



The Church of Scotland

# **ANNUAL REPORT AND ACCOUNTS**

For the year ended 31 December 2019

The Church of Scotland Unincorporated Entities

## Contents

<b>Foreword .....</b>	<b>3</b>
<b>Overview of the Work of the Charity .....</b>	<b>4</b>
<b>Structure, Governance and Management .....</b>	<b>5</b>
<b>Achievements and Performance .....</b>	<b>11</b>
<b>Audit and Compliance .....</b>	<b>13</b>
<b>Principal Risks and Uncertainties .....</b>	<b>14</b>
<b>Financial Review .....</b>	<b>15</b>
<b>Auditors' Report.....</b>	<b>29</b>
<b>Financial Statements.....</b>	<b>31</b>
<b>Reference and Administrative Details .....</b>	<b>73</b>

# Foreword

## Letter from Very Rev Dr John Chalmers: Convener

This, the first report of the Assembly Trustees, is a report about a new way of working and a new set of priorities. This new Trustee body was established by the General Assembly with an implicit instruction to establish a central structure which was lean and fit for purpose to lead reform and which would prioritise the work of resourcing and supporting the mission of the local Church.

In this first year the Trustees, as instructed by the General Assembly, managed a radical reduction in the number and size of central agencies which has been accompanied by a commitment to the empowerment of staff to work under delegated powers and according to a single Faith Action Plan. This signals an end to standalone departments within the central administration and it heralds the development of greater cross-departmental working.

Under the leadership of the Chief Officer, Dave Kendall, the boundaries between governance and management have been made clearer and this can only be a good thing in terms of clarity of leadership of one of Scotland's most important charities. As the Charity Trustees we were charged by the General Assembly with overseeing a programme of radical action and change. This meant contracting in some areas of work while expanding in others, simultaneously pruning and planting and above all focusing the central church on the local with the goal of enabling the local church to flourish. It seemed like there was a wind of change blowing through the Church and the prospect of transformation and growth were within sight.

Then at the beginning of 2020 with the outbreak of the Covid-19 Pandemic the landscape changed in a way that no body of charity trustees could possibly have anticipated. This brought restrictions and far reaching effects to the whole Church. Congregations, partners, ministers and other staff were all affected; while, our Social Care arm, CrossReach, and its residents and care staff found themselves on the frontline.

In March, government regulation meant that our church buildings were closed and there followed five months in which all public worship went online and we entered a period of great uncertainty.

These have been unprecedented times for us both as a charity and as a Church, but the challenges we have faced have brought out the best in our people and the response we have seen has been an inspiration.

The Church of Scotland is much more than Charity Number SC011353: it is a part of the Universal Church of Jesus Christ, and as such we have to balance the need for fiscal responsibility with the risks that have to be taken in response to the call of Jesus to "Follow Me". So, while the Trustees know that life for the Church of Scotland will never be quite the same again, we are now building on the lessons learned in lockdown, we are responding to the challenges that were left to us by the General Assembly of 2019 including the increasing constraints of funding and resources. In particular we are looking to our new Forums to take us deeper into the heart of God and to take us out into the heart of the world and its new normal.

The challenges facing the Church of Scotland are as testing as they are exciting. This, therefore, is a time for entrepreneurial mission initiatives to take root across the whole Church and it will be the role of the Trustees to enable these to be seeded and grow.

**Very Rev Dr John Chalmers**

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 are the Charity 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 institutions and, in 2019, the Trustees were responsible for expenditure of £109.1m.

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 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 Charity 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 of thousands of volunteers, the operation of grant-making activities which benefit communities and the employment of our staff.

# 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 work of the UE, from 1 January 2020, will be undertaken by two Forums ("Faith Nurture", a merger of the Ministries Council and the Mission and Discipleship Council and "Faith Impact", a merger of the Church and Society Council and the World Mission Council). The Assembly Trustees, through a 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 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 for acting as the statutory employer of individuals who are members of the Church of Scotland Pension Scheme for Ministers and Overseas Missionaries.

As directed by the General Assembly, the Charity Trustees have created a new role of Chief Officer from 1 November 2019 (see page 8 for further details) to oversee management within the UE and to provide executive leadership to the work of the Assembly 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 new 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 of the UE based at 121 George Street, Edinburgh and elsewhere.

