



The Church of Scotland

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 December 2022

The Church of Scotland Unincorporated Entities

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Foreword

Letter from Rev David S Cameron: Convener

This is my first year convening the Assembly Trustees supported by gifted people across the Church. We have all risen to the ongoing challenges we face exacerbated by the cost of living crisis that impacts on our congregations and communities. It is humbling to witness faith in action where the church is very much at the heart of our parishes helping and speaking out to alleviate suffering, offering welcome and warm spaces, food projects, debt support, signposting and above all friendship in loving our neighbours. This is always the way of the Church at its best and at the local level. Whilst our resources, both in terms of people and finances, are becoming increasingly scarce we recognise now is the time to prioritise investment in the future. In 2022 we announced the Seeds for Growth Fund, a £25m initiative which is designed to support mission and is aimed at growing local churches and new congregations.

This report whilst formally recording our annual financial position also describes the spectrum of work that the Church is involved in, from that of the Social Care Council to the outreach provided in Priority Areas working with some of the poorest and most marginalised in our society. The Church of Scotland is changing, and these changes are reflected across this report with the reformed Presbytery structure, work ongoing through the Mission Planning Process and the ongoing rationalisation of costs occurring within the central structures.

As I look back on this year of crisis, change and prioritisation, I have referred to our Church as a 'Church Under Reconstruction'. From concentrating on managing and budgeting our finances, to resourcing as a priority new models of church, a reconstructed church will emerge in line with the vision of the Special Commission of 2019. I encourage you as you read our Annual Report to look to the future with confidence and hope. Christ is already there calling the next generation to follow him. We must be tuned into the nature and purpose of that calling lest we find ourselves thwarting the work of the Holy Spirit.

Consider now, for the Lord has chosen you to build a house as the sanctuary. Be strong and do the work. 1 Chronicles 28:10

Rev David S Cameron
Convener of the Assembly Trustees

Overview of the work of the Charity

The Church of Scotland is a national Church providing ministry, care, witness and service across the whole of Scotland and engaging in other parts of the UK and across the world.

The General Assembly of the Church of Scotland (the "General Assembly") is the supreme court of the Church and meets annually to make laws and set the national agenda for the Church. The unincorporated Councils and Committees of the Church of Scotland (the "Unincorporated Entities" and the "UE") implement policy decisions of the General Assembly.

The work of the UE has charitable status under the name of The Church of Scotland, the Unincorporated Entities, Scottish Charity No. SC011353 (the "Charity"). The Assembly Trustees (the "Trustees") are the Trustees of the Charity.

The objectives of the Charity are:

- 1) to offer Christian worship, fellowship, instruction, mission and service;
- 2) to bring the ordinances of religion to the people in every parish of Scotland through a territorial ministry; and
- 3) to labour for the advancement of the Kingdom of God throughout the world.

In accordance with the Constitution and Remit from the General Assembly of 2019, the principal work of the Charity Trustees, in using the Charity's assets for its charitable objects, is to:

- seek to build and strengthen local congregations as centres of worship, care, nurture, service, witness and mission;
- promote, in partnership with other churches, the ministry and mission of the Church throughout all of Scotland, with particular reference to its poorest and most remote areas; and
- support the work of ecumenical bodies and other agencies in Scotland and elsewhere in the world.

The Charity is one of Scotland's largest and, in 2022, the Trustees were responsible for reporting expenditure of £142.1 million.

Today the Church works in partnership with others, including churches from around the world, ecumenical partners, interfaith networks, charities and individuals and engages with Government and civic society, believing that the Good News of Jesus is relevant within the spheres of politics and decision-making, as well as in our local communities and congregations.

The UE support, resource and serve the Church in its work including the promotion and resourcing of worship, prayer and discipleship; the recruitment, support, training and development of ministers and staff; engagement with society, the world church and ecumenical partners; theological reflection and creative thinking; delivery of social care; provision of financial and legal services; church law advice and related judicial procedures; and regulatory compliance, audit and safeguarding services. The Trustees monitor the activities of the UE to ensure that their work provides public benefit and consider that, in particular, this is achieved through the facilitation of the contributions made by thousands of volunteers, the operation of grant-making activities which benefit communities and the outward engagement of our staff. Volunteers are part of every area of the charity and include volunteers from overseas as part of our Young Adult Volunteer Programme; individuals involved with fundraising for the charity as a whole; volunteer members of committees and working groups within the charity; and volunteers within CrossReach (the Church's direct social care service).

Structure, Governance and Management

Constitution

The Church of Scotland, part of the One Holy, Catholic and Apostolic Church, is a national Church in Scotland, recognised by the State but independent in spiritual matters. In one sense, its constitution cannot be written down in precise terms, as the Church has developed over time. In another sense, the Church's constitution may be said to be set out in certain important instruments. These include the Articles Declaratory of the Constitution of the Church of Scotland in Matters Spiritual (1921), the Act anent Spiritual Independence of the Church (1906) and the Act of Union (1929).

Structure

The UE comprise groups of Church members (the "Agencies"), appointed through an objective church-wide system, and headed by Conveners and Vice-conveners. The Agencies support ministers and local congregations in carrying out the tasks of ministry, in exercising pastoral care, in engaging in mission and evangelism, in Christian education work, and in managing the Church's direct social care service ("CrossReach") throughout Scotland. They also act as a channel for expressing practical and vocal support at a national, international and ecumenical level, and ensure that legal requirements are being met by the whole organisation. The Agencies have permanent staff to carry out their work. Following the Commission of Assembly held in November 2019, the two Agencies responsible for work within the UE, from 1 January 2020, were the Faith Nurture Forum (a merger of the Ministries Council and the Mission and Discipleship Council) and the Faith Impact Forum (a merger of the Church and Society Council and the World Mission Council).

The Trustees, through the Central Services Committee (the "CSC"), are responsible overall for staff in the national offices.

The Ministries Council remains as a sub-committee of the Faith Nurture Forum, with members appointed from amongst the membership of the Forum and with specific responsibility as an employing agency and for acting as the statutory employer of individuals who are members of the Church of Scotland Pension Scheme for Ministers and Overseas Missionaries or the Church of Scotland Pension Scheme for Ministries Development Staff.

The World Mission Council remains as a sub-committee of the Faith Impact Forum, with members appointed from amongst the membership of the Forum and with specific responsibility as an employing agency and for acting as the statutory employer of certain individuals who are members of the Church of Scotland Pension Scheme for Ministers and Overseas Missionaries.

The Chief Officer (Dave Kendall) oversees management within the UE and provides executive leadership to the work of the Trustees. With overall executive responsibility for CSC employees and budgets, the Chief Officer is accountable to the Trustees for the effective and efficient organisational implementation of vision, strategy and policy as determined by the Trustees and the General Assembly.

As from January 2020 the principal elements of the UE structure are:

The Faith Nurture Forum, embracing –

- new ways of supporting all of the various ministries within the Church; and
- new ways of ensuring continuity and change in worship, mission and discipleship.

The Faith Impact Forum, embracing –

- engagement in the national, political and social issues affecting Scotland and the world today; and
- working internationally to share the gospel, building relationships and learning from Church communities across the world.

The Social Care Council ("CrossReach"), embracing –

- the offering of services in Christ's name to further the caring work of the Church to people in need.

The Central Services Committee, responsible for –

- the managing of the Church offices and its service departments along with the employment of the operational staff based at 121 George Street, Edinburgh and elsewhere.

Other constituent elements are:

- **The Ecumenical Relations Committee**, sitting within the departmental structure of the Office of the General Assembly.

- **The Theological Forum**, sitting within the departmental structure of the Office of General Assembly.

Other agencies within the UE which report directly to the General Assembly are:

- **The Chaplains to HM Forces**
- **The Safeguarding Committee**
- **Assembly Business Committee**
- **Legal Questions Committee**

There are also certain associated elements which are operationally autonomous but use assets which, ultimately, are to some extent under the supervision of the Trustees. Their financial results are incorporated in the consolidated financial statements of the Unincorporated Entities.

Subsidiary Companies:

- St Andrew's Galilee Limited is a limited liability company, incorporated in Israel, which manages the Scots Hotel in Tiberias, Israel. The Church of Scotland Trust is the sole shareholder on behalf of the UE. The Faith Impact Forum takes responsibility to manage and run the company and provides the voting directors.
- St Andrew's Scottish Centre Limited is a limited liability company, incorporated in Israel, which manages St Andrew's Scottish Guesthouse in Jerusalem. The Church of Scotland Trust is the sole shareholder on behalf of the UE. The Faith Impact Forum, takes responsibility to manage and run the company and provides the voting directors.
- Tabeetha School, Jaffa, Israel, is an Amuta (Not for Profit Association) in Israel which has its own independent Board of Governors, made up of Church of Scotland appointees from Scotland. The Board of Governors is responsible for the strategic direction of Tabeetha and the oversight of the day to day operations.

All major strategic decisions require the approval of the Faith Impact Forum. Title to the school property is held by the Church of Scotland Trust on behalf of the UE.

Other subsidiary companies which are not consolidated in the financial statements, on the basis of being immaterial:

CrossReach Trading Limited is a private company limited by shares incorporated in Scotland to sell CrossReach branded calendars and cards.

CrossReach Community Connections SCIO (Scottish Charitable Incorporated Organisation) passes grants on to CrossReach under the same terms and conditions that apply to the initial award to the SCIO.

Sanctuary First SCIO (Scottish Charitable Incorporated Organisation) was incorporated on 31 August 2022 and operates the digital ministry aspects of the Church of Scotland.

Significant Funds

The UE holds a substantial number of individual funds. In many cases the purpose for which they may be used is restricted and such restrictions are observed. Two funds within the UE, the assets of which are part of the charitable estate, are held by separate trustees.

- The Housing and Loan Fund is held by trustees, separate from the Assembly Trustees, for the purpose of providing support to retired Church of Scotland ministers, and widows, widowers, separated or divorced spouses and separated or former civil partners of Church of Scotland ministers, in need of help with housing. Whilst those trustees report directly to the General Assembly, the assets held for the Fund are assets of the Charity and the Trustees have a supervisory role. The value of the Fund as at 31 December 2022 was £50.8 million. The Assembly Trustees continue to work with the Housing and Loan Fund Trustees on their Strategic Overview. Working also with the Chief Officer both sets of Trustees seek to identify how, in compliance with the Fund's purposes, assets which currently outstrip the Fund's anticipated obligations can be best applied for the benefit of the Fund's Beneficiaries and the wider benefit of the Church.
- The F G Salvesen Trust was a bequest, the purposes of which, as varied by the Court of Session in 1991, are "for any purposes (including, where appropriate, the rendering of financial assistance to indigenous Churches) which, in the opinion of the Salvesen trustees provide or assist in providing the ordinances of religion to Scots in any part of the world outwith the United Kingdom of Great Britain and Northern Ireland." Whilst these trust purposes are separate from those in the Constitution and

Remit for the Trustees, the funds are treated as part of the overall assets of the Charity and accordingly the Trustees have a supervisory role. The Salvesen trustees comprise the members of the Faith Impact Forum. The value of the Fund as at 31 December 2022 was £15.8 million. Having regard to a less pressing demand for the provision of worship to Scots abroad and with a view to being more inclusive, the Trustees and the Salvesen trustees have agreed appropriate terms in which to seek a further variation of the trust purposes.

Related Parties

The Church of Scotland Investors Trust was incorporated by Act of Parliament in 1994 to manage the investments of the Church and connected bodies. All of the investments of the UE are made through the investment funds provided by the Trust.

The Church of Scotland General Trustees was incorporated by Act of Parliament in 1921 to manage the properties of the Church. The General Trustees hold the titles to the properties in Scotland of the UE.

The Church of Scotland Trust was incorporated by Act of Parliament in 1932 to hold the titles to the properties outwith Scotland.

The Church of Scotland Pension Trustees, an unincorporated body constituted by the General Assembly, administers the closed defined benefit pension schemes for the UE.

St Andrew's Galilee Limited was incorporated in Israel in 1993. The share capital is held in total by The Church of Scotland Trust on behalf of the Faith Impact Forum.

St Andrew's Scottish Centre Limited was incorporated in Israel in 1993. The share capital is held in total by The Church of Scotland Trust on behalf of the Faith Impact Forum.

The Tabeetha School in Jaffa was registered as an Amuta, an Israeli not for profit association, in 2008 and commenced operations under the new arrangement in 2009. The school has operated under the supervision of the Faith Impact Forum. Accordingly it is considered that the Church of Scotland has control of the entity.

CrossReach Trading Limited is a private company limited by shares incorporated in Scotland to sell CrossReach branded calendars and cards.

CrossReach Community Connections SCIO (Scottish Charitable Incorporated Organisation) passes grants on to CrossReach under the same terms and conditions that apply to the initial award to the SCIO.

Sanctuary First SCIO (Scottish Charitable Incorporated Organisation) was incorporated on 31 August 2022 and operates the digital ministry aspects of the Church of Scotland.

Governance

The General Assembly of 2019 appointed the new trustee body (the "Trustees") to be the Charity Trustees of the Church's charitable funds and assets. The Trustees comprise twelve appointed Trustees together with the Convener of the Assembly Business Committee and the Chair of the General Trustees by virtue of office. There is a Convener, a Vice-convener and an Administrative Trustee, each being one of the appointed Trustees.

A list of the Trustees during 2022 can be found under Reference and Administrative Details on page 73.

The Trustees are accountable to the General Assembly for the proper use of the Church's funds and assets (other than those held by the Church of Scotland General Trustees, by the Church of Scotland Investors Trust and by the Church of Scotland Trust) in accordance with the policies and deliverances of the General Assembly. They are also accountable to the Office of the Scottish Charity Regulator (OSCR).

The first Trustees were appointed by the General Assembly of 2019. Those Trustees and their successors must be members of the Church; and in all selection processes, due consideration is given to attempting to ensure that there is a reasonable reflection of the diversity of Church membership, including consideration of an appropriate gender balance and level of youth representation. Trustees are required to have an understanding of the life of the Church and of Scotland's contemporary culture and should be committed to developing the vision and mission of the General Assembly. The expertise of the Trustees must include finance, human resources, management, communications, civil law, strategic planning and theology. There is a formal induction process, agreed with the Solicitor of the Church and the Head of HR.

Each member is provided with copies of the Constitution and Remit, the Report of the Special Commission on Structural Reform to the General

Assembly 2019, the Minutes of recent Trustee meetings, a plan for the anticipated work over the ensuing twelve months with proposed meeting dates, the Code of Conduct for the Trustees, and a link to OSCAR Guidance on being a Charity Trustee. A separate induction meeting is held at which presentations are made by members of the Senior Management Team and the Principal Clerk on matters including (a) the charitable purpose of the Church of Scotland and related Charity trustee duties, roles and responsibilities, (b) the Church's Designated Religious Charity status, (c) avoiding and dealing with conflicts of interest, (d) the organisational structure of the Church and the UE, (e) important aspects of the Constitution and (f) the Church's finances.

In 2021, the Trustees revised the meeting arrangements and remit of the Trustees' Governance Group, which were further revised in 2022. The group, comprising seven members of the Trustees, is charged with advising and assisting the full body of Trustees in the exercise of the supervisory function of the component elements of the Church as required by the Church's Designated Religious Charity Status. The remit now includes a greater focus around the Church's Risk Management arrangements.

The Trustees have adopted, implemented, and will keep under review a Trustee Appraisal System, facilitated by the Head of HR. Each year, all Trustees who have been in office for more than twelve months engage in an appraisal of their individual trusteeship. Separately, every two years, the Trustees set aside time for a facilitated corporate appraisal of their joint trusteeship. All Trustees are expected to attend the annual induction meetings, the content of which is reviewed each year.

The Trustees exercise the supervisory function required by the Church's Designated Religious Charity status, oversee Codes of Conduct, ensure the operation of internal audits and maintain risk management strategies.

The Trustees seek to ensure that the work of the UE is in accordance with the policies, priorities and strategic objectives of the General Assembly and the financial strategy of the Trustees.

The Trustees approve the reports to the General Assembly for the UE prior to submission to the General Assembly; discussing with individual Agencies any apparent inconsistencies with the

policies, priorities and strategic objectives of the General Assembly, with the financial strategy of the Trustees and as between or among reports of various Agencies.

The Trustees attend the sittings of the General Assembly as corresponding members.

As required by the Constitution, the Trustees maintain a system of liaison trustees for each of the elements of the work of the UE in order better to understand the development of the agencies' work.

There have been changes to the approaches to budgeting from 2020, as provided for in the Constitution and Remit. Here, the Trustees have given the utmost support to the Chief Officer, General Treasurer and the Stewardship and Finance Department in preparing for zero-budgeting and sustainable five-year plans. A continued restriction on new expenditure or on the reallocation of authorised expenditure continues to be imposed unless with the authorisation of Heads of Department, the Chief Officer and the General Treasurer as necessary.

2022 was the last year of the Ministries and Mission scheme through which congregations help fund the Church's work. 2023 will see the introduction of the new Giving to Grow scheme which replaces the Ministries and Mission scheme. The Giving to Grow scheme created by an independent panel, convened by the Very Rev. Dr Russell Barr, was approved at the 2021 General Assembly for implementation in 2023 and addresses various concerns related to the previous arrangements, with a view to applying a system that builds and strengthens the local Church. The detailed regulations of the new scheme were presented to the General Assembly in May 2022.

Giving to Grow is still an income based system but is linked to the cost of a Minister of Word and Sacrament and, in a context where in recent times only 44% of charges contribute the whole cost of such a ministry, the new scheme makes it clear to members locally what their congregation will contribute towards that cost. It includes some provision for transitional funding for those congregations which will have an increase in the level of their contribution.

Under Giving to Grow £38.0 million (net of transition funding) will be collected from congregations in 2023.

Management

The Senior Management Team ("SMT") exists to ensure work towards the strategic and operational goals of the Church are aligned and since January 2022, comprises:

- The Chief Officer
- The Head of Faith Action Programme
- The Solicitor of the Church
- The Head of Human Resources
- The General Treasurer
- The Head of Communications
- The Head of Estates
- The Head of IT (from February 2022)
- The Head of Analysis and Programme Development

Management meetings incorporate two specific sets of arrangements to ensure that strategic and operational areas are appropriately addressed.

All members of the SMT are Key Management Personnel – defined as those members of staff who are the senior management personnel who have delegated significant authority or responsibility in the day to day running of the charity.

The Delegates Team is a group from the SMT to whom the Chief Officer delegates authority when unavailable. The team comprises:

- The Head of Faith Action Programme
- The Solicitor of the Church
- The Head of Human Resources
- The General Treasurer

Staff pay is based on a comprehensive job evaluation system with staff placed on one of 11 bands. The 2019 Special Commission recommended that the pay structure be reviewed. This process commenced in 2021 and was completed during 2022. The review considered benchmarks and parameters for the pay levels of these bands. All staff were placed on new bandings as a result of the review.

CrossReach have their own separate Chief Executive Officer who has formal interface arrangements with the Chief Officer and General Treasurer of the Church on the finances of CrossReach. Where any

operational matters might impact on the Church either financially or in terms of potential risk, the Chief Executive Officer is included within Key Management Personnel meetings.

General

Further information about the activities of the Church of Scotland and its constituent elements can be found on the Church of Scotland website. More detailed reports and information can be found in each year's Reports to the General Assembly which are issued to all General Assembly Commissioners and are available publicly.

The Church also publishes a Yearbook with contact details for its presbyteries, congregations, ministers and senior officials and this also contains useful general information about the Church. The Yearbook is available for purchase on-line from Saint Andrew Press.

