share thoughts about our work.

Along with other national Church bodies we continued to develop our web presence at [www.cofe.anglican.org/about/churchcommissioners](http://www.cofe.anglican.org/about/churchcommissioners). The site includes the First Commissioner's widely-circulated quarterly newsletter on fund performance and strategy.

Throughout the year we worked with the communications office of the Archbishops' Council to help promote greater understanding and awareness of our role.

Sir Stuart Bell MP, Second Commissioner, receiving the *Légion D'Honneur* in October for working to promote Anglo-French relations.

# The Church Commissioners and Board of Governors

at 1 January 2007

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 the Commissioners in general meeting or by Committees. Except State office holders, all Church Commissioners are members of the Board of Governors.

The Most Reverend and Right Honourable  
Dr R D Williams

## **Archbishop of Canterbury, Chairman**

The Most Reverend and Right Honourable  
Dr J T M Sentamu

## **Archbishop of York**

## **Church Estates Commissioners appointed by: HER MAJESTY**

A Whittam Smith CBE

## **First Church Estates Commissioner**

Sir Stuart Bell MP

## **Second Church Estates Commissioner\***

## **THE ARCHBISHOP OF CANTERBURY**

T E H Walker CB FRSA

## **Third Church Estates Commissioner**

## **Elected by the General Synod**

### **HOUSE OF BISHOPS**

The Right Reverend and Right Honourable

Dr R J C Chartres **Bishop of London**

The Right Reverend Dr P S M Selby

## **Bishop of Worcester**

The Right Reverend I P M Cundy

## **Bishop of Peterborough**

The Right Reverend S R Lowe **Bishop of Hulme**

### **HOUSE OF CLERGY**

The Venerable R W B Atkinson OBE

The Venerable C N R Mansell

The Reverend S J Trott FRSA

### **HOUSE OF LAITY**

Canon P N E Bruinvels FRSA

Canon E C Paver FRSA

G D R Oldham FSI

Mrs E C Osborne

## **Elected by the deans**

The Very Reverend R W Grimley **Dean of Bristol**

The Very Reverend G P Nairn-Briggs DL

## **Dean of Wakefield**

## **Nominated by:**

### **HER MAJESTY**

R Heskett FRICS

Canon J A Spence OBE FCIBS FIFS FRSA

J Wythe FRICS

## **THE ARCHBISHOPS OF CANTERBURY AND YORK**

P W Parker TD FIA

J N Sykes

J S Brock QC

## **THE ARCHBISHOPS OF CANTERBURY AND YORK**

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

B Carroll

Sir Robert Finch

The Reverend R E Harrison

### **State office holders**

The First Lord of the Treasury

The Lord President of the Council

The Secretary of State for the Home Department

The Secretary of State for Culture, Media and Sport

The Speaker of the House of Commons

The Speaker of the House of Lords

## **Secretary to the Church Commissioners and Board of Governors**

A C Brown FRICS

### **Assets Committee**

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

A Whittam Smith CBE **Chairman**

R Heskett FRICS **Deputy Chairman**

The Bishop of Worcester

The Venerable C N R Mansell

G D R Oldham FSI

P W Parker TD FIA

J N Sykes

B Carroll

J Wythe FRICS

**Committee Secretary** A C Brown FRICS

### **Audit Committee**

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

Canon J A Spence OBE FCIBS FIFS FRSA **Chairman**

R C Clarke FCA†

Sir Robert Finch

P W Morriss CA†

Mrs E C Osborne

Vacancy

**Committee Secretary** Mrs J C Bliss ACA

### **Bishoprics and Cathedrals Committee**

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

T E H Walker CB FRSA **Chairman**

The Bishop of Hulme **Deputy Chairman**

The Bishop of Peterborough§

The Dean of Bristol

The Dean of Wakefield

The Venerable R W B Atkinson OBE

The Reverend Canon J M Haselock†§

Ms S Bassham†§

P W Parker TD FIA

Mrs H Hill **Representative of Bishops' Wives†**

Vacancy **Archbishops' Advisor  
for Bishops' Ministry†**

**Committee Secretary** Vacancy

## **Management Advisory Committee**

*Has a general duty to advise the Board and, in  
particular, on appointments and staff issues*

A Whittam Smith CBE **Chairman**

T E H Walker CB FRSA

The Bishop of London

The Dean of Wakefield

The Venerable R W B Atkinson OBE

Canon P N E Bruinvels FRSA

Canon E C Paver FRSA

Sir Robert Finch

**Committee Secretary** A C Brown FRICS

## **Pastoral Committee**

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

T E H Walker CB FRSA **Chairman**

The Bishop of Peterborough

The Right Reverend W Ind

Bishop of Truro† **Deputy Chairman**

The Very Reverend Dr C Hardwick, Dean of Truro†

The Venerable D Gerrard†

The Reverend R E Harrison

The Reverend S J Trott FRSA

Mrs J M Atkinson†

Canon P N E Bruinvels FRSA

Mrs C McMullen†§

Canon E C Paver FRSA

**Committee Secretary** P Lewis MRTPI

## **Redundant Churches Committee**

*Acts for the Board in matters relating to the future  
of churches declared redundant*

T E H Walker CB FRSA **Chairman**

The Venerable C N R Mansell **Deputy Chairman**

The Venerable J Duncan MBE†

The Reverend J Swanton†

The Reverend S J Trott FRSA

B Carroll

Mrs E C Osborne

C J Perrett†

C A Wilson†

**Committee Secretary** P Lewis MRTPI

\* Entitled to attend and speak at any committee

† Non-Commissioner

§ Nominated by the Archbishops' Council

The Church Commissioners' Annual Report & Accounts for the year to 31 December 2006 have been prepared by the Board of Governors and will be presented to the Commissioners' Annual General Meeting in June 2007. They will be sent to the Lord Chancellor and to the Secretary General of the General Synod in accordance with the Church Commissioners Measure 1947.