Other constituent elements are:

- **The Ecumenical Relations Committee**, sitting within the departmental structure of the Faith Nurture Forum

- **The Theological Forum**, sitting within the departmental structure of the Faith Nurture Forum
- **The Interfaith Office**, sitting within the departmental structure of the Faith Impact Forum

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 Charity 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 World Mission Council, and now 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 World Mission Council, and now 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 Board of Governors, made up of a mix of local individuals and Church of Scotland appointees from Scotland. In practice most major decisions to date have been taken by the Middle East Committee and the World Mission Council. Title to the school property is held by the Church of Scotland Trust on behalf of the UE.

#### **Significant Funds**

The UE holds a substantial number of restricted Trusts and Funds. The most significant of these are:

- 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 Charity Trustees have a supervisory role.
- The F G Salvesen Trust provides grants "for any purposes (including, where appropriate, the rendering of financial assistance to indigenous Churches) which, in the opinion of the Board ... provide or assist in providing the ordinances of religion to Scots in any part of the world out with the United Kingdom of Great Britain and Northern Ireland." Whilst these trust purposes are separate from those in the Constitution for the Assembly Trust, the funds are treated as part of the overall assets of the Charity and accordingly the Charity Trustees have a supervisory role. The Salvesen trustees have been taken from the World Mission Council and now comprise the members of the Faith Impact Forum.

#### **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 out with Scotland.

The Church of Scotland Pension Trustees, an unincorporated body constituted by the General Assembly, administers Pension Schemes for the UE.

## Governance

The General Assembly of 2019 appointed a new trustee body (the “Assembly Trustees” and the “Trustees”) to be the Charity Trustees of the Church’s charitable funds and assets. The Assembly 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.

A list of the Assembly Trustees during 2019 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 Charity Regulator.

The first Assembly 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 be given to ensuring that the diversity of Church membership is reflected, including consideration of an appropriate gender balance and level of youth representation. Trustees are required to have an understanding of the life and culture 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.

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 year plan for the anticipated work over the ensuing twelve months with proposed meeting dates, the Code of Conduct for Assembly Trustees, and a link to OSCR Guidance on being a Charity Trustee.

A separate induction meeting is held at which presentations are made including (a) the charitable purpose of the Church of Scotland and related

Charity trustee duties, roles and liabilities, on the Church’s Designated Religious Charity status, avoiding and dealing with conflicts of interest, (b) the organisational structure of the Church and the UE, (c) important aspects of the Constitution and (d) the Church’s finances.

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 of all 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.

Upon their appointment from 1 June 2019, the major engagements for the Trustees were the appointment of a Chief Officer and the reorganisation of the operational structure of the UE.

Between January and June 2019, the Charity Trustees were the voting members of the Council of Assembly. Between the General Assemblies of 2018 and 2019, the principal work of the Council of Assembly had been the preparation of the Radical Action Plan. During the early part of 2019 it was known that the report of a Special Commission appointed in September 2018 might suggest far-reaching reforms and, whilst there was significant liaison between the Special Commission and those preparing the new Radical Action Plan for General Assembly 2019, a feeling of uncertainty persisted, exacerbated by senior staff changes. The Assembly Trustees record their appreciation to all staff and Council members who stepped into vacant shoes and tried to maintain momentum and vision during this time.

In May 2019 the General Assembly not only endorsed the proposal of the Special Commission for a

radical change in Council organisation but also instructed, as was wholly endorsed by the Councils, that this should be attempted by November 2019. This enthusiasm for change enabled the Assembly Trustees to approach their various tasks in the understanding that, however radical those tasks might seem historically, General Assembly was in no doubt that doing nothing was not an option and that such an overhaul was required.

Early meetings of the Trustees, starting on 3 June 2019, were taken up with getting to know each other, getting to know the breadth of the task ahead and trying to map out both the road and the priorities. Given that appointment as an Assembly Trustee avoids the problems of conflict of interest which beset the Council of Assembly, the initial road of decision making, had to be travelled alone. The Trustees record their appreciation to Martin Johnstone who, having agreed to be acting Secretary to the Council of Assembly in the latter part of 2018, also agreed to be Interim Head of Staff from General Assembly 2019 until the autumn.

As required by the Constitution, each Trustee became a liaison Trustee for one of the elements of the work of the UE in order better to understand the development needs of each agency. The Trustee Induction process was agreed with the Solicitor of the Church and the Trustees record thanks to her for this thorough and essential work.