Achievements and Performance

The Assembly Trustees have noted across the two previous Annual Reports the challenges that were being presented by the Covid-19 pandemic. Thankfully, the pandemic and restrictions which were imposed on so many aspects of daily life, including the Church's fellowship and worship, have significantly eased. However, the invasion of Ukraine became a terrible reality in February with huge local and worldwide consequences. New pressures in the form first of an energy crisis and then a more general cost of living crisis brought about by inflationary pressures are now a dominant factor.

The work of the Trustees, under the Convenorship of a new Chair, has continued apace with the process of change dominating the Church and Trustees agenda over the last twelve months.

Further new style Presbyteries have been created with Forth Valley & Clydesdale, Edinburgh & West Lothian and The South West joining the already established Presbyteries of Fife and Clyde as the Church moves toward the target figure of around 10 larger units. A major feature of the year has been the intense and detailed process of implementing the Mission Planning Act (2021) which has been led locally at Presbytery level. This has touched every congregation within Scotland as the future landscape of parish life is shaped and agreed against a set of goals targeted at delivering future sustainability. The Presbytery Mission Plan Implementation Group within the Faith Nurture Forum has been active throughout the year in meeting, discussing and approving each of the Presbytery Plans. The need to change the configuration of Parish life has come about due to the continued fall in congregational numbers, a trend that began in the 1950s, coupled with the dwindling number of people recruited to ministry that cannot match the significant number of current Ministers reaching retirement age. Recruitment to Ministries remains one of the most significant priorities for the Church.

Whilst the pandemic brought significant hardships, one of the positive legacies that has remained within Church life is the adoption and use of technology for worship and meetings. A number of congregations either invested in or upgraded their existing IT facilities, many accessing funding from external sources in support of this. As a result, the development of a hybrid worship style has become a permanent feature for many congregations. The first gathering of a hybrid General Assembly met in May with people in-person and online, a practice that is set to continue with feedback demonstrating that this was a welcome development. Sanctuary First, an online worshipping community of the Church

of Scotland and originally conceived within Falkirk Presbytery has now been separately incorporated in 2022 and is supported by the Faith Nurture Forum.

The Church of Scotland paid tribute to Her late Majesty Queen Elizabeth for her faith, service and dedication throughout her long reign. Before the Lying at Rest in St. Giles' Cathedral when members of the public could pay their respects, the Moderator gave a homily in memory of Her Majesty during a Service of Thanksgiving attended by King Charles III, the Queen Consort, members of the Royal Family, religious and political leaders. The Moderator also read a prayer at Her Majesty's funeral service in Westminster Abbey. King Charles III's first act after officially being proclaimed King was signing an historic oath in which he vowed to uphold the Presbyterian System of Church governance in Scotland.

As the year has progressed, the cost of living crisis has become a stark reality for people across the UK. The Church within this year's Assembly reaffirmed its commitment to supporting the poorest people in society at the 'heart of all that it does' and in August was one of the 56 faith groups, charities and politicians in response to a Cost of Living report calling on the UK Government to bridge the cost of living gap which is plunging people further into poverty. At a practical level, many congregations support food banks and more recently warm banks. In response to the crisis, the Assembly Trustees repurposed the Small Grants Fund into the Winter Support Fund, enabling congregations to apply for up to £5,000 to assist their local communities through the winter period. Due to demand, additional funds were assigned to this fund.

With the easing of Covid-19 travel restrictions, the Church's outreach internationally, in the form of physical presence, has resumed while taking account of priorities. Given the environmental and financial impacts of any travel, significant visits, supported through the Faith Impact Forum, include the former Moderator's visit to Hungary and Ukraine in May to find out how donations from Church of Scotland

members were being used to support people affected by war. The current Moderator was due to accompany the Pope and Archbishop of Canterbury on a historic trip to South Sudan for the 'Ecumenical Pilgrimage of Peace' in 2022, but the trip was postponed until February 2023. Students continue to be supported in their travel and study within the UK whilst the Church's work, and advocacy, in the Middle East, continues.

Ecumenically, an historic declaration of friendship between the Church of Scotland and the Catholic Church in Scotland was signed in November at Dunfermline Abbey in the presence of Her Royal Highness, Princess Anne.

Change has continued within the Church National Offices following the staff of the Faith Nurture and Faith Impact Forums coming together in late 2021 as the Faith Action Staff under the direction of the Head of Faith Action Programme. Significant focus has been given on streamlining and prioritising work areas within the Programme. The Trustees too have given increasing prominence to the importance of prioritisation of work undertaken at a national level, given financial and capacity challenges and the overarching imperative of the Church's underlying purpose and calling.

The Pay and Grading review for the staff of the Central Services Committee was completed within a very challenging timetable. The process, begun in November 2021, saw staff informed of the results of the review at the end of July with the appeals process being completed by mid-September and the new pay structure implemented from 1 October. This completes all outstanding major recommendations from the 2019 Special Commission which brought about the creation of the Assembly Trustees.

In line with previous years, tight financial controls have remained for the work of the national Church. A five year rolling budgeting process has been implemented with the savings that are required to be made by all departments and functions incorporated into these estimates. The congregational financial returns demonstrate that congregations have been able to keep pace with previous years' giving although currently it remains unclear what impact the pandemic has had on congregational reserves. The Giving to Grow process, designed to leave more money locally whilst ensuring that ministry costs are met is in the final stages of roll out for implementation across congregations from 1 January 2023. Discussions with presbyteries regarding future funding have continued as the new Scottish

Presbyteries are formed and implemented. Proposals are also being progressed with the Presbytery of International Charges and Presbytery of England to finalise the overall budget. Presbytery Funding, as well as additional central support that can be supplied in the form of IT, HR and Payroll/Pension provision, is discussed with each of the new presbyteries as they come into being.

The work of CrossReach has continued with much to be celebrated this year, not least with the 60th anniversary of the Tom Allan Centre in Glasgow which has continued to operate as a counselling service with over 380 clients supported through over 4000 hours of counselling. In September, a former service user and now support worker was one of the three finalists within the Scottish Social Services Awards. The Heart for Art project, run in care homes and church halls across the country, is a community-based initiative which supports people living with dementia and enables them to freely express themselves and find new ways to communicate through art. This year they were shortlisted as finalists in the Luminare Creative Ageing Awards with one of the artists being recognised separately in the category of outstanding older artist.

The 2022 CrossReach Employee Awards saw a number of staff, volunteers and teams nominated for commitment to learning and development, innovation and excellence, and a host of exceptional achievements as well as recognising long service. Master of Ceremonies, Jason Leitch (Senior Clinical Advisor to the Scottish Government), joined with the Moderator in praising the dedication, commitment and achievements of the CrossReach workforce family as he addressed the finalists. In October 2022, CrossReach held its first series of World Café Events designed to enable the voices of people using the services to be heard and ensure that they are at the heart of decision making.

Against this backdrop, it was with deep sadness that the decision was taken to close Budhmor Care Home which finally shut its doors after serving the community of Portree for over 70 years. A number of factors influenced the closure including an inability to recruit staff, the losses being incurred and the lack of funds available to rebuild the home to modern day standards.

Audit and Compliance

The Church of Scotland has an Audit Committee to advise and assist the Trustees in the oversight of financial reporting, systems of internal control and risk management and processes related to these systems. The principal requirements of the remit are to oversee the financial and other relevant reporting processes implemented by management, to consider the integrity of the annual accounts, and accounting policies, to keep under review the adequacy and effectiveness of internal financial controls and procedures, to oversee the relationship with the external auditors, and to review procedures established by management for detecting fraud and whistle blowing.

The Internal Audit function was delivered in 2022 by Azets and the Church's own Audit and Compliance Officer. The internal auditors produce an annual programme of work based on an assessment of audit risk which seeks to ensure that all of the main areas of activity are periodically reviewed. Audit reports are submitted at the end of each assignment and an annual audit report is made to the Audit Committee expressing an opinion on the systems of internal control in place in the UE based upon the work undertaken in the year to which the audit opinion relates.

Azets conducted four reviews in their 2022 work programme covering Grant Funding Distribution, CrossReach Devolved Services, Communications, and support for the Delegated Authority review. Overall, Azets' opinion is that the Church of Scotland has a framework of controls in place that provides adequate assurance regarding the organisation's governance framework, risk management and achievement of objectives.

The Audit and Compliance Officer conducted a review of the CrossReach Quality Assurance Framework, part one of a Financial Control Framework review at CrossReach (part two to be completed in 2023), a review of the Safeguarding Service, and a Delegated Authority mapping exercise. Overall, the Audit and Compliance Officer considers that the Unincorporated Entities of the Church of Scotland generally had an adequate framework of controls over the systems that the Audit and Compliance function examined during the period.

Principal Risks and Uncertainties

Risk Management is a focus of the revised Governance Group. The Trustees, through the Chief Officer, continue to review the approaches to Risk and Resilience and are of the opinion that the majority of the principal risks highlighted in the Annual Report for 2021 remain.

The ability of the Church to successfully address its challenges is the key risk. The challenges are evident and understood, to varying degrees, at national level, at presbytery level and within congregations. The national structure is progressing towards becoming a more sustainable, affordable organisation that is fit for the future. This is an area that has undergone significant change since the 2019 Special Commission Report and continues to evolve.

Work has continued to progress through 2022 in the strengthening of governance arrangements, revision of policies and reduction in duplication of roles within the national organisation. All Faith Action Programme staff have been brought together into one business area under the leadership of the Head of Faith Action Programme.

In terms of National Office reporting, this is in the form of performance information from all areas and governance data is received on a monthly basis by the Chief Officer and presented to the quarterly meeting of the Assembly Trustees Governance Group. Support from the national administration relating to Human Resources, IT and Payroll/Pension support has been offered to all of the newly forming presbyteries with a number taking up the provision. At a local level, the Mission Planning Process is targeted at reshaping the configuration of congregations and mitigating a number of key risks. Through this process the new parish landscape across Scotland is beginning to emerge as the plans reach the final stages of agreement.

Congregational Numbers: A material risk remains in relation to the continuing fall in membership numbers, a trend that began in the late 1950s. As stated in previous years, the fall in numbers has significant impacts for trust governance, both in terms of income and in terms of people available for leadership roles, at all levels. The Trustees are working towards readying the Church for growth. The funding through Seeds for Growth is one action taken to help with growth.

Church Finances: The Chief Officer and General Treasurer remain focused on the Church's financial position in both the short and long term. In order to provide some remedy to the projected shortfalls, there is a constant focus on cost reduction measures, improved forecasting and the introduction of a rolling five year budget with annual cost savings factored in. Importantly there is also a real drive on improving future income. The Mission Planning Process will result in a reduction in the number of charges and congregational buildings that are costly both in terms of people and finance, although the process is acknowledged to have caused some difficulty and distress at local level.

IT Technology: Due to the increased reliance the organisation has on technology, with the accompanying threat from criminality, the IT infrastructure and Security remain a focus area for the Trustees. Significant investment has recently been undertaken by the Church in this area. A new Head of IT has further developed the IT strategy and associated investment programme to enable a reduction in IT vulnerabilities. The Head of IT is supporting the new presbyteries by incorporating them within the national IT infrastructure wherever possible thus reducing the risk that can be posed by presbyteries operating without dedicated support.

Social Care: The key challenge relates to the ongoing difficulties in the recruitment and retention of staff which affects all service areas. This has had an impact on the finances during 2022 and additional staffing costs are projected into 2023. It also impacts the wellbeing of current staff who are covering additional shifts which would otherwise be uncovered or involve bringing in agency staff.

The rising cost of utilities has had an effect on the 2022 budget outturn. Gas and electricity are purchased through the Scottish Government's public procurement framework which is due to renew in April 2023.

Given the uncertainty around future rates a significant provision of £1.1m is being carried as a contingency in the 2023 budget.

Cost of living pressures are felt acutely in the social care sector as a whole. Rising costs of food and services, whilst provided for, remain unpredictable. This also affects the ability to recruit as wages have not kept pace with inflation.

A new Bill, The National Care Service (Scotland) Bill was introduced in Parliament in June 2022 and is currently being consulted on. If passed, it will bring about changes to the ways in which social care is commissioned and paid for. As yet too little is known about how the National Care Service will impact on CrossReach in the longer term but we are not anticipating an impact in 2023. The financial constraints on both Scottish and Local Government funds however may mean that they have the inability to fund a full programme of work in 2023, including investment in social care.

Historic Child Abuse: Scotland's Redress Scheme is now in place, through which organisations can make payments to allow reparation to be made to survivors of abuse in care. The Church's contribution to the Scheme, as part of the national collective endeavour to acknowledge the harms of the past, has been agreed with the Scottish Government. The first core payment was made in 2022 and the future cost was provided in full in the 2021 financial statements. Separately a potential remains for civil claims for compensation relating to past abuse in care. The Social Care Council continues to be a core participant in the Scottish Child Abuse Inquiry.

Cost of Living: Whilst the risk and uncertainty presented through Covid-19 has significantly reduced, the cost of living crisis has increasingly become a factor throughout the year. Fuel costs are proving to be particularly acute for the Social Care Council due to the number of residential homes it operates. Following a deliverance at General Assembly 2022, a programme was developed to enable means tested support grants to be paid to Ministers living in Manses who qualified under standard hardship rules with around 130 grants being paid out. Pay increases, for Ministers and UE Staff, for the forthcoming year have included the recognition of the rising cost of living, set against what is affordable for the organisation. The Charity will continue to monitor the rising costs across all areas in order to make appropriate cost reduction responses where possible.

Net Zero Targets: The General Assembly of 2020 set an ambitious target in respect of Net Zero and the year 2030. Planning work has begun in this area, which acknowledges that the number, condition and age of buildings across the Church presents a real challenge to the end date in terms of programme scope and affordability.

Financial Review

The Church's Vision Statement gives scope for the life of the Church to be expressed in a variety of ways:

The Church of Scotland seeks to inspire the people of Scotland and beyond with the Good News of Jesus Christ through enthusiastic worshipping, witnessing, nurturing and serving communities.

The activities carried out by the Church in furtherance of the overall charitable purpose - the advancement of religion – have always been diverse. In furthering mission throughout Scotland in the years immediately ahead the Church must ally financial soundness and proactivity to its missional purpose.

The Church works in partnership with others, including churches from around the world, ecumenical partners, interfaith networks, charities and individuals and engages with Government and civic society, believing that the Good News of Jesus is relevant within the spheres of politics and decision-making, as well as in our local communities and congregations.

The General Assembly 2022:

- Noted the 2023 budgets.
- Agreed to implement the Giving to Grow Scheme from 1 January 2023 and approved the proposed regulations.
- Agreed the total number of ministry posts to be allocated across Presbyteries for the next five years.
- Agreed to the creation of an Active Faith Leadership Team with four Programme Groups which would undertake the work currently managed under the remits of the Faith Nurture and Faith Impact Forums.
- Agreed to the establishment of a £25m Seeds for Growth Fund, designed to support Church growth and revitalisation which will run for 7 years from 1 January 2023.

Since the General Assembly in May 2022, an important focus for the Trustees, together with the Chief Officer and his staff in consultation with the Principal Clerk, continues to be gathering data so as to have and share as accurate as possible an overall picture as to the impact of the pandemic on the life of our Church, both locally and nationally, and to apply the Church's human and economic resources for the strengthening of local congregations.

Congregations have been affected in different ways by the pandemic. Some have been able to avoid potential losses, with members having kept up or even increased their offerings. Others, however, who depended heavily on funding from sources such as hall lets or café income, have been hit hard. Analysis of 2021 congregational accounts revealed that assessable income of congregations decreased by 5% overall.

Specific areas standing out in 2022 are:

- Assessed congregational contributions for 2022 presented an increase of 7.0% compared with those in 2021.
- Cost of living pressures have impacted across the Church. In particular this can be seen through fuel costs for CrossReach due to the number of residential homes operated. Following the General Assembly 2022 support grants were awarded to qualifying Ministers living in Manses.
- The pressures on CrossReach continued in 2022 with additional costs and enforced restrictions. However, these continue to have been offset in part by increased support through Social Care Sustainability Payments.

CrossReach received income of £1.8 million in the year from Social Care Sustainability Payments to cover additional costs incurred as a result of Covid-19.

The Trustees continued to support CrossReach in discussions on financial sustainability but efforts became more focussed on management of the immediate financial position resulting from the pandemic.

CrossReach has a wide range and depth of activities in Older People's Services, Children and Families and Adult Care, it accounts for almost half of the Church's income and expenditure, and is the single largest category of the Church's expenditure.

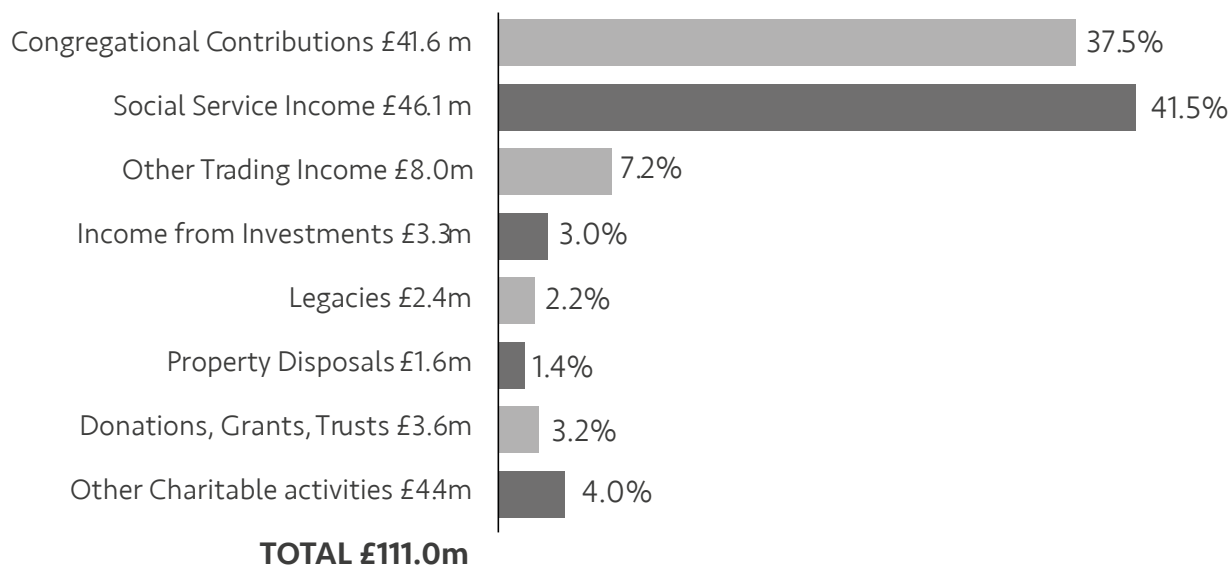
Expenditure on parish ministry costs accounts for the majority of the Church's other expenditure, and should be funded by congregational contributions. During 2021 the accounting for reserves was amended. Funds are now recognised/classified as restricted by their purpose rather than by allocation to a specific Agency, and all unrestricted funds have been transferred to the General Fund in the year. The purpose of an unrestricted fund is no longer tied to a specific Agency, and all funds are directly controlled by the Trustees.

This Financial Review refers to the consolidated financial results which also include certain trading operations in Israel, carried out under the aegis of the Faith Impact Forum.

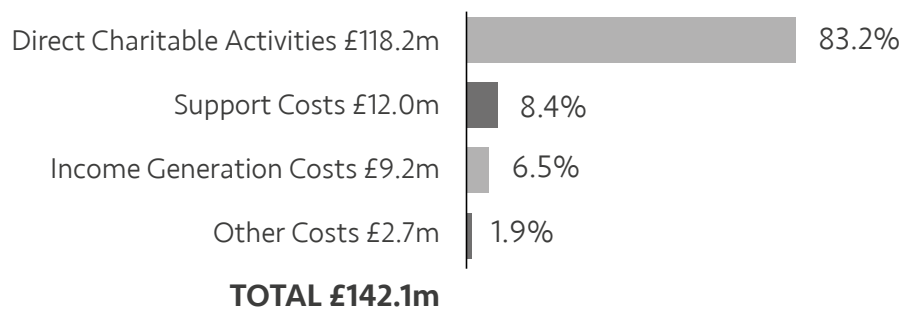
Headline results for 2022 were:

- Income for the Group was £111.0 million and expenditure was £142.1 million, giving a deficit of £31.1 million before investment losses. This compared to income of £110.7 million, expenditure of £112.4 million and a deficit of £1.8 million in the previous financial year.
- Expenditure included a charge of £27.5 million (2021: £2.4 million) as a result of discretionary increases to Ministries' pensioners in the closed defined benefit scheme. During the year the Pension Trustees awarded annual discretionary increases to the members of the Ministers scheme with pre 1997 service. As these increases will be made in perpetuity this has resulted in the increased past service cost during the year.
- CrossReach's operational deficit before losses on investment assets was £4.4 million compared to an operational surplus of £0.1 million in the previous financial year.
- The trading results of the Israeli operations showed a total operating loss of £0.9 million compared to an operating profit of £0.4 million the previous year.
- Poor market conditions at the year end resulted in an unrealised loss of £17.3 million (2021: gain of £12.7 million) on investment assets.
- The Church's system for allocating budgets to congregations is a key element in ensuring that its ministry and mission can be paid for and income from congregational contributions was £41.6 million in 2022 compared to £39.2 million in 2021, with the increase being due to the overall reduction in 2021 in aggregate Ministries and Mission contributions which was not applied in 2022.
- Legacies received amounted to £2.4 million, of which unrestricted legacies were just under £0.9 million. In 2021 legacies of £3.0 million were received.
- Unrealised losses of £17.3 million on investments, net expenditure of £31.1 million, positive pension scheme adjustments of £36.8 million and pension past service costs of £27.9 million meant that the funds of the Group decreased by £11.6 million to £204.1 million.
- An impairment charge of £0.7 million (2021: £0.3 million) was recognised due to the potential reduction in value on specific CrossReach properties.

How our activities were funded

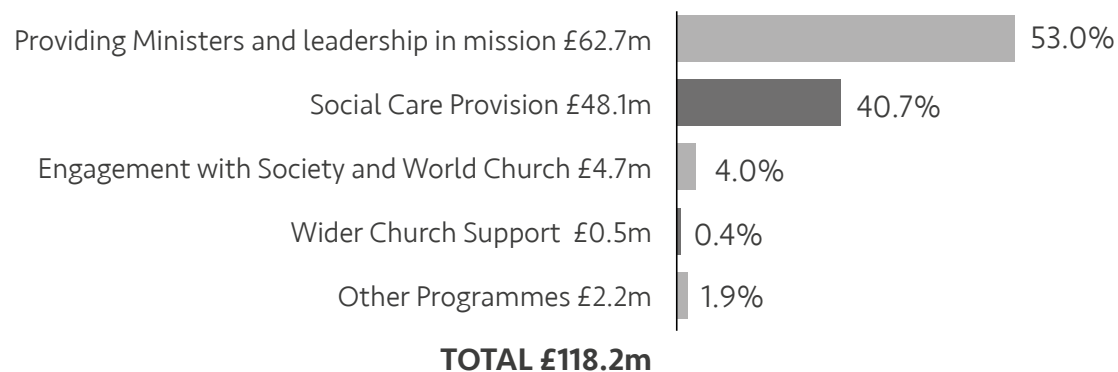


How this was used



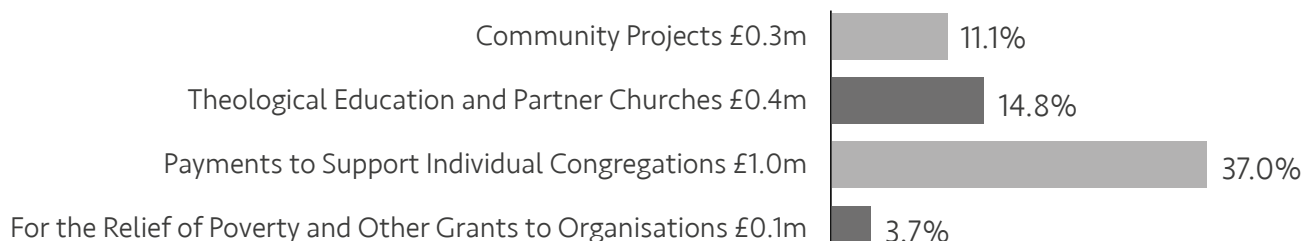
- Congregational Contributions are amounts receivable from all Church of Scotland congregations based on their average assessable income over three years using a scale to calculate an amount of Ministries and Mission contribution for each congregation. Most of this funds the provision of ministers and others providing ministry at a local level, as well as funding wider mission and support costs needed to enable this work to be carried out.
- Social Service Income supports the charitable activities of CrossReach, the Church's Social Care arm, and comes mainly from care contracts with local authorities, as well as self-funding clients.
- Other charitable activities are programmes with charitable aims which also provide the Church with income such as the production of publications such as Life and Work.

Direct Charitable Activities

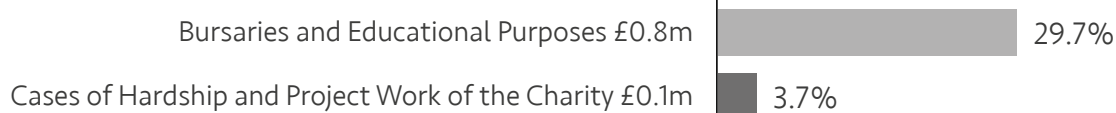


Charitable Grant Making Activities

Grants to Institutions:

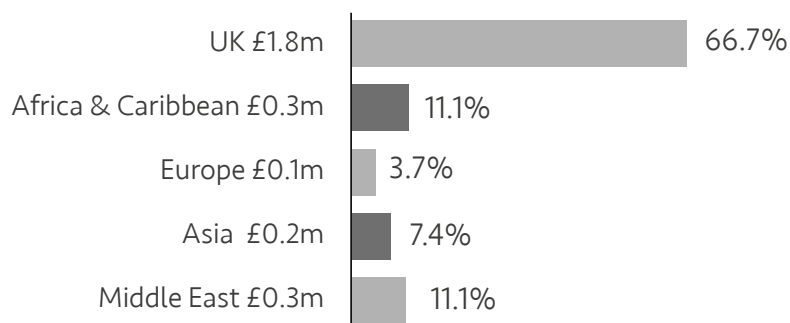


Grants to Individuals:



TOTAL £2.7m

Geographical Spread of Grants



TOTAL £2.7m

Income Overview

Income from all sources in 2022 was £111.0 million, an increase of £0.4 million on the previous year. Income from congregations recognised in the accounts was £2.4 million more than in 2021, at £41.6 million. This reflects the overall reduction in aggregate Ministries and Mission contributions by 18% during 2021 which was not replicated in 2022.

Legacies received were lower than in 2021 at £2.4 million. Other trading income increased by £1.6 million to £8.0 million with the increase in revenue due to the Israeli subsidiaries.

The table below outlines the trends in the Church's main categories of income over a five year period.

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Income by Type					
Congregational Contributions	41.6	39.2	45.5	47.2	46.3
Social Care	46.1	46.2	42.8	43.4	43.0
Other Charitable Activities	4.4	5.4	3.1	3.4	4.5
Legacies	2.4	3.0	1.1	2.5	2.3
Donations, Trusts, Grants	3.6	2.5	2.4	2.2	1.8
Other Trading Activities	8.0	6.4	4.5	8.4	7.4
Investment & Other	4.9	7.9	4.9	7.0	6.2
Total	111.0	110.6	104.3	114.1	111.5

Trends in Congregational Contributions

The General Assembly of 2020 approved an 18% reduction in aggregate congregational Ministry and Mission contributions for 2021 to relieve the pressure experienced by congregations as a result of Covid-19. This led to the reduction in congregational income received in 2021. The General Assembly of 2021 agreed to lift the moratorium on increasing Ministries and Mission contributions imposed by the General Assembly of 2019 and approved Ministry and Mission contributions for 2022 of £42 million, which continued to be a reduced contribution compared to levels requested prior to Covid-19 restrictions. The amount remaining to be received from congregations at the year end 31 December 2022 has increased slightly from the previous year as shown in Note 18 (£2.2 million compared to £2.0 million in 2021).

During 2022 the Presbytery Discretionary Allowance against income, an amount available to presbyteries for use which includes support to congregational missional projects and assistance to congregations facing financial difficulty, continued at the rate of 5%.

The income recorded in the Statement of Financial Activities (SOFA) represents contributions required from congregations, less reductions given by presbyteries from their 5% allowance and vacancy allowances given to eligible congregations during 2022. Presbyteries can use all or part of their Discretionary Allowance to assist congregations in paying their contributions. Although the Discretionary Allowance has supported the collection of congregational contributions there has also been a slight decrease in the provision required against congregational debts in 2022. 96.6% of the contributions due for 2022 had been received by 31 December 2022. As shown in Note 4 to the financial statements, Stipend Endowment and glebe rental income totalling £3.6 million was also received from the General Trustees, giving the total congregational income recorded of £41.6 million.

A review of the Ministries and Mission contribution system was undertaken by an independent working group and approved by the General Assembly of 2021 in May of the same year. This led to the Ministries and Mission scheme which was in place in prior years and in the year to 31 December 2022 being replaced by the new Giving to Grow scheme for 2023 and future years. Giving to Grow is an income based system linked to the cost of a Minister of Word and Sacrament.

The first three years of Giving to Grow (2023 – 2025) include the application of transition funding, provided for the congregations who will experience an increase in their Required Contribution under Giving to Grow

Contributions, net of transition funding, due from congregations in 2023 are £38m.

An online facility continues to be available on the Church's website to allow individuals to contribute to the General Funds of the church. The donation facility has also been used by individuals to donate to congregations. During 2022 £0.2 million was donated using this method, the majority given for specific congregations and the balance for general purposes within the Church; where applicable the donations have been transferred directly to the beneficiary congregation.

Generosity of our Supporters

Our members and supporters have continued to be committed to funding projects of the Church, as reflected in voluntary donations from individuals and congregations remaining at about £1 million over several years. The work of CrossReach, and to some degree other projects of the Church, also attracts significant funding from external trusts. The donations received are spread over many separate projects within the Church. Given that congregations and individuals have faced their own financial pressures during the challenging economic environment, this is again very encouraging and demonstrates the potential for our projects to enthuse donors. The bigger challenge is to receive unrestricted donations and the Stewardship team is currently working on ways of promoting these.

Legacies Making a Lasting Difference

For many people, leaving a legacy in their will is a significant opportunity to make a real difference to the Church. Legacies gifted to support the UE enable work which might not otherwise be possible. Income from legacies of earlier years is still being put to good use. In 2022, income from legacies was over £2.4 million (2021: £3.0 million). Legacies without restrictions are vital to our work, providing flexibility to be used where most needed. In 2022, unrestricted legacies for any work of the Church were £0.9 million (2021: £1.2 million). Unrestricted legacies provide a vital source of funding for the General Fund (previously the Mission and Renewal Fund), the only fund the Church has available for wider application. In 2022, CrossReach benefited from total legacy income of £1.0 million. The Trustees are deeply grateful for the generosity of those who provide for the Church in their wills.

Trading Activities

Income from Other Trading Activities of £8.0 million comprises trading income from the Israeli entities of £7.8 million (2021: £6.2 million) and fundraising income of £0.2 million (2021: £0.2 million). The Israeli operations were significantly impacted by the pandemic in 2020 and 2021 but have all now returned to pre pandemic levels of trading. All three entities have reported improved revenues for the year (as shown in Note 30).

Whilst revenue has increased, so have expenditure levels, resulting in all three entities showing deficits for the year. St Andrew's Galilee Limited recorded a deficit of £0.7 million (2021: surplus £0.6 million) and St Andrew's Scottish Centre Limited recorded a deficit of £0.1 million (2021: deficit £0.02 million) as shown in note 30.

With cost reductions in the entities, cash flow forecasts by the Scots Hotel and St Andrew's Guesthouse demonstrated that its operations could be maintained without any additional financial input from the National Church budget. However, to maintain required cash balances the Guesthouse made 50% payment towards the rental due to the Church of Scotland Trust in 2022 - the unpaid 50% remains due at the year end. The Hotel made all rental payments due in the year. Rental payments impact costs at the group level and income at the charity level.

Investment Income Funding the Church's Work

Investments provide a source of income for the Agencies as well as safeguarding the future of the Church. Reflecting the broader external environment, investment income increased slightly to £3.3 million compared to 2021 (£3.2 million). The small increase in 2022 was attributable to rising interest rates and interest from deposit and bank accounts increasing.

Other income was from Gains on Disposal of Property of £1.6 million (2021: £4.7 million), mainly relating to the Housing and Loan Fund. Also recorded in Other Income is £1.8 million (2021: £1.9 million) received by CrossReach for Social Care Sustainability Payments to cover additional reasonable costs as a result

of Covid-19. The decrease in other income in 2022 relates to gains on disposal of properties due to higher number of properties being sold in 2021 compared to 2022.

Expenditure overview

Supporting our activities

The Church's most valuable earthly resource are people. Much of their input is freely volunteered. Many are employed or in ministry positions and over 76% of our expenditure is on salary and stipend costs. This includes almost 800 (2021: almost 830) (full time equivalent) ministers and Ministries Development Staff, overseas Mission Partners and almost 1,100 (2021: almost 1,100) (full time equivalent) Social Care staff, and almost 170 (2021: almost 190) (full time equivalent) CSC staff. There are other costs associated with the running of such a large and complex charity, outlined in the table below.

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Expenditure					
Charitable	118.2	95.2	98.7	97.6	98.1
Support	12.0	8.9	8.4	8.8	8.4
Grants	2.7	2.1	3.0	4.7	4.2
Fundraising Costs	9.2	6.2	3.9	7.6	10.5
Total	142.1	112.4	114.0	118.7	121.2

Charitable Expenditure

Charitable expenditure for the year includes £27.9 million (2021: £2.8 million) in relation to current and past service costs for the defined benefit pension schemes, as calculated by the actuaries at 31 December 2022. During the year the Pension Trustees awarded annual discretionary increases to the members of the Ministers scheme with pre 1997 service. As these increases will be made in perpetuity this has resulted in the increased past service cost during the year.

Continuing Challenge of Providing, Supporting and Funding Ministries

The present demographic of the retirement of ministers is such that the combination of current numbers of candidates together with ordained individuals coming from other denominations will not keep pace with the decrease in numbers in the next few years, even with the reduced number of ministries approved by the General Assembly of 2021. The Faith Nurture Forum continues to identify training initiatives for the future provision of ministries and this work must be a fundamental focus of the Churches use of the sacramental and sacrificial giving from congregations.

Priority Areas

The Church continues to support the funding of a range of incentives directly in support of the poorest parishes in Scotland. These congregations are also contributors to the Church, in some cases very significantly, and one Trustee is minister in a Priority Area Parish.

Social Care

CrossReach's total expenditure in 2022 was £53 million, representing 52% of the Church's charitable and support costs (excluding the impact of the FRS102 calculation on the defined benefit schemes). The regulated nature of most of these activities meant that difficulties in recruiting staff in a number of areas and particularly in services to older people had to be compensated for by the use of more expensive agency staff.

During the restrictions imposed by the pandemic, CrossReach has taken the appropriate actions for its care homes and other residential and community services. The ongoing restrictions have resulted in continual increased costs and reduced income, but support has been received from Local Authorities through Social Care Sustainability Payments which amounted to £1.8 million in 2022.

Grant Making Activities

Pursuit of the Church's objectives has always included the making of external grants. The overall level of grants made in 2022 increased to £2.7 million from £2.1 million in 2021.

All grants are awarded in accordance with set criteria and evaluation systems which are in place to ensure full accountability. As the work of the Forums and Faith Action Programme will have to be prioritised within the funds available, grant-making activities will continue to come under review.

The Small Grants Fund was created in 2021 – it provides grants for short term projects (between three and twelve months) and can be claimed by congregations and presbyteries. £0.05 million of grants were awarded in 2022 from this scheme. Due to the cost of living crisis which arose during 2022 part of the Small Grants Fund was repurposed for Winter Support Funding together with some additional funding. The Winter Support Fund could be claimed by congregations, with support of presbytery with the purpose to support people in the local areas through winter at the time of increased need. £0.76 million of grants were awarded in 2022 from this scheme.

Plans for Future Periods

The targeted budget savings of over 30% set in 2019 were achieved against the national budget. However, given the challenging financial forecasts post pandemic the future sustainability of the Church remains a priority for the Trustees. The Chief Officer has been tasked to prioritise core work areas within the national budget in order to achieve further savings. Financial estimates show that a £6m annual reduction in budget will need to be embedded into the plans by 2026. The intention is to achieve this over a three-year period starting in 2024. This will require a significant change in scope, scale and focus of operations in the National Office.

A feature of the Church at national level is the participation of ministers, elders and members from local congregations in leadership of the Church's life and work. The General Assembly in 2022 agreed to a new configuration for the leadership of the Faith Action programme which encompasses areas of work historically undertaken by the Councils and then Forums of the Church. The detail will be presented to GA 2023. The intended structure will be for a single leadership team to operate with a number of subordinate programme groups to cover the themes of People & Training, Mission Support, Public Life and Social Justice and Resource and Presence (focusing on the commercial and income generating aspects of the Church). In advance of these changes, the staff of the two Forums were brought together as one staff group, Faith Action Staff, on 1st September 2022.

The new Giving to Grow scheme will launch in 2023 presenting a significant change to the methodology for collection of money from congregations to pay for ministers and fund both local and national mission. Accompanying this will be the impact of the Mission Planning Process which will result in changes to the numbers of ministries and congregations throughout Scotland and beyond. Good progress is being made in rolling out the new presbytery structures with a further three; Lothian & Borders; The North East & Northern Isles and Perth (amalgamating some fifteen Presbyteries) coming into existence as of 1 January 2023.

The Seeds for Growth Fund, providing estimated funding of £25 million, approved by GA 2022 is projected to run over the next seven years. This will launch on 1 January 2023 with the explicit purpose of encouraging church growth through the development of new worshipping communities. This work will be closely monitored by the Trustees through the Seeds for Growth Committee.

The Trustees aim to encourage missional leadership at all levels of the Church through working with Presbyteries as they in turn work with congregations. This emphasis on the local church seeks to foster and support a missionary movement where Presbyteries and Congregations have the confidence to engage successfully with their local mission context. Through Presbytery reform they are being encouraged to keep mission at the heart of all they do.

The Trustees recognise that for a longstanding mainline denomination to move in this direction requires significant work over a number of years. The process of change will take time, but the Trustees are confident that alongside the support of the wider Church and the strategic deployment of funds such as Seeds for Growth, a new era of mission and evangelism can be entered.

Reserves

Historically, most reserves had been held almost entirely at Agency level. As instructed by General Assembly in 2018, the accounting for reserves was reviewed and amended. Prior to 2021 funds had been internally allocated by the Trustees to a specific agency and therefore classified as restricted to that agency. These funds, however, were not restricted in the legal sense/for a particular purpose as stipulated by a donor, and therefore should have been shown as unrestricted. This treatment was amended in 2021. Funds are now recognised/classified as restricted by their purpose rather than by allocation to a specific Agency, and all unrestricted funds were transferred to the General Fund in 2021. The purpose of a fund is no longer tied to a specific Agency, and all funds are directly controlled by the Trustees. In 2021, this released over £46 million back into the unrestricted General Fund which had a balance of £67.2 million at the end of 2021 and a balance of £61.8 million at the end of 2022.