Between June and October 2019, the Trustees engaged with the appointment of a Chief Officer, as directed by the General Assembly following suggestions from the Special Commission. As the Church has not before had a Chief Officer, this was a major undertaking and thanks are due to the Head of HR and to the Communications Department for their invaluable assistance.

Appropriate role specification and remuneration were agreed and advertising between late June and late July 2019 resulted in twenty-six applications. These were subjected to a sift according to experience of leadership at a senior level, experience of leading and implementing transformational change, financial acumen, ability to communicate effectively at all levels, empathy with the purpose and vision of the Church of Scotland and education to degree level or equivalent professional qualification. Seven applicants were taken to first stage interview with three pairs of trustees covering, respectively, depth of knowledge of finance, breadth

of experience of transformational change and faith journey as well as meeting with a stakeholder panel including among others, the Principal Clerk, Convener of the Assembly Business Committee, Convener of the Nomination Committee, Convener of Ecumenical Relations, Secretary to the General Trustees and a representative from the Guild.

The Trustees agreed that four candidates should be asked to second stage interviews. They reflected a range of church and career backgrounds, and there was diversity of gender. Each was asked to make a presentation on their vision for the Church and its core functions before a panel comprising four trustees and an expert in recruitment external to the trustees and the central organisation of the Church, with the Head of HR in attendance. The panel were unanimous in their view that the appointment should be offered to Dave Kendall BSc., FRSC, an elder and worship leader at West Kirk, East Kilbride, whose career had taken in a wide range of senior management roles in the power industry and university sector and who also has voluntary chair experience in a charitable organisation. This recommendation was endorsed by the Trustees.

Second, and with considerable engagement from all involved, was the merger of Councils. The regularity, frequency and depth of the various conversations held among all parts of the work of the UE undoubtedly had the furtherance of the Church at the heart of their stances.

Third, but needing to be progressed from the start of our appointment, has been the Radical Action Plan. As might be expected, a number of the individual streams required little by way of input from the Assembly Trustees; but others were less easy to progress. By the time reports were ready to be presented to the General Assembly in May, all were at acceptable stages. However, the cancellation of the General Assembly meant that these plans could not be presented. Elements of the Radical Action Plan, most notably the new Growth Fund had to be put on hold because of financial considerations around the effects of the Pandemic. Apart from the Growth Fund, all of the strands of the Radical Action Plan have been mapped by the Chief Officer's team into the Faith Action Plan which is being developed, or where appropriate into normal work, to ensure the intent of the Plan is taken forward.

Fourth, there have been new approaches to budgeting, as provided for in the Constitution and

Remit. Here, the Trustees have given the utmost support to the Chief Officer, General Treasurer and her Department in preparing for zero-budgeting and sustainable five-year plans. An immediate restriction on new expenditure or the reallocation of authorised expenditure was imposed unless with the authorisation of Heads of Department, the Head of Staff and the General Treasurer as necessary. The impact on income of the Covid-19 Pandemic necessitated a further layer of budgetary controls as outlined in the Financial Review, with Forums asked to re-cast their 2020 budgets on a minimum spend basis.

Fifth, and following various discussions at the General Assemblies of 2018 and 2019, the Trustees considered that a revised Ministries and Mission contributions scheme was required, with appropriate transition arrangements, to address various concerns and to build and strengthen the local Church. An independent review panel was asked to review the existing scheme and the Very Rev. Dr Russell Barr agreed to convene it. Good progress has been made on the review and an interim report will now be presented to the General Assembly in October 2020.

The Chief Officer took up post on 1 November 2019 and was able to engage quickly and with a considerable degree of understanding as to where detailed management support was required. In November the Trustees, with the Chief Officer, held an away day to discuss areas of special interest and prioritisation.

At the Commission of Assembly on 21 November 2019 the Trustees' proposals for Council merger were accepted with the instruction, in consultation with the two new Forums, to identify detailed remits setting out the work to be carried out by the new Forums and its prioritisation, the work to be devolved to new Presbyteries, and the work to be discontinued. Workshops were then held for Ministries Council, Mission & Discipleship Council, Church & Society Council and World Mission Council to agree on the targets and work. This, together with further work in 2020 has informed the development of longer term plans within the ambit of a single "Faith Action Plan".

The Trustees have met with senior personnel from the Social Care Council in order to plan towards greater financial stability and budgeting for CrossReach.

A working party of experts had advanced preparations for the new Growth Fund, for the appropriate criteria and guidelines, and for capacity building for applicants but as outlined above this has been paused for the time being.

### **Effects of Covid-19 Pandemic**

The risk posed by the virus was recognised as the Trustees drafted their report in March 2020. However the full extent of the crisis quickly unfolded. Lock-down restrictions meant that church premises and the National office had to be closed down. CrossReach's Care Homes went into early lock-down and this almost certainly contained the effects of the Pandemic. Sadly though, a number of homes saw deaths from Covid-related illness amongst residents. This is a source of great sadness and concern on the part of the Trustees, who committed to support CrossReach through the crisis. A huge debt of gratitude is owed to all of the staff at CrossReach and especially to the front line staff who worked tirelessly to look after residents in the most extreme circumstances, a true reflection of CrossReach's Christian witness through its work.

The Trustees worked closely with the Chief Officer and Core Management Team (CMT) to put new working arrangements in place. Staff were very quickly enabled to work from home with only a skeleton staff in the office, looking after health and safety and property issues. During this time, the Chief Officer instigated a new communication framework with daily check-ins for the Team and regular communications to staff including on-line forums where staff were able to take part in discussions. Weekly communications by the Chief Officer have continued during this time, and priority given to Health and Safety issues.

The Chief Officer and CMT were most concerned to ensure that ministers and congregational office bearers were fully supported during this time and new channels of communication have been developed including on-line webinars which stimulated a great deal of interest.

Around half of the National Office staff as well as a number of Ministries Development staff were furloughed under the Government's Job Retention Scheme. Management were challenged to strike a balance between continuing to provide support to congregations, Presbyteries and the wider Church and recognising that the roles of some staff could not be carried out from home.

For the first time since 1689 the General Assembly could not be convened due to restrictions on mass gatherings. By the time this became clear, reports to the General Assembly had already been drafted and other preparations made, most of which were able to be cancelled.

A Commission of Assembly was held on 7 July 2020 to approve necessary legislation and urgent business to be dealt with. A General Assembly will be held in October 2020 to receive the proposed remits of the new Forums and other necessary business. This will be confined to an evening and one day.

### **Management**

In instigating its changes to structure, General Assembly 2019 recognised that the creation of a formal CMT should be in the hands of the new Chief Officer. From 1 June 2019 until appointment of the Chief Officer, oversight of operation was carried out by the Interim Head of Staff.

The CMT exists to ensure that our work towards strategic goals for the church and operational goals are aligned and since January 2020, comprised:

- The Head of the Faith Impact Forum
- The Head of the Faith Nurture Forum
- The Solicitor of the Church
- The Head of Human Resources
- The General Treasurer
- The Head of Communications
- The Head of Estates, Procurement and Health and Safety
- The Head of Information Technology
- The Head of Organisational Programmes

The Faith Action Plan Strategic Team, delivering the Church's policies and General Assembly Deliverances, and comprising representatives from:

- The Faith Impact Forum
- The Faith Nurture Forum
- Organisational Programmes
- The Law Department
- The Human Resources Department

The Operational Team, providing professional leadership and support to those delivering the Church's policies and General Assembly Deliverances, and comprising representatives from:

- The Law Department
- The Human Resources Department
- The Stewardship and Finance Department
- The Communications Department
- The Estates Department
- The Information Technology Department
- Organisational Programmes

Staff pay for key management personnel, as with all other staff, is based on a comprehensive job evaluation system with staff placed on one of 11 bands. The Special Commission recommended that this be reviewed and this is planned to take place once new structures have been bedded in.

### **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 is issued to all General Assembly commissioners and is available online and for purchase in hard copy from the national offices in George Street, Edinburgh. 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 St Andrew Press.

# Achievements and Performance

**In a year in which a period of uncertainty as to how the structures and management of the UE might change was followed by a period of intense activity to try to ensure that change was effected in the best way, it is good to be able to record the achievements of various elements. Here, in alphabetical order, each agency reflects on the highlights of 2019 for their work in pursuance of the charitable objects referred to above.**

## Church and Society

In 2019 the Council enabled local congregations and the national Church to engage in political and social issues including: supporting congregations to offer holidays to Syrian refugees; delivering monthly social events for refugees and asylum seekers in Edinburgh; piloting workshops for congregations on the issue of violence against women; piloting a project linking local churches and local domestic abuse support networks; enabling congregations to give £34,794 to 51 community projects through our participatory budgeting project; delivering crash courses on economics from those who are often most marginalised from economic decisions; preparing briefings and hustings guidance for churches during the 2019 General Election; enabling local congregations to care for creation through our Orchard Project and through partnerships with Eco congregation and the RSPB; campaigning to reduce child poverty by increasing child benefit; and preparing for the fiftieth anniversary of the Society Religion and Technology Project.