Research into the restricted funds began in 2018 and over the period actions have included removing what had been thought to be permanent endowment status and reclassifying from formally restricted by the settlor to merely designated by the Church (and therefore able to be used more generally). A number of funds have also been reorganised through application to the Scottish Charities Regulator ("OSCR"). During 2022 the Augusta Lamont Bequest Fund was formally reorganised which resulted in a transfer of £6.2 million from endowment funds to restricted funds.

The Trustees have set a target to maintain free reserves representing approximately three months expenditure of the UE of £32.7 million (2021: £26.1 million); and this target is currently being met and free reserves currently represent over six month's expenditure of the UE.

As at 31 December 2022 reserves for the ongoing work, categorised as being total funds excluding tangible and intangible fixed assets, endowments and programme related investments but including some Restricted Funds, were £138.2 million (2021: £134 million). This equates to over 12 months of expenditure.

The Trustees consider that this is an appropriate level of reserves taking into account the following factors:

- the level of congregational income upon which half of the income is based can, under normal circumstances, be reasonably estimated;
- a relatively high level of reserves is required to meet the stipends of ordained ministers due to the nature of ministerial tenure and the broad range of the Church's operations;
- the ongoing structural changes relating to Presbytery Funding, the new Giving to Grow system from 2023 and Presbytery Mission Planning;
- the Assembly Trustees monitor the reserves and have strategies in place to balance budgets and use reserves appropriately; and
- ongoing research into the restrictions on reserves.

As at 31 December 2022, total funds for the UE were £204.1 million (2021: £215.7 million), of which £111.9 million (2021: £116.9 million) was in Restricted Funds, £5.2 million asset in the Pension Reserve (2021: £3.0 million liability), £17.5 million (2021: £25.9 million) in Endowment Funds and £69.5 million (2021: £75.9 million) in Unrestricted Funds.

Investment Policy – Unlisted Investments

Under powers given by the Church of Scotland (Properties and Investments) Order Confirmation Act 1994, the Unincorporated Entities are permitted to invest, to an unlimited extent, in the funds provided by The Church of Scotland Investors Trust. Any investment outwith the Trust is subject to the provisions of the Charities and Trustee Investment (Scotland) Act 2005.

The UE investments are managed to maximise the overall return on funds. The Trustees' predecessors had a policy of using only the Investors Trust and protocols were put in place to ensure proper governance and accountability.

The Investors Trust has an ethical investment policy under which investment is avoided in any company whose management practices are judged by it to be unacceptable. In particular, investment is avoided in any company substantially involved in gambling, tobacco products, alcohol, armaments and, since 2016, in the extraction and/or sale of thermal coal and/or oil extracted from tar sands. In general, investment is sought in companies that demonstrate responsible employment and good governance practices, have regard to environmental performance and human rights and act with sensitivity to the communities in which they operate.

The Investors Trust offers three funds - the Growth, Income and Deposit Funds - and investors obtain the benefits of professional management, continuous portfolio supervision, spread of investment risk and economies of scale.

The Growth Fund aims to provide good total returns over the long term, generated by diversified global investments in growing economies. Total returns are received from the combination of capital growth and income. The Fund is managed by Newton Investment Management Limited.

The Income Fund is mainly invested in fixed interest securities and aims to provide sustainable income and to protect the nominal value of capital. The Fund is managed by Royal London Asset Management.

The Deposit Fund is intended for short-term investment and aims to provide a competitive rate of interest, whilst preserving nominal capital value. The Fund is invested in short-term deposits with banks and building societies and is managed by Thomas Miller Investment Limited. The short term cash of the Charity is deposited with the Investors Trust or on overnight deposit with the Royal Bank of Scotland.

None of the Investors Trust's funds are exposed to complex instruments such as derivatives or interest rate swaps. The Investors Trust's statement of investment policy is also reviewed annually and issued to each Manager to ensure the objectives of each fund are clear and any restrictions complied with.

The ethical policy of the Investors Trust has been informed over the years by the General Assembly; and the Assembly Trustees follow a policy which was approved in 2018. The 2021 General Assembly appointed a Special Committee on Ethical Investment to determine how ethical investment decisions should be made within the Church.

Investment Performance – Unlisted Investments

In order to allow objective assessment to be made of investment performance, an internal benchmark reflecting ethical constraints has been agreed with the Managers of the Growth Fund. The Growth Fund's performance for 2022 was -9.2% (2021: 14.9%) compared to the benchmark total return of -6.7%. The Income Fund's total return was -12.16% (2021: 0.88%) against the composite benchmark of -17.72% (2021: -3.55%). The Deposit Fund's average annual rate of interest paid for 2022 was 1.16% (2021 - 0.08%).

Mixed Motive Investments

The Housing and Loan Fund makes loans to retired ministers, widows and widowers. Loans are repayable upon sale of the property. Interest is charged at rates between 1% and 2% to provide the Fund with an income to maintain its property portfolio.

Programme Related Investments

Investments include funding provided to The Church of Scotland Trust. There are three unsecured loans which are repayable over 39 years for one loan and 10 years for two new loans which were made during the year. No interest is charged on the loans. These assets contributed to the Church's stated purposes.

Provisions

Provisions are recognised where the charity has a present obligation resulting from a past event which will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. The Redress Scheme provision represents the core amount agreed with the Scottish Government to provide compensation under Scotland's Redress Scheme and reduces each year with the annual payments made in line with the agreed payment schedule. As the core payment has been agreed with the Scottish Government the full balance has been reclassified to other creditors.

Pension Schemes

As described in Note 32 to the Financial Statements, the Church closed its defined benefit pension schemes to future accrual from 31 December 2013 (1 August 2013 for CrossReach) and in its place, ministers and staff are now able to join a defined contribution group personal pension plan with Legal and General. CrossReach had already operated a defined contribution plan for new staff since 2003. The CrossReach defined benefit scheme reached surplus position and deficit payments ceased early in 2021.

In addition to a triennial valuation, the Scheme Actuary carries out a separate annual valuation in line with the requirements of Financial Reporting Standard (FRS102), which, through the application of differing assumptions, may result in a different funding position for financial reporting purposes. In 2022 there was a net decrease of £52.7 million in the irrecoverable surpluses in the defined benefit schemes over the previous year from £111 million in 2021 to £58.3 million in 2022.

Certain employees of CrossReach are members of Local Government Pension Schemes (LGPS) and since 2014 valuations have been included in the Financial Statements. At 31 December 2022 the Church's share of the surplus was £5.2 million (2021: deficit of £3.0 million). As the other defined benefit schemes are in surplus to varying levels (although the surpluses are not recognised as assets), the combined defined benefit pension scheme surplus shown on the balance sheet is therefore £5.2 million (2021: deficit £3.0 million).

Note 32 to the Financial Statements gives full disclosures as required by FRS102 and includes a charge for Past Service Cost in one of the schemes of £27.5 million (2021: £2.4 million). During the year the Pension Trustees awarded annual discretionary increases to the members of the Ministers scheme with pre 1997 service. As these increases will be made in perpetuity this has resulted in the increased past service cost during the year.

Gains and Losses

FRS102 requires the disclosure of actuarial gains or losses during the year and the combined gain of £36.8 million (2021: £7.5 million) on all defined benefit schemes is disclosed under Other Recognised Gains and Losses.

Each year the Church's investments are revalued at the unit price published by the Church of Scotland Investors Trust and the resulting unrealised loss for 2022 was £17.2 million (2021: gain £12.8 million).

Going Concern

The Trustees do not consider that any ongoing effects of the pandemic will cause any material uncertainty as to the ability of the Charity and Group to operate as a going concern for the foreseeable future. Cashflow forecasts have been prepared for the twelve months following the date of signing of the accounts, which show that activities budgeted for 2024 can be maintained. Mitigating actions have been taken to control expenditure and maintain income and this will continue during 2023 and beyond. As noted above, the Church holds reserves to cover at least one year of operation, with substantial amounts held as investments and other assets which may be readily liquidated.

The Trustees consider that their revised budgeting methodology and strict accountability measures will enable them to contain costs.

Apart from the external funding of much of the work of CrossReach, congregational contributions are by far the major income to the national budget. The new Congregational Contribution system (Giving to Grow), will be effective from 2023 and includes a review process to mitigate the effects of any major changes, subject to General Assembly approval.

Responsibilities of Trustees

Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charity and Group and of the incoming resources and application of resources for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice (SORP);
- make judgments 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the Constitution and Remit of the Trustees. They are also responsible for safeguarding the assets of the Charity and 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 Charity and financial information included on the Charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Trustees and signed on their behalf by:

Rev David S Cameron
Convener of the Assembly Trustees

Dave S Kendall BSc FRSC
Chief Officer

Edinburgh
1 May 2023

Auditor's Report

Independent auditor's report to the Trustees of The Church of Scotland (also referred to as The Church of Scotland Unincorporated Entities)

Opinion

We have audited the financial statements of The Church of Scotland Unincorporated Entities (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Financial Activities, the Charity Statement of Financial Activities, the Group and Parent Charity Balance Sheets, the Consolidated and Parent Charity Statement of Cash Flows, 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 FRS 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 2022 and of the group's and parent charity's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act.

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 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

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.

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 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.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the Annual Report and Accounts. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Trustees' Annual Report; or

Independent auditor's report to the Trustees of The Church of Scotland (also referred to as The Church of Scotland Unincorporated Entities) (continued)

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the statement of Trustees' responsibilities set out on page 26 the Trustees are responsible for the preparation of the financial statements and for being satisfied that they 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 and 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.

Auditors' 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks, that the group and parent charity operates in and how the group and parent charity is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Charities SORP (FRS 102)" effective 01 January 2019, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing the financial statements including the Trustees' Report.

The most significant laws and regulations that have an indirect impact on the financial statements are Data Protection Act 2018, Disclosure (Scotland) Act 2020, Social Work (Scotland) Act 1968, Regulation of Care (Scotland) Act 2001, and The Social Care and Social Work Improvement Scotland (Requirements for Care Services) Regulations 2011. We performed audit procedures to inquire of management

and those charged with governance whether the charity and group are in compliance with these law and regulations.

The audit engagement team identified the risk of management override of controls and recognition of legacy income as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates. With regards to legacy income, audit procedures involved assessing both recognised legacies and legacies of which the Group was aware but that remained unrecognised; in order to determine whether these have been appropriately recognised and in the current period, in line with the income recognition requirements of the Charities SORP (FRS 102).

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

Use of our report

This report is made solely to the charity's Trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). 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.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third Floor
2 Semple Street
Edinburgh
EH3 8BL

5 May 2023

RSM UK Audit 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 2022

Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2022 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2021 £000
Income from:								
4	44,568	3,016	-	47,584	41,877	2,816	-	44,693
5	7,981	11	-	7,992	6,378	3	-	6,381
6	1,207	2,088	-	3,295	1,190	2,056	-	3,246
7	3,224	45,454	-	48,678	3,536	45,872	-	49,408
8	173	3,240	-	3,413	962	5,953	-	6,915
15	6	-	-	6	8	-	-	8
	57,159	53,809	-	110,968	53,951	56,700	-	110,651
Expenditure on:								
9	8,777	353	-	9,130	5,852	316	-	6,168
10	75,928	57,005	-	132,933	49,882	56,402	-	106,284
	84,705	57,358	-	142,063	55,726	56,718	-	112,444
	(27,546)	(3,549)	-	(31,095)	(1,783)	(18)	-	(1,801)
14, 16	(6,135)	(9,080)	(2,099)	(17,314)	4,631	5,348	2,753	12,732
	(33,681)	(12,629)	(2,099)	(48,409)	2,848	5,330	2,753	10,931
29	(1,022)	7,342	(6,320)	-	66,726	(66,655)	(71)	-
	(34,703)	(5,287)	(8,419)	(48,409)	69,574	(61,325)	2,682	10,931
Other Recognised Gains and Losses								
15	25	-	-	25	6	-	-	6
32	28,245	8,509	-	36,754	-	7,476	-	7,476
	28,270	8,509	-	36,779	6	7,476	-	7,482
	(6,433)	3,222	(8,419)	(11,630)	69,580	(53,849)	2,682	18,413
	75,907	113,895	25,945	215,747	6,327	167,744	23,263	197,334
26, 27 & 28	69,474	117,117	17,526	204,117	75,907	113,895	25,945	215,747

The Statement of Financial Activities includes all gains and losses recognised in the year. All income, expenditure and resulting net movements are derived from continuing activities.

Charity Statement of Financial Activities for the year ended 31 December 2022

Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2022 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2021 £000
Income from:								
4	43,536	3,016	-	46,552	41,105	2,816	-	43,921
5	228	11	-	239	160	3	-	163
6	1,207	2,088	-	3,295	1,190	2,056	-	3,246
7	1,789	45,454	-	47,243	2,199	45,872	-	48,071
8	173	3,240	-	3,413	962	5,953	-	6,915
15	6	-	-	6	8	-	-	8
	46,939	53,809	-	100,748	45,624	56,700	-	102,324
Expenditure on:								
9	178	353	-	531	183	316	-	499
10	73,407	57,005	-	130,412	47,669	56,402	-	104,071
	73,585	57,358	-	130,943	47,844	56,718	-	104,562
	(26,646)	(3,549)	-	(30,195)	(2,228)	(18)	-	(2,246)
14, 16	(6,135)	(9,080)	(2,099)	(17,314)	4,631	5,348	2,753	12,732
	(32,781)	(12,629)	(2,099)	(47,509)	2,403	5,330	2,753	10,486
29	(1,022)	7,342	(6,320)	-	66,800	(66,729)	(71)	-
	(33,803)	(5,287)	(8,419)	(47,509)	69,203	(61,399)	2,682	10,486
Other Recognised Gains and Losses								
	(13)	-	-	(13)	(18)	-	-	(18)
32	28,245	8,509	-	36,754	-	7,476	-	7,476
	28,232	8,509	-	36,741	(18)	7,476	-	7,458
	(5,571)	3,222	(8,419)	(10,768)	69,185	(54,923)	2,682	17,944
	77,645	113,895	25,945	217,485	8,460	167,818	23,263	199,541
26, 27 & 28	72,074	117,117	17,526	206,717	77,645	113,895	25,945	217,485

The Statement of Financial Activities includes all gains and losses recognised in the year. All income, expenditure and resulting net movements are derived from continuing activities.

Balance Sheets as at 31 December 2022

Note	Group		Charity		
	2022 £000	2021 £000	2022 £000	2021 £000	
Fixed Assets					
12	Intangible Assets	58	117	58	117
13	Tangible Assets	45,185	46,190	35,614	35,937
14	Investments	133,493	149,394	135,008	150,922
16a	Mixed Motive Investments	6,216	6,725	6,216	6,725
16b	Programme Related Investments	10,142	9,539	10,142	9,539
	Total Fixed Assets	195,094	211,965	187,038	203,240
Current Assets					
17	Mixed Motive Investments	101	102	101	754
	Stocks and Work in Progress	99	101	38	37
18	Debtors: Amounts receivable within one year	12,133	11,621	10,533	10,169
19	Short Term Deposits	9,870	11,868	9,870	11,868
	Cash at Bank and in Hand	7,366	7,851	6,488	6,881
	Total Current Assets	29,569	31,543	27,030	29,709
20	Creditors: Amounts falling due within one year	(13,222)	(12,472)	(10,772)	(10,309)
	Net Current Assets	16,347	19,071	16,258	19,400
	Total Assets less Current Liabilities	211,441	231,036	203,296	222,640
21	Creditors: Amounts falling due after one year	(11,164)	(9,558)	(1,119)	(85)
22	Provision for Liabilities and Charges	(1,348)	(2,775)	(648)	(2,114)
		(12,512)	(12,333)	(1,767)	(2,199)
	Net Assets excluding Pension Asset/(Liability)	198,929	218,703	201,529	220,441
32	Defined Benefit Pension Asset/(Liability)	5,188	(2,956)	5,188	(2,956)
24 & 25	Net Assets including Pension Asset/(Liability)	204,117	215,747	206,717	217,485
The Funds of the Group and Charity:					
28	Endowment Funds	17,526	25,945	17,526	25,945
26	Unrestricted Income Funds	69,474	75,907	72,074	77,645
27	Restricted Funds:				
	Pension Reserve	5,188	(2,956)	5,188	(2,956)
	Restricted Income Funds	111,929	116,851	111,929	116,851
	Total Restricted Funds	117,117	113,895	117,117	113,895
	Total Funds of the Group and Charity	204,117	215,747	206,717	217,485

The Financial Statements were approved and authorised by the Assembly Trustees on 1 May 2023 and signed on its behalf by :

REV DAVID S CAMERON Convener of the Assembly Trustees

ANNE F MACINTOSH BA CA General Treasurer

The Notes on pages 35 to 72 form part of these Financial Statements

Statements of Cash Flows for the year ended 31 December 2022

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Cash Flows from operating activities:				
Net cash used in operating activities	(5,096)	(6,239)	(5,261)	(6,790)
Cash flows from investing activities				
Dividends, and rents from investments	3,162	3,232	3,162	3,232
Interest received	101	14	101	14
Proceeds from sale of property, plant and equipment	2,401	6,073	2,280	6,073
Purchase of property, plant and equipment	(2,201)	(2,677)	(1,816)	(2,347)
Purchase of intangibles	(3)	-	(3)	-
Loans granted	(383)	(84)	(383)	(112)
Loans repaid	242	433	242	433
Proceeds from sale of investments	1,501	8,861	1,501	8,861
Proceed from sale of mixed motive investments	763	-	763	-
Purchase of investments	(2,977)	(11,058)	(2,977)	(11,058)
Net cash provided by investing activities	2,606	4,794	2,870	5,096
Change in cash and cash equivalents in the reporting year	(2,490)	(1,445)	(2,391)	(1,694)
Cash and cash equivalents at the beginning of the reporting year	19,719	21,491	18,749	20,461
Change in cash equivalents due to exchange rate movements	7	(327)	-	(18)
Cash and cash equivalents at the end of the reporting year	17,236	19,719	16,358	18,749
Reconciliation of net (expenditure)/income to net cash flow for the reporting year				
Net movement in funds for the year per the Statement of Financial Activities	(11,630)	18,413	(10,768)	17,944
Adjustments for:				
Depreciation charges (net of foreign currency adjustments) and impairment	2,441	1,860	1,502	1,124
Dividends interest and rents from investments (including pension schemes)	(3,162)	(3,232)	(3,162)	(3,232)
Profit on sale of fixed assets	(1,581)	(4,718)	(1,581)	(4,718)
Profit on sale of mixed motive investments	(63)	-	(63)	-
Realised gains on foreign currency	(101)	(14)	(101)	(14)
Actuarial gains on defined benefit pension schemes	(36,754)	(7,476)	(36,754)	(7,476)
Net losses/(gains) on investment assets	17,377	(12,721)	17,390	(12,697)
Decrease/(increase) in stock	2	(22)	(1)	5
Increase in debtors receivable within one year	(512)	(3,091)	(364)	(2,515)
Increase in creditors	568	167	327	39
(Decrease)/increase in provisions	(199)	1,078	(238)	1,017
(Decrease)/increase in long term liabilities	(92)	(168)	(58)	48
Increase in pension surplus	28,610	3,685	28,610	3,685
Net cash used in operating activities	(5,096)	(6,239)	(5,261)	(6,790)

Statements of Cash Flows for the year ended 31 December 2022 (continued)

Analysis of changes in net cash and cash equivalents	Balance 31 Dec 2021 £000	Balance 31 Dec 2022 £000		
Group				
Short term deposits	11,868	9,870		
Cash at Bank and in Hand	7,851	7,366		
	19,719	17,236		
Charity				
Short term deposits	11,868	9,870		
Cash at Bank and in Hand	6,881	6,488		
	18,749	16,358		
Analysis of changes in net debt	Balance 1 Jan 2022 £000	Cash flows £000	Other non-cash changes £000	Balance 31 Dec 2022 £000
Group				
Cash and cash equivalents				
Short term deposits	11,868	(1,998)	-	9,870
Cash at Bank and in Hand	7,851	(492)	7	7,366
	19,719	(2,490)	7	17,236
Borrowings				
Debt due within one year	(49)	-	(45)	(94)
Debt due after one year	(9,473)	(78)	(494)	(10,045)
	(9,522)	(78)	(539)	(10,139)
Total	10,197	(2,568)	(532)	7,097
Charity				
Cash and cash equivalents				
Short term deposits	11,868	(1,998)	-	9,870
Cash at Bank and in Hand	6,881	(393)	-	6,488
	18,749	(2,391)	-	16,358
Borrowings				
Debt due within one year	-	-	-	-
Debt due after year	-	-	-	-
	-	-	-	-
Total	18,749	(2,391)	-	16,358

Notes to the Financial Statements for the year ended 31 December 2022

1. Accounting Policies

Legal Status

The Church of Scotland is the National Church in Scotland and is recognised by the State as such. The Church's legal status is set out in certain important instruments, including the Articles Declaratory of the Constitution of the Church of Scotland in Matters Spiritual 1921, the Act anent Spiritual Independence of the Church 1906 and the Act of Union 1929.