## CrossReach

CrossReach led on the Church's 150th anniversary of social action marking its important influence in improving welfare provision over that time throughout Scotland. However, due to unprecedented challenges in resourcing today's social care services, 2019 also saw significant activity around recruitment, living wage implementation, and remodelling Older People and Counselling Services targeted at improving the financial outlook. Despite challenges, CrossReach helped transform life for thousands of people facing adversity, winning an award for a scheme offering disadvantaged young people employment opportunities in care. Working in partnership with staff, communities and local church, initiatives to tackle loneliness were introduced in Glasgow, for families of children affected by disability, in Galashiels for people living with dementia, and in Inverness offering people a helping hand out of homelessness.

## Ecumenical Relations

During 2019, the Committee on Ecumenical Relations continued to build on the work initiated with respect to developing the Church's Ecumenical Policy and this is evidenced in the "Local Ecumenical Strategy" and the National and International Ecumenical Strategy" adopted by the Church. The Committee is able to report that during 2019 the Scottish Episcopal Church adopted an Ecumenical Policy substantially similar to the Ecumenical Policy adopted by the General Assembly in 2018. The Committee continued to engage with Action of Churches Together in Scotland (ACTS), the national ecumenical body, in terms of the transition towards the creation of a Scottish Christian Forum.

## Go For It

In 2019 Go For It awarded 63 grants totalling over £936,000, bringing the total since it started in 2012 to over £7 million allocated in the form of 378 grants to projects up and down the country, in England and in the Presbytery of International Charges, supporting and enabling the work of paid staff and volunteers, making change in churches and communities happen. In addition, 16 days of training and development for churches and projects were held during 2019 in locations throughout Scotland including sessions on Mission and Leadership, Recruiting and Managing Volunteers, Community Research and Engagement. Go For It closed at the end of 2019 but any grant monies allocated by then will be administered by staff.

## Interfaith

This year, an Interfaith Delegates' trip took place to Ghana. This resulted in some excellent strategic outcomes. From this trip, we have engaged a group of Muslim and Church of Scotland leaders with a deeper understanding and direct experience of interfaith relations. Several events took place during Interfaith Week 2019 in order to report the lessons and experiences of the trip back to the communities that supported it. Longer term projects will be carried forward into 2020 in order to

explore the themes and lessons of the trip further still, ultimately proving how it gave an international perspective to interfaith dialogue and a local impetus for a group to do more at the grassroots.

### **Ministries**

The Ministries Council had such a broad remit that it would be difficult to select a principal achievement from all our work. The continued focus on the gospel imperative toward the poor and marginalised in society sits equally with our efforts to reimagine ministry in these times of change. The work done with Presbyteries and others in support of the agenda for change and the evolution of our recruitment, selection and training programmes all play their part in revitalising our Church in line with the General Assembly's historic decisions in 2019. As we evolve into our new role within Faith Nurture so, too, we seek to continue this direction of travel alongside our partners across and beyond the Church.

### **Mission and Discipleship**

The publication of *Seeing Afresh* was a useful reflection on the emerging church in Scotland. An incredibly powerful web resource for those preparing worship went live in May, with recordings of every hymn in the Church Hymnary available, with versatile tools to assist in choosing new hymns and putting together playlists. More at <http://music.churchofscotland.org.uk/>. August saw the last National Youth Assembly (NYA) and in October a special and moving service to celebrate 25 years of the NYA took place in St Matthew's Church Perth, followed by a Ceilidh to celebrate and give thanks. Finally, the staff of Mission and Discipleship contributed to worship at Place for Hope's Gathering on Faith and Conflict in Glasgow in October.