The Principal Office of the charity is 121 George Street, Edinburgh EH2 4YN. The principal activities of the charity are as described in the Trustees' Report.

Basis of Preparation

The financial statements have been prepared on the historical cost basis as modified by the revaluation of investments and on the accruals basis, and in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ('the SORP') and Financial Reporting Standard 102: the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS 102'), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). These financial statements are presented in £000 Sterling.

The charity meets the definition of a public benefit entity ('PBE') as set out in FRS 102 and therefore applies the PBE prefixed paragraphs in FRS 102.

These financial statements have been prepared on a going concern basis. Based on the budgets and cashflow forecasts, which cover a period of more than 12 months, the Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

Judgements and Estimates

The preparation of the financial statements requires the Trustees to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenditure during the year. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements:

Pensions

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuations, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. The resulting asset in the Local Government Pension Schemes has been recognised in accordance with FRS102 and the SORP. The irrecoverable surpluses in the other defined benefit pension schemes have not been recognised, in line with the requirements of FRS102 and the SORP. Further details are given in Note 32.

Impairment of non-financial assets

Assets are reviewed for indicators of impairment, and where there are indicators of impairment of individual assets, the Charity performs impairment reviews and will reduce the carrying value of the asset to its recoverable amount which will be the higher of the future expected cash flows (value in use) or fair value. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets less incremental costs of disposing of the asset.

Useful lives and residual values

Management reviews its estimates of the useful life and residual values of depreciable assets at each reporting date, using both internal and external information. If factors such as a change in how an asset is used, significant unexpected wear and tear and changes in market prices indicate that the residual value or useful life of an asset has changed since the most recent annual reporting date, management review its previous estimates and, if current expectations differ, amend the residual value, depreciation method or useful life. Useful lives are summarised later in this note. Residual values are the scrap or net realisable value at the end of the assets' expected economic useful life.

The Trustees continue to monitor key performance indicators in residential units operated by the Social Care Council including occupancy rates, unit financial results and measures which management have put in place to improve performance and have concluded that there are no such indicators which would require impairment provisions to be applied.

Basis of Consolidation and Subsidiary Undertakings

The consolidated statement of financial activities (SOFA) and balance sheet include the activities of the charity's two trading subsidiaries and its school in Israel, the activities of which have been consolidated on a line by line basis for each year in accordance with FRS 102. Intra-Group transactions are eliminated on consolidation. There may be local reasons in Israel for departing from these policies and where these are identified they are adjusted for the purposes of the consolidated results. The consolidated financial statements exclude the trading activities of the trading subsidiaries CrossReach Trading Limited, CrossReach Community Connections and Sanctuary First which are considered immaterial to the overall results. For a full description and listing of the Charity's material subsidiary companies, please refer to Note 30 to the Financial Statements.

Funds

The accounting for funds was amended in 2021. Funds are now recognised/classified as restricted by their purpose rather than by allocation to a specific Agency, and all unrestricted funds were transferred to the General Fund in 2021. The purpose of a fund is no longer tied to a specific Agency, and all funds are directly controlled by the Trustees.

Funds held by the Unincorporated Entities of the Church of Scotland are categorised as follows:

i Unrestricted Funds

These are funds which are spent or applied at the discretion of the Trustees in furtherance of any of the purposes of the Church of Scotland. Unrestricted funds may be used to supplement expenditure made from restricted funds.

> Designated Funds

These are unrestricted funds which are expendable on the work of specific projects as decided by the Trustees.

ii Restricted Funds

These are funds which are subject to donor restrictions or may result from the terms of an appeal for funds or may only be used for a specific purpose or project.

> Permanent Endowment Funds

These are restricted Capital funds where there is no power to convert the capital into income, i.e. the capital must be held in perpetuity and only the fund income can be expended. Income from these funds is treated as restricted.

> Expendable Endowment Funds

These are restricted Capital funds where there is discretion to convert all or part of the capital into income. When the Trustees exercise their power to spend or apply the capital of the expendable endowment, the relevant funds become unrestricted funds or restricted income funds depending on whether the terms of the gift permit expenditure for any of the charity's purposes, or only for specific purposes.

Income

All incoming resources including voluntary income, income from activities for generating funds and investment income, is recognised in the SOFA when there is legal entitlement to the income, any performance conditions attached to the income have been met, it is probable that the income will be received and the amount can be quantified with reasonable accuracy.

Income received from the provision of Social Care services is recognised when the relevant service has been delivered, it is probable that the income will be received, and the amount can be quantified with reasonable accuracy.

For legacy income, entitlement is taken as the earlier of the date on which either: the charity is aware that confirmation (or equivalent) has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the grant of confirmation (or equivalent) and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Income received from fundraising activities organised by volunteers and fund raising managers, excluding merchandised sales which are separately accounted for through CrossReach Trading Ltd, is included at the value remitted.

No amount has been included for services donated by volunteers in accordance with the SORP.

All grants (whether revenue or capital grants) and contractual payments under funding arrangements from central and local government and their agencies are recognised in the SOFA on a receivable basis. Incoming resources from grants, where there are service or performance deliverables required as conditions of the terms of the grant, are accounted for as the charity earns the right to payment through its performance, when the charity has entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably and it is not deferred.

Income received for expenditure in future accounting periods is deferred and included in creditors.

Entitlement to recognise Congregational Contributions as income is considered to be at the point which contributions statements for the current financial year have been issued to congregations. Adjustments to such income are subsequently made throughout the year. Contributions are disclosed net of Presbytery Allowances and any provision for bad debts.

Other income includes claims made for Coronavirus Job Retention Scheme and Social Care Sustainability Payments.

Expenditure

Expenditure is accounted for in the SOFA on an accruals basis and is presented on an activity basis against the appropriate heading in the Financial Statements. Expenditure and liabilities are recognised when a legal or constructive obligation exists.

The costs of generating funds include the costs incurred in generating voluntary income and fundraising trading costs. These costs are regarded as necessary to generate funds that are needed to finance our charitable activities.

Expenditure on charitable activities enables the Church of Scotland to meet its charitable aims and objectives.

Under these headings are costs of employing staff to carry out the charitable activities, grants paid and other programme costs, as well as associated support costs. Salary costs are recognised as expenditure on an accruals basis. Grants payable in furtherance of our charitable objectives are recognised as expenditure when the criteria for a constructive obligation are met, payment is probable, it can be measured reliably, and there are no conditions attaching to its payment that limit its recognition. Agreements are typically for one year but may span several years.

Where a grant is payable over more than one year, a liability is recognised for the full amount of the constructive obligation unless conditions apply to payments falling after the Balance Sheet date. Where conditions remain within the control of UE, a liability is not recognised. Where a condition falls outside the control of UE, this would be recognised as a contingent liability.

For capital contracts in place at the year end which include payments to be made in future years, such payments are disclosed in Note 31 to the Financial Statements as a Capital Commitment.

Support costs include finance, payroll administration, legal advice, human resources, information technology, communication and property management costs. These support costs are all allocated to charitable activities and to the relevant Forum based on direct expenditure, which is considered to be in a similar proportion to salary costs.

Recognition of Liabilities

Liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the charity to the expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Contingent Liabilities

A contingent liability is identified and disclosed where it results from a possible obligation which will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Trustees' control.

Operating Leases

Costs in respect of operating leases where substantially all of the benefits and risks of ownership remain with the lessor, are charged on a straight line basis over the term of the lease.

Value Added Tax

Incoming resources and resources expended are shown in the financial statements inclusive of VAT where appropriate. All Forums, Committees and Departments receive a partial recovery of input tax; in most cases this is immaterial. VAT recovered is adjusted against resources expended as appropriate.

Investments

Unlisted investments are initially recognised at cost and are subsequently stated at fair value at the Balance Sheet date. The changes in fair value are recognised in the SOFA. In the case of unitised investments, the valuation basis is the unit price as advised by The Church of Scotland Investors Trust. The underlying assets held in these unitised funds are publicly quoted securities and collective investment schemes. These investments are valued at their mid-market price at each month end to arrive at the fund unit price. Realised gains and losses on disposal are recorded in the SOFA at the difference between the sales price and carrying value of the investments. Unrealised gains and losses are recorded in the SOFA at the difference between fair value at the start and end of the financial year.

Investments in subsidiary companies are held at cost less any impairment.

Intangible Fixed Assets

Computer Software

Bought-in Computer Software is initially recorded at cost and is amortised over three years on a straight line basis from the date it is available for use.

Website

The cost of the website relating to the Social Care Council is recorded at cost and written off over ten years on a straight line basis from the date at which it is available for use.

Amortisation for intangible assets for the year is within Other Expenditure on Charitable Activities in the SOFA.

Tangible Fixed Assets

Heritable and Other Properties

The titles to properties in Scotland belonging to the Unincorporated Entities are held by The Church of Scotland General Trustees with beneficiary nominees being the Unincorporated Entities. The titles to properties outwith Scotland are held by The Church of Scotland Trust with beneficiary nominees being the Faith Impact Forum.

All costs incurred on acquiring, improving or adding to properties (including residential properties) are capitalised. Other overseas properties are included at cost or a reasonable approximation of cost. Certain overseas properties were donated or constructed in the 19th century and costs have been estimated by comparing these to similar overseas properties whose costs were reliably documented. The values are not considered to be material relative to either cost or depreciated cost.

Repair and maintenance costs on all properties are charged to the SOFA in the period in which they are incurred.

Operational properties include care homes and other properties operated by the Social Care Council, office premises and other specialist properties such as the Scottish Storytelling Centre.

Where there are indicators of impairment of individual assets, the Group performs reviews based on a fair value less costs to sell calculation. The Group considers whether such indicators are present on an annual basis. Where the recoverable amount is materially less than historic cost, the asset is impaired to the lower amount. Impairment costs are included within Expenditure on Charitable Activities.

Other Tangible Fixed Assets

Other Tangible Fixed Assets are Motor Vehicles and Equipment & Furniture. These assets are recorded at cost.

Donated fixed assets are included at fair market value having regard to the age and condition of the assets concerned.

Depreciation

Depreciation is provided on Tangible Fixed Assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows :

Heritable and Other Properties

Residential Properties, Churches and Manses	50 years
Operational Constructed Properties – traditional	50 years
Operational Constructed Properties – prefabricated	20 years
Operational Refurbished Properties	25 years
Limited Lifespan Properties	15 years
Motor Vehicles	4 years
Leasehold Property Improvements	10 years

Equipment and Furniture:

Computer Equipment	3-5 years
Office Equipment and Plant and Machinery	5 years
Furniture and Fittings	10 years

Assets under construction are not depreciated.

One property is held as a social investment and is stated at valuation. This property is not depreciated. Realised gains and losses on disposal are recorded in the SOFA in Other Income, at the difference between the sales price and the net book value of the asset.

Programme Related Investments

Programme Related Investments include funding provided to The Church of Scotland Trust. It is three unsecured loans which are repayable over 39 years for one loan and 10 years for two loans. No interest is charged on the loans. These assets contribute to the Church's stated purposes. The value is measured at the amount of the loan provided to the Church of Scotland Trust net of any repayments made to date.

Mixed Motive Investments

Mixed Motive Investments include Housing Loans, property and certain other loans. These assets generate a financial return to the Charity and also contribute to the Church's stated purposes. Neither the investment nor the contribution to the Church's purposes is sufficient on its own to justify the investment decision.

The Charity considers that the investment is, however, justified by the combination of these two factors.

Loans which are secured against housing for retired ministers, their dependents and former dependents are either;

a) Standard loans are subject to a minimum and a maximum loan amount which at 31 December 2022 was £5,000 and £25,000

respectively. The interest rate on such loans is currently two percent for ministers and one per cent for widows, widowers or bereaved civil partners of ministers. The amount which the borrower is due to repay does not change, regardless of whether the property appreciates or falls in value over the term of the loan.

Standard loans are accounted for as basic financial instruments and are measured initially at fair value and subsequently at amortised cost.

or

b) Shared Appreciation loans, which may be granted for up to seventy per cent of a house purchase price, subject to a minimum loan amount (currently £25,000) and a maximum loan amount which at 31 December 2022 was £128,000. The interest rate on such loans is currently one and a half per cent for ministers and three quarters per cent for widows, widowers or bereaved civil partners of ministers.

The total sum required to be repaid at the end of the term of a Shared Appreciation loan is the amount of the original loan plus a proportionate share of any rise in value of the house over the period of that loan. If there is a drop in value of the property over the period, or no growth in value, the amount of the original loan must be repaid in full.

As the rates provided are below market value, shared Appreciation loans are accounted for as concessionary loans and are recognised at cost with the carrying amount adjusted in subsequent years to reflect repayments and any accrued interest and are adjusted as necessary for any impairment.

Car loans are provided to ministers and overseas missionaries and are stated at amortised cost. Other loans are provided to ministers to assist with various costs.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash and Cash Equivalents

Cash comprises cash in hand and deposits repayable on demand. Cash equivalents comprise term deposits of less than one year. Cash and cash equivalents are measured at fair value.

Overseas Operations/Foreign Currencies

Transactions in foreign currencies are translated at rates prevailing at the date of the transaction. Monetary assets of the Charity which are denominated in foreign currencies are translated at the year end rate of exchange. The consolidation of the assets and liabilities of the subsidiaries in Israel has been incorporated at the year end rate of exchange. The income and expenditure has been translated at an average rate for the year. Exchange gains and losses are treated as unrestricted except where restricted by contract and are taken to the SOFA.

Creditors

Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

Provisions

Provisions are recognised where the charity has a present obligation resulting from a past event which will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

Pensions

The Church of Scotland operates both defined benefit and defined contribution pension schemes. In addition, certain employees of the Social Care Council are members of Local Government Pension Schemes. The assets of all the schemes are held separately from those of the Unincorporated Entities of The Church of Scotland.

Defined benefit pension assets are measured at fair value.

The Scheme Rules of the LGP schemes permit a right to reduced contributions and a right to a refund as set out in FRS 102 Section 28. Accordingly the Church of Scotland recognises a pension asset in respect of these schemes. The value recognised is the lower of the surplus in the scheme and the asset ceiling, which is the future economic benefit available in form of reduced contributions or a cash refund measured at present value.

These scheme assets are measured using bid price values at the balance sheet date. Pension scheme liabilities are measured using a projected unit credit method and discounted using reference to market yields at the reporting date on high quality corporate bonds.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus or deficit is included in the SOFA.

The Scheme for Ministers and Overseas Missionaries (for employees of the Ministries Council within the Faith Nurture and World Mission Council, through the Faith Impact Forums and office holders) has three separate funds, the Main Pension Fund, The Contributors' Pension Fund and the Widows' and Orphans' Fund. Both the Contributors' and the Widows' and Orphans' Funds are in surplus and are not included in these financial statements.

The Scheme Rules of these schemes also permit a right to reduced contributions as set out in FRS 102 Section 28. However, the schemes are closed to future accrual and no contributions are currently being made, nor is any service cost accruing, the value of the scheme on this basis is £nil, and there is no unconditional right to a refund and as such no value is recognised for the pension asset.

Other than in the Social Care Council, defined benefit pension costs cannot be accurately allocated to individual Councils and department expense categories, as it is not possible to identify with which employee the pension cost lies. In order to recognise the costs per Forum of providing a pension, a charge has been included based on the contributions made for that Forum's employees and an overall credit shown for the total contributions paid.

For the defined contribution schemes, the amount charged to the SOFA in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

Taxation

The Church of Scotland Unincorporated Entities is exempt from taxation on the income and gains falling within Part 11 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 insofar as such income or gains are applied exclusively to charitable purposes.

The UK subsidiary undertaking is a non-charitable subsidiary and is subject to taxation, but it does not usually pay UK Corporation Tax as its policy is to pay taxable profits as Gift Aid to the Trustees. Foreign tax incurred by subsidiaries operating overseas is charged as it is incurred.

2. Related Parties

Each of the related parties reports annually to the General Assembly and, because of their independent legal status, produce separate financial statements and appoint their own Auditors where required.

The three subsidiary undertakings in Israel are consolidated in full in the group accounts. In the charity results there are transactions and balances at the year end between the Unincorporated Entities and the subsidiary undertakings, all related balances are eliminated on consolidation.

Related party	Group entity	Nature of transactions	Value of transactions during year		Nature of balance	Amounts owed from/(to) at year	
			2022 £000	2021 £000		2022 £000	2021 £000
The Church of Scotland Investors Trust	The Church of Scotland	Management charges received	110	110	Creditor (note 20)	(1,674)	(2,943)
The Church of Scotland Trust	The Church of Scotland	Donation received	732	374	Programme related investment (note 16b)	10,142	9,539
		Grant paid	(52)	(53)	Debtor (note 18)	-	5
					Creditor (note 20)	(6)	-
		Finance and legal service charges received	48	47	Accrued income - loan repayments and interest (note 18)	2	-
		Loan recovered	49	73			
The Church of Scotland Trust	St Andrew's Galilee Limited	Loan payment	(49)	(73)	Loan balance (notes 20, 21)	(9,490)	(9,522)
		Loan interest paid	(371)	(627)			
		Rent paid	-	-			
		Rent balance forgiven	-	377			
The Church of Scotland Trust	St Andrew's Scottish Centre Limited	Loan payment	(3)		Loan balance (notes 20, 21)	(649)	-
		Loan interest paid	(2)		Rent due	33	-
		Rent paid	(33)				
The Church of Scotland General Trustees	The Church of Scotland	Stipend endowment income and glebe rents	3,550	3,609	Debtor (note 18)	2,347	2,166
		Grant received	16	-			
		Finance, legal and other support service charges received	767	671			
The Church of Scotland Pension Trustees	The Church of Scotland	Pensions paid	16,738	16,381	Creditor (note 20)	-	5
		Management fees received	447	434			
St Andrew's Galilee Limited	The Church of Scotland	Regional Director's costs	12	7	Investment (note 14)	504	504
					Creditor (note 20)	(1)	(69)
St Andrew's Scottish Centre Limited	The Church of Scotland	Regional Director's costs	12	7	Investment (note 14)	1,011	1,024
					Mixed motive investment (note 17)	-	652
					Debtor (note 18)	21	-
Tabeetha School in Jaffa	The Church of Scotland	Regional Director's costs	12	7	Debtor (note 18)	14	14
CrossReach Trading Limited	The Church of Scotland	Gift aid received	-	-			
CrossReach Community Connections	The Church of Scotland	Grants received	35	41			
Sanctuary First	The Church of Scotland	Grants paid	100	25			

The Church of Scotland Investors Trust

The Church of Scotland Investors Trust was incorporated by the Church of Scotland (Properties and Investments) Order Confirmation Act 1994. All investments of the Unincorporated Entities are made through the investment funds provided by The Church of Scotland Investors Trust. As the Church of Scotland Investors Trust does not hold a bank account in their own name, the creditor balance represents the bank account operated by the UE on behalf of the Church of Scotland Investors Trust. All transactions through the internal banking system are transactions undertaken in the usual course of business for the Church of Scotland Investors Trust and not transactions undertaken directly with the Unincorporated Entities. The remaining movement on the creditor balance (£1.9 million) represents the net position of all other day to day transactions undertaken by the Church of Scotland Investors Trust throughout the year within its internal account.

The Church of Scotland Trust

The Church of Scotland Trust was incorporated by the Church of Scotland Trust Order Confirmation Act 1932. The Church of Scotland Trust holds the titles to the properties outwith Scotland of the Unincorporated Entities. It also holds, for behoof of the Faith Impact Forum, all the shares in St. Andrew's Galilee Company Limited in Tiberias and St. Andrew's Scottish Centre Limited in Jerusalem, both of which are incorporated in Israel as "foreign institutions". The Faith Impact Forum has given an indemnity to the Trust in respect of all liabilities arising from its Shareholding.

The Church of Scotland General Trustees

The Church of Scotland General Trustees was incorporated by the Church of Scotland (General Trustees) Order Confirmation Act 1921. The General Trustees holds the titles to the properties in Scotland of the Unincorporated Entities. As at 31 December 2022, the Unincorporated Entities had a debtor balance in respect of monies held in the church's internal banking system.

The Church of Scotland Pension Trustees

The Church of Scotland Pension Trustees, an unincorporated body constituted by the General Assembly, administers the following Pension Schemes:

The Church of Scotland Pension Scheme for Ministers and Overseas Missionaries

The Church of Scotland Pension Scheme for Ministries Development Staff (formerly Presbytery & Parish Workers)

The Church of Scotland Pension Scheme for Staff

The members of the bodies shown above are appointed by the General Assembly. In the case of the Church of Scotland Pension Trustees, additional trustees for the individual Pension Schemes are appointed by the Scheme members.

St. Andrew's Galilee Limited

St. Andrew's Galilee Limited was incorporated in Israel in 1993. The share capital is held in total by The Church of Scotland Trust on behalf of Faith Impact Forum.

St. Andrew's Scottish Centre Limited

St. Andrew's Scottish Centre Limited was incorporated in Israel in 1993. The share capital is held in total by The Church of Scotland Trust on behalf of the Faith Impact Forum.

Tabeetha School in Jaffa

The Tabeetha School in Jaffa was registered as an Amuta, an Israeli not for profit association, in 2008 and commenced operations under the new arrangement in 2009. The school has operated under the supervision of the Faith Impact Forum. Accordingly it is considered that the Church of Scotland has control of the entity.

CrossReach Trading Limited

CrossReach Trading Limited is a private company limited by shares incorporated in Scotland to sell CrossReach branded calendars and cards. CrossReach Trading Limited has a policy of paying a gift aid amount up to the taxable profits each year to CrossReach.

CrossReach Community Connections

CrossReach Community Connections was formed under the Charities and Trustees Investment (Scotland) Act 2005. The SCIO passes grants on to CrossReach under the same terms and conditions as apply to the initial award to the SCIO.

Sanctuary First

Sanctuary First was formed under the Charities and Trustees Investment (Scotland) Act 2005. The SCIO operates the digital ministry aspects of the Church.

3. Staff Costs and Numbers

Staff are paid and/or employed by the Ministries Council, Social Care Council, Central Services Committee (CSC) and World Mission Council and such costs are included in expenditure disclosed in Notes 10 and 11.

The figures include parish ministers, although they are office holders and not employees. Ministers are not employees of Church of Scotland and they do not hold a contract, but they are recruited, trained, supported and paid by the Faith Nurture Forum.

The Social Care Council's staff costs include £6.5 million for agency staff (2021: £4.0 million). These staff are not included in the average staff numbers noted below. Agency staff are employed due to the difficulty in recruiting permanent staff to work in care homes and units. Agency staff are used by other Forums but the cost is immaterial.

Staff employed by three institutions in Israel are paid in New Israeli Shekels, translated to Sterling for the purposes of the consolidated financial statements. Social security costs in Israel are not comparable to those in the United Kingdom and costs and benefits disclosed below include benefits which are required legally or by industry custom and practice. These include provisions for severance pay, educational and pensions plans and disability provision. Senior hotel managers receive performance related bonuses and use of a vehicle, all of which are taxable benefits.

Employees in the Israeli institutions received emoluments including local benefits in kind as described above, which when converted to Sterling were included in the figures for the group below.

Group	2022 Total £000	2021 Total £000
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Staff Costs

Salaries and Stipends	73,859	70,331
Social Security Costs	6,017	6,088
Pension Costs – Defined Contribution	6,143	6,802
Pension Costs – Defined Benefit	246	257
Total	86,265	83,478

Charity	Ministries £000	Social Care £000	CSC £000	World Mission £000	2022 Total £000	2021 Total £000
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Staff Costs

Salaries and Stipends	27,587	35,323	6,637	245	69,792	66,918
Social Security Costs	2,558	2,474	662	15	5,709	5,813
Pension Costs – Defined Contribution	3,723	1,164	857	1	5,745	6,457
Pension Costs – Defined Benefit	-	246	-	-	246	257
Total	33,868	39,207	8,156	261	81,492	79,445

Severance costs included in the above were £189,000 (2021: £245,000). These related to closed services in the Social Care Council and other termination costs in the year.

Ex-gratia payments included in the above were £nil (2021: £nil).

Group		
	2022 Total No.	2021 Total No.

Average Staff Numbers

Monthly Average		
Full Time	1,416	1,487
Part Time	1,337	1,445
Total	2,753	2,932
Full Time Equivalents	2,170	2,120

Charity						
	Ministries No.	Social Care No.	CSC No.	World Mission No.	2022 Total No.	2021 Total No.

Average Staff Numbers

Monthly Average						
Full Time	746	426	130	8	1,310	1,399
Part Time	81	1,133	56	1	1,271	1,382
Total	827	1,559	186	9	2,581	2,781
Full Time Equivalents	791	1,083	167	9	2,050	2,106

Within the Group there were 30 employees whose total employee benefits (excluding employer pension contributions) exceeded £60,000 in 2022 (2021: 23 employees).

Within the Charity there were 22 employees whose total employee benefits (excluding employer pension contributions) exceeded £60,000 in 2022 (2021: 18 employees).

Group		
	2022 No.	2021 No.
£60,001 - £70,000	14	12
£70,001 - £80,000	4	5
£80,001 - £90,000	8	3
£90,001 - £100,000	1	1
£100,001 - £110,000	-	-
£110,001 - £120,000	1	1
£120,001 - £130,000	-	-
£140,001 - £150,000	1	-
£160,001 - £170,000	1	-
£190,001 - £200,000	-	1

Charity				
	Social Care No.	CSC No.	2022 Total No.	2021 Total No.
Total Employee Benefits				
£60,001 - £70,000	4	7	11	11
£70,001 - £80,000	2	2	4	3
£80,001 - £90,000	4	1	5	3
£90,001 - £100,000	1	-	1	-
£100,001 - £110,000	-	-	-	-
£110,001 - £120,000	1	-	1	1

During 2022, there were 10 (2021:12) individuals who served as members of the Key Management Personnel. The total remuneration (salary, benefits, employer pension contributions and employer national insurance contributions) for the Key Management Personnel for 2022 was £864,000 (2021: £859,000).

4. Donations and Legacies

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Assessed Congregational Contributions	38,070	35,563	38,070	35,563
Stipend Endowment Income	3,550	3,609	3,550	3,609
Total Congregational Contributions	41,620	39,172	41,620	39,172
Donations, Grants, Trusts	2,882	2,136	1,850	1,364
Legacies	2,350	3,011	2,350	3,011
Donations from The Church of Scotland Trust	732	374	732	374
	47,584	44,693	46,552	43,921

5. Other trading activities

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Fundraising	239	163	239	163
Israeli Trading Subsidiaries	7,753	6,218	-	-
	7,992	6,381	239	163

6. Income from Investments

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Dividends from Unitised Investments	3,195	3,232	3,195	3,232
Deposit and Bank Account Interest	100	14	100	14
	3,295	3,246	3,295	3,246

7. Income from Charitable Activities

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Social Service Provision	46,085	46,159	44,615	44,822
Rental of Accommodation and Premises	614	640	614	640
Publications and Royalties	460	462	460	462
Income from Events	328	111	328	111
Guild Memberships and Other Fees	134	88	134	88
Reimbursement of Legal, Accounting and Other Support by Wider Network of Church Organisations	577	1,270	612	1,270
Other	480	678	480	678
	48,678	49,408	47,243	48,071

8. Other Income

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Gain on Disposal of Fixed Assets	1,581	4,685	1,581	4,685
Coronavirus Job Retention Scheme	-	305	-	305
Social Care Sustainability Payments	1,832	1,925	1,832	1,925
	3,413	6,915	3,413	6,915

During 2021 the Church of Scotland received support from the government under the Coronavirus Job Retention Scheme of £305,000. The scheme ended in 2021 and provided for the reimbursement of wages for employees who were placed on furlough leave. Under the scheme the Church of Scotland applied for the reimbursement of up to 80% of employees' wage costs up to £2,500 per month for wages payable from 1 March 2020. The scheme was accessed by designating affected employees as furloughed or retained on paid leave of absence, notifying employees of these changes, submitting information about these employees and their earnings to HMRC.

During the year the Church of Scotland (Social Care Council) received £1,832,000 (2021: £1,925,000) in sustainability payments from Local Authorities under a national scheme. The scheme provides to fund Covid related additional costs and to compensate for income lost due to Covid related reduction in the level of services provided.

9. Expenditure on Raising Funds

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Fundraising Activities (including Trading Subsidiaries in Israel)	8,599	5,669	-	-
Costs of Generating Voluntary Income	531	499	531	499
	9,130	6,168	531	499

10. Expenditure on Charitable Activities

Group and Charity 2022				
	Direct Costs £000	Grants £000	Support Costs £000	Total 2022 £000
Social Care Council	48,086	29	4,888	53,003
Faith Nurture Forum	62,725	1,178	6,493	70,396
Faith Impact Forum	2,153	507	270	2,930
Support and Services Departments	543	31	58	632
Other Funds	2,214	919	318	3,451
Charity Total	115,721	2,664	12,027	130,412
Faith Impact Forum - Israeli Subsidiaries	2,521	-	-	2,521
Group Total	118,242	2,664	12,027	132,933

Group and Charity 2021				
	Direct Costs £000	Grants £000	Support Costs £000	Total 2021 £000
Social Care Council	46,677	36	4,395	51,108
Faith Nurture Forum	40,367	1,412	3,930	45,709
Faith Impact Forum	1,627	377	189	2,193
Support and Services Departments	1,269	(62)	113	1,320
Other Funds	3,091	328	322	3,741
Charity Total	93,031	2,091	8,949	104,071
Faith Impact Forum - Israeli Subsidiaries	2,213	-	-	2,213
Group Total	95,244	2,091	8,949	106,284

10. Expenditure on Charitable Activities (continued)

	Group and Charity	
	2022 £000	2021 £000
Grants		
Grants to Individuals:		
Bursaries and Educational Purposes	734	731
Cases of Hardship	39	63
Project Work of the Charity	49	7
	822	801
Grants to Organisations for the Advancement of Religion:		
Through Theological Education and Partner Churches	400	265
Through Community Projects	337	505
By Payments to Support Individual Congregations	969	381
For the Relief of Poverty	122	135
For Heritage and the Environment	14	4
	1,842	1,290
Total Grants	2,664	2,091

	Group and Charity	
	2022 £000	2021 £000
Support Costs		
Finance, Payroll, Information Technology and Estates	3,314	3,152
Human Resources and Training	1,201	1,181
Central Premises	850	748
Regional Offices and Senior Operational Management	2,509	2,219
Legal	338	142
Safeguarding of Children and Vulnerable Adults	342	355
Communications and Website	835	835
FRS102 Defined Benefit Pension Scheme Costs	2,638	317
	12,027	8,949

10. Expenditure on Charitable Activities (continued)

	Group and Charity	
	2022 £000	2021 £000
Governance costs included in Expenditure on Charitable Activities	2,043	1,384
Support costs are apportioned to charitable activities and individual Forums on the basis of direct expenditure.		
Leasing costs charged to the SOFA		
Property	1,206	1,153
Other	210	335
Total Leasing Charges	1,416	1,488
Fees paid to the external auditors are as follows;		
Audit of UE - RSM UK	106	94
Audit of subsidiary undertakings - PWC (2021: PWC)	30	13
Total audit fees	136	107
Tax advice- RSM UK	4	2
Total non-audit fees	4	2
Total Fees	140	109
Impairment losses in respect of CrossReach properties included in Expenditure on Charitable Activities	716	319

11. Trustees' Remuneration and Expenses

Trustees are not remunerated for their services as Assembly Trustees. During 2022 there were eighteen Assembly Trustees. Seven of the eighteen voting members who served during 2022 (2021: four of eighteen) are parish ministers appointed by individual congregations, inducted by presbyteries, and remunerated for their work with congregations in accordance with the National Stipend Scale. The amount paid to these seven Trustees as parish ministers during their time as Assembly Trustees was £173,000 (2021: £172,000).

Expenses of £1,000 (2021: £1,000) were reimbursed to Trustees in respect of travel to Assembly Trustee meetings and overnight accommodation where required. Expenses of £2,000 (2021: £nil) were reimbursed to Trustees in respect of travel to meetings and overnight accommodation, on behalf of other Agencies. In total, four Trustees received expenses during 2022 (2021: two Trustees). The list of all Trustees who served during 2022 is given at the end of the Annual Report.

12. Intangible Assets

	Website Costs £000	Computer Software £000	Total £000
Group and Charity			
Cost			
At 1 January 2022	78	228	306
Additions	-	3	3
At 31 December 2022	78	231	309
Accumulated Amortisation			
At 1 January 2022	27	162	189
Charge for year	7	55	62
At 31 December 2022	34	217	251
Net Book Value			
At 31 December 2022	44	14	58
At 31 December 2021	51	66	117

13. Tangible Assets

	Heritable & Other Properties £000	Motor Vehicles £000	Equipment & Furniture £000	Capital Work in Progress £000	Total £000
Group					
Cost					
At 1 January 2022	79,900	413	7,433	-	87,746
Additions	936	104	1,089	72	2,201
Disposals	(1,256)	(22)	(146)	-	(1,424)
Foreign Currency Exchange Adjustments	(272)	-	(63)	-	(335)
At 31 December 2022	79,308	495	8,313	72	88,188
Accumulated Depreciation					
At 1 January 2022	35,749	260	5,547	-	41,556
Disposals	(596)	(22)	(86)	-	(704)
Impairment Charge	716	-	-	-	716
Charge for Year	1,176	50	437	-	1,663
Foreign Currency Exchange Adjustments	(176)	-	(52)	-	(228)
At 31 December 2022	36,869	288	5,846	-	43,003
Net Book Value					
At 31 December 2022	42,439	207	2,467	72	45,185
At 31 December 2021	44,151	153	1,886	-	46,190
Charity					
Cost					
At 1 January 2022	58,790	402	2,441	-	61,633
Additions	735	96	913	72	1,816
Disposals	(1,226)	(16)	(61)	-	(1,303)
At 31 December 2022	58,299	482	3,293	72	62,146
Accumulated Depreciation					
At 1 January 2022	23,798	249	1,649	-	25,696
Disposals	(576)	(16)	(12)	-	(604)
Impairment Charge	716	-	-	-	716
Charge for Year	415	50	259	-	724
At 31 December 2022	24,353	283	1,896	-	26,532
Net Book Value					
At 31 December 2022	33,946	199	1,397	72	35,614
At 31 December 2021	34,992	153	792	-	35,937

14. Investments

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Unlisted Investments - Growth Fund	107,915	119,988	107,915	119,988
Unlisted Investments - Income Fund	25,374	29,202	25,374	29,202
Unlisted Investments - Investment in Oiko Credit Co-operative	204	204	204	204
	133,493	149,394	133,493	149,394
Investment in Subsidiary Entities	-	-	1,515	1,528
Fair Value/Cost	133,493	149,394	135,008	150,922
Historic Cost	81,659	79,469	83,174	81,015

The Growth Fund and Income Fund are unitised funds and these holdings of the Unincorporated Entities cannot therefore be analysed across asset classes. A description of the three investment funds operated by the Investors Trust is given in the Financial Review.

Movements in Investments

	Group	Charity
	2022 £000	2022 £000
Fair Value at 1 January	149,394	150,922
Disposals at Opening Fair Value	(1,668)	(1,668)
Acquisitions at Cost	2,977	2,977
Losses on Revaluation of Foreign Assets	-	(13)
Net Losses on Revaluation at 31 December	(17,210)	(17,210)
Market Value at 31 December	133,493	135,008
Net Losses on Disposal of Investments		
Sale Proceeds	1,501	1,501
Fair Value at 1 January	(1,668)	(1,668)
Net Realised Losses on disposal in Year	(167)	(167)
Amount charged to the Statement of Financial Activities		
Net Losses on Revaluation of Investments	(17,210)	(17,210)
Net Realised Losses on Disposal of Investments	(167)	(167)
Losses on Revaluation of Foreign Assets	-	(13)
Net Losses on Investment Assets	(17,377)	(17,390)

15. Foreign Currency

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Realised Gains and Losses recognised in:				
Income				
On Bank Deposits not denominated in sterling	5	9	5	9
Unrealised Gains and Losses recognised in:				
Income/(Expenditure)				
On Bank Deposits not denominated in sterling	1	(1)	1	(1)
Other Recognised Gains and Losses				
Gains/(Losses) on Net Assets of Subsidiary Companies on Consolidation	25	6	(13)	(18)

Net assets of the Israel-based subsidiaries are translated into sterling using the rate of exchange at the balance sheet date. Exchange differences arise as a result of the exchange rate differing from that at the previous balance sheet date.

16a. Mixed Motive Investments - Fixed Assets

	Group and Charity	
	2022 £000	2021 £000
Housing Loans (heritably secured) at amortised cost	6,216	6,025
Property held as mixed motive investment	-	700
	6,216	6,725

The Housing Loans are repayable when the properties relating to the loans are sold, and attract interest at rates between 1% and 2%. The carrying value of concessionary loans was £6,191,000 (2021: £6,000,000), all payable in more than one year. At 31 December 2022, future Housing Loans which were committed but not taken up were £515,030 (2021: £563,000).

	Group and Charity	
	2022 £000	2021 £000
Movement in Property held as Mixed Motive Investment		
Valuation at 1 January	700	700
Disposals	(700)	-
Valuation at 31 December	-	700

	Group and Charity	
	2022 £000	2021 £000
Net Gains on Disposal of Mixed Motive Investments		
Sale Proceeds	763	-
Fair Value at 1 January	(700)	-
Net Gains Realised on disposal in year	63	-
Amount charged to the Statement of Financial Activities		
Net Realised Gains on Disposal of Mixed Motive Investments	63	-
Net Gains on Investment Assets	63	-

16b. Programme Related Investments

	Group and Charity	
	2022 £000	2021 £000
The Church of Scotland Trust		
At 1 January	9,539	9,612
Loan advanced	652	-
Loan repaid	(49)	(73)
At 31 December	10,142	9,539

The funding provided to The Church of Scotland Trust comprises three unsecured loans. One which is repayable over thirty nine years and two over ten years. No interest is charged on the loans.