### **Theological Forum**

The Forum produced a report titled "He is Our Peace": Reconciliation in the Church Today, which it presented to the 2019 General Assembly. This includes an exploration of different aspects of reconciliation found in scripture, theology and experience; recognition of connections between reconciliation and forgiveness, truth and justice; and consideration of the context expressed in the remit and the nature of disagreement, division and reconciliation within the Church. Drawing on Trinitarian themes, the report concludes that reconciliation is the basic nature of our relationship to God who encountered hostile humanity in the cross of Jesus Christ, and who, by the Spirit, enables

us to embody reconciliation in our relationships and communities. The Forum hopes that this contribution presents an opportunity for a renewed commitment to reconciliation throughout the Church.

### **World Mission**

If ever asked whether the Church of Scotland practises what it preaches; or what we are doing about those affected by the blasphemy laws in Pakistan; or how we contribute to the enriching of lives of Dalit people in Nepal or South India; or how we support peace in Palestine and Israel, or in South Sudan, or on the Korean peninsula, the answer can be found in World Mission's work and the engagement of individuals, congregations, Presbyteries and communities with counterparts around the world. It has enabled transformation through friendships, partnerships, twinings, visits and service alongside those who have much to teach us about following Christ. Additionally, our partnership with Christian Aid helps Church members understand the systemic causes of economic exploitation, gender discrimination, the violation of human rights and the abuse of world's most vulnerable and marginalised people.

## Audit and Compliance

The General Assembly has re-established 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. As required by the General Assembly of 2019 the Trustees brought to the Commission of Assembly of November 2019 a revised remit for the Committee which was duly approved. 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 auditing, 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 2019 by Scott Moncrieff 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. Scott Moncrieff conducted four reviews in 2019 covering Procurement; Financial reporting and Budgeting; the Housing and Loan Fund and Cyber Security. Scott Moncrieff's opinion is that the Church of Scotland has a framework of internal controls in place that provides adequate assurance regarding the organisation's governance, risk management and achievement of objectives, subject to the implementation of;

- Ongoing actions in response to the Special Commission report on Structural Change (May 2019) to strengthen governance arrangements, increase accountability and create clearer delegations of responsibility across the organisation; and
- A range of continuous improvement actions, addressing the higher-graded matters arising from internal audit reviews. This also applies to historic/backlog action implementation.

## Principal Risks and Uncertainties

The Trustees, through the Chief Officer, will be reviewing the approaches to Risk and Resilience but are of the opinion that the majority of the principal risks highlighted in the Annual Report for 2018 remain.

**Declining and ageing membership.** The falling number of members – at least at a formal level – has two principal impacts for trust governance: an income which is likely to continue to decrease and a reduction in the number of individuals able to take a leadership role at all levels. Following the instructions given by the General Assembly of 2019, the Trustees are exercising greater financial control over expenditure, and determining the best ways of approaching the streams of connection with the Under 40s and of New Ways of Church as part of the Radical Action Plan.

**IT provision.** The Trustees are concerned that IT provision must be strengthened and secured and this will be one of the priorities of the Chief Officer in 2020.

**Social Care.** There are a number of important uncertainties as regards financial sustainability of Services to Older People. Financial models are vulnerable to unforeseen levels of need for expensive agency staff and unforeseen levels of repair to older properties. The closure of units carries exceptional costs in caring for fewer residents whilst awaiting alternative placement. The Trustees have worked with the Social Care Council to implement a more effective model of governance and, through the Chief Officer and General Treasurer working more closely with the CEO of CrossReach, moving towards more stringent financial controls and budgeting

**Historic Child Abuse claims.** The Social Care Council remains a core participant in the Scottish Child Abuse Inquiry. The proposed Redress Scheme for those who have been subject to abuse while in care will be by subscription, which is still under negotiation with the Scottish Government, but this may result in payment into the Scheme by CrossReach.

The principal new risk which has emerged since last year's report is the Covid-19 Pandemic:

The ongoing impact of Covid - 19 on the work and finance of the Church must be considered.

Areas of risk which the Trustees will keep under review are:

- Health and Safety of all who work or volunteer for the Church particularly noting that the new arrangements required in these areas result in constraints to worship and effective working
- Effects on the Church's finances described further in the Financial Review – the Pandemic has impacted on all areas of the Churches operations and income streams
- Protection of data and individuals due to increased use of on-line platforms for communication, videoconferencing and worship – whilst the new ways of working have inspired many they have introduced new risks that must be effectively managed
- Remote and home working has become the norm for many within the church since lock-down for both employees and volunteers – this introduces the need for a conscious effort for increased vigilance to maintain internal controls
- Maintaining adequate communications both internal and external to the Church
- Due to Covid-19, good governance in the absence of normal reporting structures such as the General Assembly has increased the reliance on both the Assembly Trustees and staff.