17. Mixed Motive Investments - Current Assets

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Car Loans	37	46	37	46
Loan to Subsidiary Company	-	-	-	652
Other Loans	64	56	64	56
	101	102	101	754

Car Loans are provided to ministers and overseas missionaries at a rate of 6%. Other loans are provided to assist ministers.

18. Debtors

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Amounts receivable within one year				
Trade Debtors	3,955	3,821	2,526	2,411
Amounts Owed by: Congregations	2,216	1,952	2,216	1,952
Church of Scotland General Trustees	2,347	2,166	2,347	2,166
Church of Scotland Trust	-	5	-	5
Sundry Debtors	670	47	511	56
Prepayments	824	885	805	834
Accrued Income	2,121	2,745	2,128	2,745
	12,133	11,621	10,533	10,169

Amounts owed by congregations were in respect of congregational contributions, ministers' travel, locums and associate ministers.

19. Short Term Deposits

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Deposit Fund with Church of Scotland Investors Trust	9,870	11,868	9,870	11,868
	9,870	11,868	9,870	11,868

20. Creditors: Amounts Falling Due within One Year

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Trade Creditors	1,294	830	763	480
Amounts Owed to: Church of Scotland Investors Trust	1,674	2,943	1,674	2,943
Church of Scotland Pension Trustees	-	5	-	5
Church of Scotland Trust	38	-	6	-
Congregations	146	321	146	321
Loan from Church of Scotland Trust to St Andrew's Galilee Limited	51	49	-	-
Loan from Church of Scotland Trust to St Andrew's Scottish Centre Limited	43	-	-	-
Other Creditors	83	3	80	3
Other Tax and Social Security	2,663	2,791	2,333	2,380
Sundry Creditors	1,478	623	1,396	517
Accruals	3,297	2,505	3,132	2,411
Deferred Income	2,329	2,049	1,116	896
Grants	126	353	126	353
	13,222	12,472	10,772	10,309

Deferred Income includes payments received in advance of services being provided by the Social Care Council (£1,046,000) (2021: £850,000), and advance payments from customers received by the Israeli trading subsidiaries (£1,213,000) (2021: £1,153,000). The balances reported have all been deferred in the current year and will be released to income in the following year.

Deferred Income

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Balance brought forward at 1 January	2,049	2,292	896	1,160
Income deferred in the year	2,118	1,293	981	221
Amounts released from previous periods	(1,838)	(1,536)	(761)	(485)
Balance carried forward at 31 December	2,329	2,049	1,116	896

21. Creditors: Amounts Falling Due after One Year

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Grants	22	80	22	80
Loan from Church of Scotland Trust to St Andrew's Galilee Limited	9,439	9,473	-	-
Loan from Church of Scotland Trust to St Andrew's Scottish Centre Limited	606	-	-	-
Loan from Nan Stevenson Trust to Housing & Loan Fund	5	5	5	5
Other creditors	1,092	-	1,092	-
	11,164	9,558	1,119	85

A loan agreement exists between St Andrew's Galilee Limited and the Church of Scotland Trust for the loan detailed in notes 20 and 21. Payments are made from St Andrew's Galilee Limited to the Church of Scotland Trust in line with the loan agreement. Interest is charged at 3.9% and the full term of the loan is 39 years. £51,000 is due to be repaid within 1 year as shown in Note 20.

During the year two new loan agreements were created between St Andrew's Scottish Centre Limited and the Church of Scotland Trust - the loans are detailed in notes 20 and 21. Payments are made from St Andrew's Scottish Centre Limited to the Church of Scotland Trust in line with the loan agreement. On one loan, interest is charged at 3.9% and the full term of the loan is 10 years. £37,000 is due to be repaid within 1 year as included in Note 20. On the second loan, there is no interest charged and the full term of the loan is 10 years. £6,000 is due to be repaid within 1 year as included in Note 20.

22. Provision for Liabilities and Charges

	Group				
	Redress Scheme	Other £000	Onerous Lease £000	Statutory Severance £000	Total £000
Balance brought forward at 1 January 2022	1,364	282	468	661	2,775
Utilised in the year	(136)	(97)	-	(19)	(252)
Additional provision in the year	-	-	-	67	67
Reversed in year	(1,228)	(5)	-	(9)	(1,242)
Balance carried forward at 31 December 2022	-	180	468	700	1,348

	Charity			
	Redress Scheme	Other £000	Onerous Lease £000	Total £000
Balance brought forward at 1 January 2022	1,364	282	468	2,114
Utilised in the year	(136)	(97)	-	(233)
Additional provision in the year	-	-	-	-
Reversed in year	(1,228)	(5)	-	(1,233)
Balance carried forward at 31 December 2022	-	180	468	648

The onerous lease provision for dilapidations relates to a property formerly leased and then vacated in 2015 and the provision is for an ongoing dispute concerning dilapidation costs on the property. There are arbitration proceedings which are currently ongoing. The timing of the release of the severance pay provision is inherently uncertain as these are calculated by reference to the length of service of employees in Israel. Other provisions include a range of provisions covering dilapidations and redundancy costs. The redress scheme provision is the core amount agreed with the Scottish Government to provide compensation under Scotland's Redress Scheme and reduces each year with the annual payments made in line with the agreed payment schedule. As the core payment has now been agreed with the Scottish Government the balance has been reclassified to other creditors.

23. Financial Instruments

The carrying amount of the financial instruments at 31 December were:

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Financial assets at fair value through the Statement of Financial Activities				
Unlisted investments	133,493	149,394	133,493	149,394

24. Analysis of Net Assets among Funds - Group

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2022 £000
Tangible and Intangible Fixed Assets	10,171	35,072	-	45,243
Investments	47,132	68,835	17,526	133,493
Mixed Motive Investments	25	6,191	-	6,216
Programme Related Investments	10,142	-	-	10,142
Total Fixed Assets	67,470	110,098	17,526	195,094
Net Current Assets	13,863	2,484	-	16,347
Creditors: Amounts falling due after more than one year and Provisions for Liabilities and Charges	(11,859)	(653)	-	(12,512)
Pension Scheme Asset	-	5,188	-	5,188
Net Assets at 31 December 2022	69,474	117,117	17,526	204,117

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2021 £000
Tangible and Intangible Fixed Assets	10,701	35,606	-	46,307
Investments	53,566	69,883	25,945	149,394
Mixed Motive Investments	25	6,700	-	6,725
Programme Related Investments	9,539	-	-	9,539
Total Fixed Assets	73,831	112,189	25,945	211,965
Net Current Assets	13,518	5,417	-	18,935
Creditors: Amounts falling due after more than one year and Provisions for Liabilities and Charges	(11,442)	(755)	-	(12,197)
Pension Scheme Liability	-	(2,956)	-	(2,956)
Net Assets at 31 December 2021	75,907	113,895	25,945	215,747

25. Analysis of Net Assets among Funds - Charity

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2022 £000
Tangible and Intangible Fixed Assets	600	35,072	-	35,672
Investments	48,647	68,835	17,526	135,008
Mixed Motive Investments	25	6,191	-	6,216
Programme Related Investments	10,142	-	-	10,142
Total Fixed Assets	59,414	110,098	17,526	187,038
Net Current Assets	13,774	2,484	-	16,258
Creditors: Amounts falling due after more than one year and Provisions for Liabilities and Charges	(1,114)	(653)	-	(1,767)
Pension Scheme Liability	-	5,188	-	5,188
Net Assets at 31 December 2022	72,074	117,117	17,526	206,717

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2021 £000
Tangible and Intangible Fixed Assets	448	35,606	-	36,054
Investments	55,094	69,883	25,945	150,922
Mixed Motive Investments	25	6,700	-	6,725
Programme Related Investments	9,539	-	-	9,539
Total Fixed Assets	65,106	112,189	25,945	203,240
Net Current Assets	13,983	5,417	-	19,400
Creditors: Amounts falling due after more than one year and Provisions for Liabilities and Charges	(1,444)	(755)	-	(2,199)
Pension Scheme Liability	-	(2,956)	-	(2,956)
Net Assets at 31 December 2021	77,645	113,895	25,945	217,485

26. Unrestricted Funds - Group and Charity

Group							
	At 1 Jan 2022 £000	Income £000	Expenditure £000	Net Losses on Investment Assets £000	Fund Transfers £000	Other Gains and Losses £000	At 31 Dec 2022 £000
General Fund	67,211	56,838	(55,801)	(5,300)	(1,137)	25	61,836
Pension Reserve	-	-	(28,245)	-	-	28,245	-
Total General Funds	67,211	56,838	(84,046)	(5,300)	(1,137)	28,270	61,836
Priority Areas Properties	1,798	28	-	(165)	-	-	1,661
Ministries Candidates Bursaries	1,535	27	(381)	(157)	-	-	1,024
Study Leave Fund	1,464	40	(48)	(189)	-	-	1,267
New College Funds	1,126	21	(21)	(119)	2	-	1,009
St Colm's Fund	1,056	-	-	(108)	-	-	948
Other Designated Funds	1,717	205	(209)	(97)	113	-	1,729
Total Designated Funds	8,696	321	(659)	(835)	115	-	7,638
Total Unrestricted Funds	75,907	57,159	(84,705)	(6,135)	(1,022)	28,270	69,474

Group							
	At 1 Jan 2021 £000	Income £000	Expenditure £000		Fund Transfers £000	Other Gains and Losses £000	At 31 Dec 2021 £000
Faith Impact Forum	(1,629)	-	-		1,629	-	-
General Fund	7,956	53,628	(55,259)		56,915	3,971	67,211
Total General Funds	6,327	53,628	(55,259)		58,544	3,971	67,211
Priority Areas Properties	-	31	-		1,594	173	1,798
Ministries Candidates Bursaries	-	30	(48)		1,387	166	1,535
Study Leave Fund	-	38	(22)		1,419	29	1,464
New College Funds	-	23	(32)		1,030	105	1,126
St Colm's Fund	-	20	3		919	114	1,056
Other Designated Funds	-	173	(368)		1,833	79	1,717
Total Designated Funds	-	315	(467)		8,182	666	8,696
Total Unrestricted Funds	6,327	53,943	(55,726)		66,726	4,637	75,907

26. Unrestricted Funds - Group and Charity

Charity							
	At 1 Jan 2022 £000	Income £000	Expenditure £000	Net Losses on Investment Assets £000	Fund Transfers £000	Other Gains and Losses £000	At 31 Dec 2022 £000
General Fund	68,949	46,618	(44,681)	(5,300)	(1,137)	(13)	64,436
Pension Reserve	-		(28,245)			28,245	-
Total General Funds	68,949	46,618	(72,926)	(5,300)	(1,137)	28,232	64,436
Priority Areas Properties	1,798	28	-	(165)	-	-	1,661
Ministries Candidates Bursaries	1,535	27	(381)	(157)	-	-	1,024
Study Leave Fund	1,464	40	(48)	(189)	-	-	1,267
New College Funds	1,126	21	(21)	(119)	2	-	1,009
St Colm's Fund	1,056	-	-	(108)	-	-	948
Other Designated Funds	1,717	205	(209)	(97)	113	-	1,729
Total Designated Funds	8,696	321	(659)	(835)	115	-	7,638
Total Unrestricted Funds	77,645	46,939	(73,585)	(6,135)	(1,022)	28,232	72,074

Charity							
	At 1 Jan 2021 £000	Income £000	Expenditure £000	Fund Transfers £000	Other Gains and Losses £000	At 31 Dec 2021 £000	
Faith Impact Forum	504	-	-	(504)	-	-	
General Fund	7,956	45,301	(47,377)	59,122	3,947	68,949	
Total General Funds	8,460	45,301	(47,377)	58,618	3,947	68,949	
Priority Areas Properties	-	31	-	1,594	173	1,798	
Ministries Candidates Bursaries	-	30	(48)	1,387	166	1,535	
Study Leave Fund	-	38	(22)	1,419	29	1,464	
New College Funds	-	23	(32)	1,030	105	1,126	
St Colm's Fund	-	20	3	919	114	1,056	
Other Designated Funds	-	173	(368)	1,833	79	1,717	
Total Designated Funds	-	315	(467)	8,182	666	8,696	
Total Unrestricted Funds	8,460	45,616	(47,844)	66,800	4,613	77,645	

26. Unrestricted Funds - Group and Charity (cont)

In 2022 there was a foreign currency translation gain of £25,000 upon consolidation of the net assets of the Israeli Subsidiaries as disclosed in Note 30 (2021: gain £24,000).

The purpose of the six main designated funds at 31 December 2022 which make up 89% of the total designated funds and are disclosed in the note above are as follows:

Priority Areas Properties. This fund is used to cover the costs of priority areas.

Ministries Candidates Bursaries Fund. This is used to fund bursaries for candidates training for Ministry.

Study Leave Fund. This is used to fund study leave costs for ministers, probationers and others within the Church.

New College funds. These are funds which are designated for use by New College.

St Colm's Fund. The fund is to promote practical and community training with ecumenical, experiential, inter-faith and international emphasis, especially involving and supporting women.

The Guild funds. These are funds which are designated for use by the Guild.

Transfers in the year are detailed in note 29.

27. Restricted Funds - Group and Charity

Group							
	Balance 1 Jan 2022 £000	Income £000	Expenditure £000	Net Losses on Investment Assets £000	Fund Transfers £000	Other recognised Gains and Losses £000	Balance 31 Dec 2022 £000
Social Care Council	21,942	48,439	(52,853)	(1,073)	1,111	-	17,566
Housing & Loan	51,987	2,594	(650)	(3,171)	-	-	50,760
F G Salvesen Trust	17,995	459	(352)	(2,302)	-	-	15,800
Ministries Benevolence Fund	1,953	34	(61)	(197)	-	-	1,729
Faith Impact Fund	2,047	526	(1,069)	(39)	195	-	1,660
Faith Nurture Fund	1,478	58	(186)	(5)	39	-	1,384
Augusta Lamont Bequest	(32)	112	(101)	(654)	6,175	-	5,500
Other Funds	19,481	1,587	(1,721)	(1,639)	(178)	-	17,530
	116,851	53,809	(56,993)	(9,080)	7,342	-	111,929
Pensions Reserve	(2,956)	-	(365)	-	-	8,509	5,188
	113,895	53,809	(57,358)	(9,080)	7,342	8,509	117,117

Group							
	Balance 1 Jan 2021 £000	Income £000	Expenditure £000	Net Gains on Investment Assets £000	Fund Transfers £000	Other recognised Gains and Losses £000	Balance 31 Dec 2021 £000
Social Care Council	19,372	51,282	(50,774)	976	1,086	-	21,942
Faith Nurture Forum	53,001	-	-	-	(53,001)	-	-
Faith Impact Forum	28,259	-	-	-	(28,259)	-	-
Support & Services	165	-	-	-	(165)	-	-
Housing & Loan	47,415	3,208	(489)	1,853	-	-	51,987
F G Salvesen Trust	16,964	413	(287)	919	(14)	-	17,995
Ministries Benevolence Fund	1,214	37	(57)	201	558	-	1,953
Faith Impact Fund	-	66	(30)	26	1,985	-	2,047
Faith Nurture Fund	-	39	(45)	1	1,483	-	1,478
Other Funds	8,101	1,655	(1,351)	1,372	9,672	-	19,449
	174,491	56,700	(53,033)	5,348	(66,655)	-	116,851
Pensions Reserve	(6,747)	-	(3,685)	-	-	7,476	(2,956)
	167,744	56,700	(56,718)	5,348	(66,655)	7,476	113,895

27. Restricted Funds - Group and Charity

Charity

	Balance 1 Jan 2022 £000	Income £000	Expenditure £000	Net Losses on Investment Assets £000	Fund Transfers £000	Other recognised Gains and Losses £000	Balance 31 Dec 2022 £000
Social Care Council	21,942	48,439	(52,853)	(1,073)	1,111	-	17,566
Housing & Loan	51,987	2,594	(650)	(3,171)	-	-	50,760
F G Salvesen Trust	17,995	459	(352)	(2,302)	-	-	15,800
Ministries Benevolence Fund	1,953	34	(61)	(197)	-	-	1,729
Faith Impact Fund	2,047	526	(1,069)	(39)	195	-	1,660
Faith Nurture Fund	1,478	58	(186)	(5)	39	-	1,384
Augusta Lamont Bequest	(32)	112	(101)	(654)	6,175	-	5,500
Other Funds	19,481	1,587	(1,721)	(1,639)	(178)	-	17,530
	116,851	53,809	(56,993)	(9,080)	7,342	-	111,929
Pensions Reserve	(2,956)	-	(365)	-	-	8,509	5,188
	113,895	53,809	(57,358)	(9,080)	7,342	8,509	117,117

Charity

	Balance 1 Jan 2021 £000	Income £000	Expenditure £000	Net Gains on Investment Assets £000	Fund Transfers £000	Other recognised Gains and Losses £000	Balance 31 Dec 2021 £000
Social Care Council	19,372	51,282	(50,774)	976	1,086	-	21,942
Faith Nurture Forum	53,001	-	-	-	(53,001)	-	-
Faith Impact Forum	28,333	-	-	-	(28,333)	-	-
Support & Services	165	-	-	-	(165)	-	-
Housing & Loan	47,415	3,208	(489)	1,853	-	-	51,987
F G Salvesen Trust	16,964	413	(287)	919	(14)	-	17,995
Ministries Benevolence Fund	1,214	37	(57)	201	558	-	1,953
Faith Impact Fund	-	66	(30)	26	1,985	-	2,047
Faith Nurture Fund	-	39	(45)	1	1,483	-	1,478
Other Funds	8,101	1,655	(1,351)	1,372	9,672	-	19,449
	174,565	56,700	(53,033)	5,348	(66,729)	-	116,851
Pensions Reserve	(6,747)	-	(3,685)	-	-	7,476	(2,956)
	167,818	56,700	(56,718)	5,348	(66,729)	7,476	113,895

Material funds have been shown separately in this note.

The restrictions on the use of the funds disclosed above are:

Social Care Council – funds received by CrossReach specifically for the provision of care to specific individuals.

Faith Nurture Fund – various donations and grants received from donors specifically for use by the Faith Nurture Forum.

Faith Impact Fund – various donations and grants received from donors specifically for use by the Faith Impact Forum.

Housing and Loan – for providing support to retired Church of Scotland ministers, and widows, widowers, separated or divorced spouses and separated or former civil partners of Church of Scotland ministers, in need of help with housing.

FG Salvesen Trust – for any purposes (including, where appropriate, the rendering of financial assistance to indigenous Churches) which, in the opinion of the Salvesen trustees provide or assist in providing the ordinances of religion to Scots in any part of the world outwith the United Kingdom of Great Britain and Northern Ireland.

Ministries Benevolence Fund – to provide grants for support to any retired person who has been ordained or commissioned for the Ministry of the Church of Scotland; widow, widower, spouse or former spouse and/or child of a person who has been ordained or commissioned for the Ministry of the Church of Scotland; anyone involved in active Ministry within the Church of Scotland; who is in need.

Augusta Lamont Bequest – the income generated by the fund is used to assist schemes in operation in Cowal. The fund was reorganised in the year and transferred from endowment funds with OSCR approval.

Fund transfers are detailed in Note 29.

28. Endowment Funds - Group and Charity

	Balance 1 Jan 2022 £000	Income £000	Investment Gains £000	Fund Transfers £000	Balance 31 Dec 2022 £000
Social Care Council	318	-	(13)	-	305
Augusta Lamont Bequest	6,175	-	-	(6,175)	-
Craigfoodie Endowment	1,683	-	(178)	-	1,505
Erskine Cunningham Hill Trust	1,855	-	(205)	-	1,650
Other Funds	15,914	-	(1,703)	(145)	14,066
	25,945	-	(2,099)	(6,320)	17,526

	Balance 1 Jan 2021 £000	Income £000	Investment Gains £000	Fund Transfers £000	Balance 31 Dec 2021 £000
Social Care Council	319	-	-	(1)	318
Faith Nurture Forum	1,804	-	-	(1,804)	-
Faith Impact Forum	5,483	-	-	(5,483)	-
Augusta Lamont Bequest	2,157	-	685	3,333	6,175
Craigfoodie Endowment	527	-	187	969	1,683
Erskine Cunningham Hill Trust	302	-	181	1,372	1,855
Other Funds	12,671	-	1,700	1,543	15,914
	23,263	-	2,753	(71)	25,945

Total Endowment Funds at 31 December 2022 of £17,526,000 are made up of £16,900,000 Permanent Endowment and £626,000 Expendable Endowment (2021: Permanent Endowment £25,235,000 and Expendable Endowment £710,000). Fund transfers are detailed in note 29.

The restrictions on the use of the funds disclosed above are:

Augusta Lamont Bequest – the income generated by the fund is used to assist schemes in operation in Cowal. The fund was reorganised in the year, and transferred in full to restricted funds with OSCR approval.

Erskine Cunningham Hill Trust – the income generated by the fund is for the purpose of making donations, subscriptions or grants to charitable schemes of the Church of Scotland and other recognised charities.

Craigfoodie Endowment – the income generated by the fund is paid to New College to assist with the salary costs of the holder of the Meldrum Lectureship.

29. Analysis of Fund Transfers - Group and Charity

	Reclassification of Funds £000	Contribution To Costs £000	Other Transfers £000	Group and Charity Total Transfers £000
Unrestricted Funds				
General Fund	(97)	(1,068)	28	(1,137)
New College Funds	-	-	2	2
Other Funds	100	-	13	113
	3	(1,068)	43	(1,022)
Restricted Funds				
Social Care Council	-	1,072	39	1,111
Faith Impact Fund	-	-	195	195
Faith Nurture Fund	-	-	39	39
Augusta Lamont Bequest	6,175	-	-	6,175
Other Funds	(3)	(4)	(171)	(178)
	6,172	1,068	102	7,342
Endowment Funds				
Augusta Lamont Bequest	(6,175)	-	-	(6,175)
Other Funds	-	-	(145)	(145)
	(6,175)	-	(145)	(6,320)
	-	-	-	-

Reclassification of Funds relates mainly to funds being reclassified in the year following approval of formal reorganisations with OSCR

Contribution to Costs includes the transfer of funds from the General Fund to CrossReach during the year.

Other Transfers relate to the distribution of income between funds in line with any restrictions.

30. Subsidiary Undertakings

The Church of Scotland has the following subsidiary undertakings that are consolidated into the Group financial statements:

St. Andrew's Galilee Limited - Israel Company Registration Number 511727620

The company was incorporated in Israel in 1993 to manage the Tiberias Guesthouse, later redeveloped into a sixty-nine bedroom facility "The Scots Hotel, St. Andrew's Galilee". The share capital of 2,900,102 shares each of one New Israeli Shekel (approximately £0.22) is held in total by The Church of Scotland Trust on behalf of the Faith Impact Forum.

St. Andrew's Scottish Centre Limited - Israel Company Registration Number 511832495

The company was incorporated in Israel in 1993 to manage the nineteen bedroom St. Andrew's Scottish Guesthouse in Jerusalem. The share capital of 22,900 shares each of one New Israeli Shekel (approximately £0.22) is held in total by the Church of Scotland Trust on behalf of the Faith Impact Forum.

The Tiberias Guesthouse and St. Andrew's Scottish Guesthouse provide accommodation to those wishing to visit Israel and Palestine and witness the work of the Church of Scotland and are also open to all guests. The Financial Year end of both Companies is 31 December and both subsidiaries are consolidated in the Group Financial Statements.

Tabeetha School in Jaffa - Israel Amuta (Not for Profit Organisation) Number 580500601

The school has operated under the supervision of the Faith Impact Forum and its predecessors since 1912. Title to the school property is held by the Church of Scotland Trust on behalf of the Faith Impact Forum. Accordingly, it is considered that the Church of Scotland has control of the entity and its results are consolidated in full. The school was registered as an Amuta, an Israeli not for profit association, in 2008 and commenced operations under the new arrangement in 2009. The Financial Year end of the company is 31 December and the results of the school are consolidated in the Group Financial Statements.

Other subsidiary companies which are not consolidated in the financial statements, on the basis of being immaterial:

CrossReach Trading Limited is a private company limited by shares incorporated in Scotland to sell CrossReach branded calendars and cards.

CrossReach Community Connections SCIO (Scottish Charitable Incorporated Organisation) passes grants on to CrossReach under the same terms and conditions that apply to the initial award to the SCIO.

Sanctuary First SCIO (Scottish Charitable Incorporated Organisation) was incorporated on 31 August 2022 and operates the digital ministry aspects of the Church of Scotland.

Their financial results of material subsidiaries were as follows:

	St. Andrew's Galilee Limited		St Andrew's Scottish Centre Limited		Tabeetha School	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Income	6,691	5,792	1,062	426	2,502	2,109
Expenditure	(7,459)	(5,182)	(1,175)	(487)	(2,521)	(2,213)
Net (Loss)/ Profit	(768)	610	(113)	(61)	(19)	(104)
Unrealised Gains/(Losses) on Foreign Currency transactions	31	(12)	(8)	45	2	(9)
	(737)	598	(121)	(16)	(17)	(113)
Gross Assets	9,170	9,723	1,600	1,710	1,413	1,476
Gross Liabilities	(10,737)	(10,553)	(901)	(890)	(1,630)	(1,676)
Total Net (Liabilities)/Assets	(1,567)	(830)	699	820	(217)	(200)

31. Commitments

	Group and Charity	
	2022 £000	2021 £000

Capital Expenditure

Contracts placed for future capital expenditure not provided for in the financial statements:

Social Care Council	56	288
	56	288

Capital Expenditure authorised by Councils and Other Funds, not contracted for at 31 December:

Social Care Council	3,750	120
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Operating Leases where the Group is Lessee

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group and Charity			
	Property £000	Other £000	2022 Total £000	2021 Total £000
Within one year	374	208	582	933
After one and before five years	29	138	167	723
	403	346	749	1,656

Operating Leases where the Group is Lessor

Future minimum lease rentals receivable under non-cancellable operating leases are as follows:

	Group and Charity	
	2022 £000	2021 £000
Within one year	99	55
After one and before five years	-	-
	99	55

Certain commercial property leases are non-cancellable. These leases have remaining terms of between 1 and 2 years. Other leases have terms of less than one year.

32. Pension Schemes

Details of Schemes

The Church of Scotland has six pension schemes, three of which are defined contribution schemes and three defined benefit schemes.

Defined Contribution Schemes

Since August 2013 the Social Care council scheme has been provided by Legal and General with employer rates of 5%.

From 1 October 2013 two further defined contribution schemes were provided by Legal and General, one for employees of the Ministries and World Mission Councils with employer rates of 11.5% to 14%, and one for employees of the Central Services Committee with employer rates of 11.5% to 14%. A statutory minimum compliance employer rate of 3% is provided for certain categories of workers such as locum ministers.

The Group allocates the defined contribution schemes expenses and liability between funds according to the activity for which staff are employed.

At 31 December 2022, £0.7 million was due in respect of the defined contribution pension schemes. This balance is recorded within creditors: amounts due within one year.

Defined Benefit Schemes

- > The Scheme for Ministers and Overseas Missionaries (for office holders or those employed through the Ministries Council or World Mission Council). The Scheme has three separate funds, the Main Pension Fund, The Contributors' Pension Fund and the Widows' and Orphans' Fund. The Contributors' and the Widows' and Orphans' Funds are excluded from the disclosures because both funds have irrecoverable surpluses which can only be recovered to the extent that there is a liability associated with the Fund. Given that the costs accruing to these Funds are considered to be negligible and no contributions are payable, it is not expected that any surplus can be recognised.
- > The Scheme for Staff (employees of the Social Care Council and the Central Services Committee). The Scheme has two separate funds, the Social Care Fund and the Central Services Committee Fund (CSC Fund).
- > The Scheme for Ministry Development Staff (MDS), formerly the Presbytery and Parish Workers' Scheme (PPWs) and formerly the Scheme for National Mission (for certain employees of the Faith Nurture Forum).

The Social Care component of the Staff Scheme was closed to future accrual in August 2013 and the other three Schemes closed to future accrual after 31 December 2013.

All three defined benefit Pension Schemes provided facilities for additional voluntary contributions with either Scottish Widows or Standard Life until 31 December 2013. Certain voluntary contributions were allowed to continue after that date.

All assets are held independently of the Church of Scotland by the Church of Scotland Pension Trustees. The investments of the Pension Schemes are held directly by each Scheme, and managed by Aon Ltd, Baillie Gifford & Co, BlackRock Investments Management, Insight Investment and Legal & General Investment Management Ltd.

The Schemes closed to future accrual on 31 December 2013 with the exception of the Widows' & Orphans' Fund, for which only employee contributions are paid, based on historic calculations. Consequently, with this exception, from 2014 the only contributions payable relate to past service.

The charity also contributes to two Local Government Pension Schemes (LGP Schemes) in respect of certain current and past employees of Crossreach. These schemes are currently in surplus. The group's and charity's share of the LGP Schemes' assets and liabilities and the impact on the Statements of Financial Activities of these schemes are shown in aggregate in the following tables.

Treatment in Financial Statements

The most recent actuarial valuations for the Ministers, MDS, and Social Care/CSC defined benefit schemes were carried out as at 31 December 2022. The Actuary determines contribution rates for funding past service each year, and these will be funded from the General Funds.

The most recent actuarial valuations for the Local Government Pension Scheme (LGPS) was 31 March 2020. The contributions paid by the Employer are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2020), or at any other time as instructed to do so by the Administering Authority. The contributions payable over the period to 31 March 2024 are set out in the Rate and Adjustments certificate.

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2022 £000
Defined Benefit Obligation						
Opening Defined Benefit Obligations	248,691	15,714	58,402	36,158	24,535	383,500
Current Service Cost	-	-	-	-	381	381
Administration Cost	410	194	175	159	-	938
Interest Cost	4,482	286	1,061	660	465	6,954
Contributions by Scheme Participants	-	-	-	-	47	47
Actuarial Losses/(Gains)	(70,462)	(5,746)	(18,918)	(12,716)	(10,033)	(117,875)
Past Service Cost	27,474	-	-	-	-	27,474
Benefits and Expenses paid	(13,332)	(729)	(2,327)	(1,177)	(531)	(18,096)
Closing Defined Benefit Obligations	197,263	9,719	38,393	23,084	14,864	283,323
Fair Value of Scheme Assets						
Opening Fair Value of Scheme Assets	336,511	19,860	68,836	44,784	21,579	491,570
Interest Income	6,103	361	1,252	818	407	8,941
Contributions by Scheme Participants	-	-	-	-	47	47
Contributions by the Employer	-	-	-	-	251	251
Actual return on assets excluding amounts included in net interest	(88,905)	(7,026)	(22,270)	(15,996)	(1,701)	(135,898)
Benefits and Expenses paid	(13,332)	(729)	(2,327)	(1,177)	(531)	(18,096)
Closing Fair Value of Scheme Assets	240,377	12,466	45,491	28,429	20,052	346,815
Irrecoverable surplus brought forward	(87,820)	(4,146)	(10,434)	(8,626)	-	(111,026)
Impact of irrecoverable surplus on interest income	(1,625)	(77)	(193)	(160)	-	(2,055)
Decrease/(Increase) in irrecoverable surplus from experience	46,331	1,476	3,529	3,441	-	54,777
Irrecoverable surplus at end of year	(43,114)	(2,747)	(7,098)	(5,345)	-	(58,304)
Closing Fair Value of Scheme Assets net of irrecoverable surplus	197,263	9,719	38,393	23,084	20,052	288,511
Closing Net Defined Benefit Asset	-	-	-	-	(5,188)	(5,188)
Opening Net Defined Benefit Obligation	-	-	-	-	2,956	2,956

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2022 £000	2021 £000
Analysis of Amount Charged to Operating (Deficit)/Surplus							
Current & Past Service Cost	27,474	-	-	-	381	27,855	2,820
Administration Costs	410	194	175	159	-	938	970
Total Operating Charge	27,884	194	175	159	381	28,793	3,790

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2022 £000	2021 £000
Analysis of Amount Credited to Other Finance Income							
Interest Income on Scheme Assets	6,103	361	1,252	818	407	8,941	6,239
Impact of Asset Ceiling on Net Interest	(1,625)	(77)	(193)	(160)	-	(2,055)	(1,346)
Interest on Scheme Liabilities	(4,482)	(286)	(1,061)	(660)	(465)	(6,954)	(4,986)
Net Interest on Net Defined Benefit Liability	(4)	(2)	(2)	(2)	(58)	(68)	(93)

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2022 £000	2021 £000
Total Amount Charged to Statement of Financial Activities							
Total Operating Charge less Net Interest	27,888	196	177	161	439	28,861	3,883

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2022 £000	2021 £000
Analysis of Amount recognised in Other Recognised Gains and Losses							
Actual return on Assets excluding amounts included in net interest	(88,905)	(7,026)	(22,270)	(15,996)	(1,701)	(135,898)	(3,799)
Actuarial (losses)/gains on Scheme obligations	70,462	5,746	18,918	12,716	10,033	117,875	13,059
Decrease/(Increase) in irrecoverable surplus from membership fall and other factors	46,331	1,476	3,529	3,441	-	54,777	(1,784)
Remeasurement gain/(loss) recognised in Other Recognised Gains and Losses	27,888	196	177	161	8,332	36,754	7,476

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2022 £000	2021 £000
Major Categories of Scheme Assets:							
UK Equities	-	-	-	-	12,247	12,247	13,778
Overseas Equities	-	-	-	-	-	-	-
Diversified Growth Fund	5,989	349	1,336	796	-	8,470	10,120
Adept Strategy Fund	22,433	1,239	3,929	2,773	-	30,374	36,194
UK Managed Funds	5,838	334	1,346	762	-	8,280	5,043
Overseas Managed Funds	-	-	-	-	-	-	4,619
Buy & Maintain Bond Fund	20,237	1,153	4,058	2,622	-	28,070	35,836
UK Government Index-linked Bonds	136,150	6,024	24,646	11,385	5,399	183,604	191,786
UK Government Fixed-interest Bonds	43,863	3,156	9,322	9,375	-	65,716	152,067
Property	-	-	-	-	1,573	1,573	1,478
Cash/Net Current Assets	5,867	211	854	716	833	8,481	40,649
Total Value of Assets	240,377	12,466	45,491	28,429	20,052	346,815	491,570
Actuarial Value of Liabilities	(197,263)	(9,719)	(38,393)	(23,084)	(14,864)	(283,323)	(383,500)
Surplus/(Deficit) of Funded Scheme Liabilities	43,114	2,747	7,098	5,345	5,188	63,492	108,070
Irrecoverable Surplus	(43,114)	(2,747)	(7,098)	(5,345)	-	(58,304)	(111,026)
Net Pension Asset/(Liability)	-	-	-	-	5,188	5,188	(2,956)

The actual return on plan assets was a deficit of £125.7 million (2021: (£6.5 million)).

Although some of the defined benefit pension schemes show an accounting asset as disclosed above, the financial positions as measured by the latest actuarial valuations may require that the Charity makes total deficit repair payments. As of February 2021 the Pension Trustees agreed to cease the contributions, but if trigger points on the funding levels are met they would resume again.

The main financial assumptions used in preparing the defined benefit schemes figures above as at 31 December 2022 and 2021 are as follows:

	2022 %	2021 %
Financial Assumptions		
Retail Price inflation	3.30	3.55
Consumer Price inflation	2.80	3.00
Discount rate	4.75	1.85 - 1.90
Pension Increase Rate (non LGP schemes)	2.00 - 2.75	2.10 - 2.95
Pension Increase Rate (LGP Schemes only)	3.05	2.90
Salary increase rate (LGP Schemes only)	3.65 - 3.75	3.50 - 3.60

The valuation for the LGPS includes the current experience of the CPI.

The assumptions made for life expectancy are as follows:

	2022	2021
Life Expectancy Assumptions		
Age 65	22.3	22.8

33. Contingencies

The Church of Scotland has operated a large number of residential and community based social care services for over 150 years, latterly through the Social Care Council, trading as CrossReach, and previously through the Board of Social Responsibility, caring for significant numbers of vulnerable children as part of their work over that time. Safeguarding practices have always been followed and have evolved into the robust procedures which are in place today.

The Scottish Parliament passed The Redress for Survivors (Historical Abuse in Care) (Scotland) Act 2021 that is intended to deliver reparation for the survivors of historical abuse. An agreement has been reached with the Scottish Government for CrossReach to make a contribution to Scotland's Redress Scheme in respect of compensation payments to survivors of childhood abuse in care. The contingency is the difference between the formally agreed core contribution of £1,364,000 (which is reflected in other creditors to the extent payment into the scheme have not yet been made) and the formally agreed cap of £2,000,000. The provision of waiver, within the Scheme, will mean that recipients of a Redress payment cannot then pursue a civil claim.

34. Subsequent events

Following agreement being reached with the affected members of staff (16 persons), CrossReach gave notice that it would exit two Defined Benefit Local Governments Pension Schemes (LGPS) on 31 March 2023. It exited the Strathclyde pension scheme with a confirmed positive exit value of £2.03 million. The exit value for the Falkirk scheme has yet to be calculated.

Reference and Administrative Details

Assembly Trustees

- **David Cameron** (from June 2021)
- **John Chalmers** (from June 2019, term ended May 2022)
- **Jean Couper**, (from June 2020)
- **David Harrison** (from June 2020)
- **Barry Hughes** (from June 2021)
- **Linda Irvine** (from June 2020, resigned May 2022)
- **Alan Kennedy** ex officio Chair pro-tem of General Trustees (from June 2022)
- **Jennifer MacDonald** (from June 2022)
- **Donald McCorkindale**, ex officio Convener of Assembly Business Committee (from December 2019)
- **Peter McEnhill** (from June 2021)
- **James McNeill** (from June 2019, term ended May 2022)
- **Geoff Miller** (from June 2020)
- **Ann Nelson** (from June 2020)
- **Gillian Paterson** (from June 2022, resigned September 2022)
- **Anikó Schütz Bradwell** (from June 2019, term ended May 2022)
- **Norman Smith** (from June 2022)
- **Ian Townsend** ex officio Chair of General Trustees (from May 2021, resigned March 2022)
- **Philip Ziegler** (from December 2020)

Key Management Personnel

- **Viv Dickenson**, Chief Executive Officer CrossReach
- **Liam Fennell**, Head of Estates
- **Dave Kendall**, Chief Officer
- **Anne Macintosh**, General Treasurer
- **Mary Macleod**, Solicitor of the Church
- **Richard MacLennan**, Head of IT (from February 2022)
- **Ruth MacLeod**, Head of Communications
- **Elaine McCloghry**, Head of Human Resources
- **Scott Shackleton**, Head of Faith Action Programme
- **Catherine Skinner**, Head of Analysis and Programme Development

Scottish Charity Number

SC011353

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Professional Advisors

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(Group Auditors)
Chartered Accountants
and Statutory Auditor
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EH3 8BL

PricewaterhouseCoopers

(Auditors of Israeli
Subsidiaries)
Shufat Street 5
East Jerusalem
Palestinian Territories

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The Bank of Scotland

The Mound
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