## Financial Review for the year ended 31 December 2019

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 Church's Vision Statement, affirmed as recently as 2018, 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.

For many years the demands on the Church's financial resources and on its people including its ministers, volunteers and staff, have grown, with its structures and governance making it difficult or even seemingly impossible to turn off work which is no longer sustainable. The activities carried out in furtherance of the charitable purpose - the advancement of religion - are diverse and challenging. Some activities have resulted from historical decisions or legacies and do not meet the contemporary view of mission or what the Church should be doing.

The report to the 2019 General Assembly by the Special Commission on Structure and Change, together with the adoption of a Radical Action Plan to re-invigorate the Church, was the beginning of a process of change for the Church. Among other issues this identified the need for more streamlined structures and clearer priorities for the Church's spending following years of annual budget deficits. The Special Commission particularly pointed to a growth in the number of posts within the central committees and Councils which was unsustainable for a Church membership shrinking by some 4% per annum and with congregational income likely to decline further. Furthermore, plans to create fewer and better resourced Presbyteries would require a slimming down of the central organisation and some redistribution of resources. There was also a recognition that the Social Care Council ("CrossReach") needed assistance to operate with more flexibility and be less bound to Church structures, potentially allowing it to attract more external fundraising income.

The Assembly Trustees, appointed at the 2019 General Assembly, were given a revised and restated Constitution and Remit confirming that, in pursuing the charitable objects, they are 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.

Further, the General Assembly 2019 instructed the Trustees to reduce central administration costs by 20-30% per annum within two years. This was an indicative figure but one which was estimated to be commensurate with the steady decline in membership and the subsequent effect on income. The creation of the post of Chief Officer, referred to above, has enabled the establishment of new governance systems, including implementing improved systems for budget planning, approval and control.

The Pandemic has brought with it new financial challenges, but every effort is being made to maintain momentum on these objectives and in some cases the need to focus on the urgent and essential has enabled changes in budget planning, approval and controls to be made more swiftly.

Also in 2019 the General Assembly agreed to new initiatives including:

- the creation of a £20-25 million Growth Fund to support missional work and grow the Church

- supporting the Social Care Council to be a more self-sustaining and financially viable arms-length organisation while maintaining links with the Kirk
- create 100 new worship communities
- the potential for a review of the current system of allocating Ministries and Mission contributions, the income from congregations which funds Parish Ministry, Mission and support.

While substantial progress was made in planning the new structures, financial accountability and starting to address the 20-30% cost savings, in financial terms 2019 was a holding position as various initiatives got underway. Early in 2020 mitigating actions to preserve reserves and cash, when the extent of the Pandemic became apparent, meant that the creation of the new Growth Fund had to be put on hold. The Trustees continued to support CrossReach in discussions on financial sustainability but efforts became more focussed on management of the immediate financial position. The review of the Ministries and Mission System was able to continue during this time, through remote meetings.

The Church is a complex charity operating in many areas both in terms of the breadth of its activities and the geographical locations in which they take place. The very nature of the Church's ministry and mission means that resources are deployed in some of the most challenging areas of Scotland and overseas.

Financially, CrossReach now accounts for almost half of the Church's income and expenditure from its activities in Older People's Services, Children and Families and Adult Care and is the single largest category of the Church's expenditure. This alone presents the Trustees with challenges in addressing historical deficits and areas of business risk common to the care sector.

Expenditure on Parish Ministry costs accounts for the majority of the Church's other expenditure, funded by congregational contributions.

This Financial Review refers to the consolidated financial results which also include certain trading operations in Israel, carried out under the aegis of the World Mission Council and, from January 2020, the Faith Impact Forum.

The management of risk and budgetary control across all areas of the Church's work continues to be demanding, even more so in the light of the Pandemic and the financial impact of this on congregational contributions and other income.

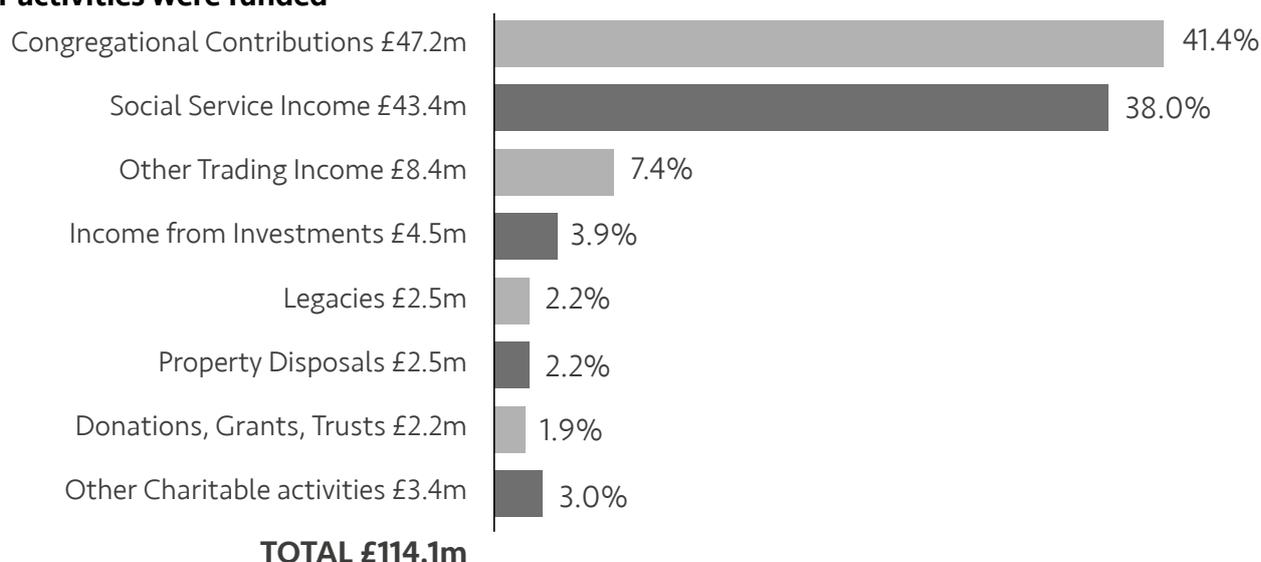
For 2019, the pre-existing Council-based structure of reporting remained in place and the Financial Review and Financial Statements reflect this.

#### **Headline results for 2019 were:**

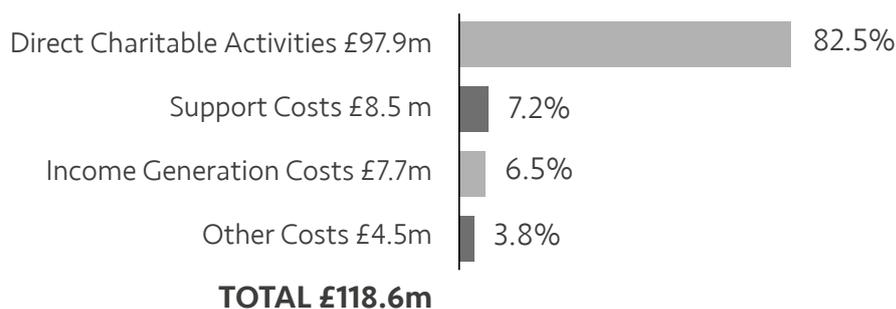
- Income for the Group was £114.1 million and expenditure was £118.6 million, giving a deficit of £4.5 million before investment gains. This compared to income of £111.5 million, expenditure of £121.2 million and a deficit of £9.7million in the previous financial year.
- CrossReach's operational deficit before gains on investment assets was £2.02 million compared to £1.26 million in the previous financial year.
- The trading results of the Israeli operations showed an improvement in 2019 with a total operating profit of £0.3 million compared to a loss of £1 million the previous year.
- The realised currency exchange gain in 2018 arising from the restructuring of the Scots Hotel's loan was not replicated in 2019.
- Expenditure included a charge of £4.0 million as a result of discretionary increases to Ministries' pensioners in the closed defined benefit scheme.

- 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 £47.2 million in 2019 compared to £46.3 million in 2018, with most of the increase being the £0.5 million increase agreed by the General Assembly in 2018.
- Legacies received amounted to £2.5 million, of which unrestricted legacies were just under £1 million. In 2018 legacies of £2.3 million were received.
- Gains of £15.5 million on investments and positive pension scheme adjustments of £4.1 million meant that the funds of the Group increased by £15.4 million to £205.6 million.

### How our activities were funded

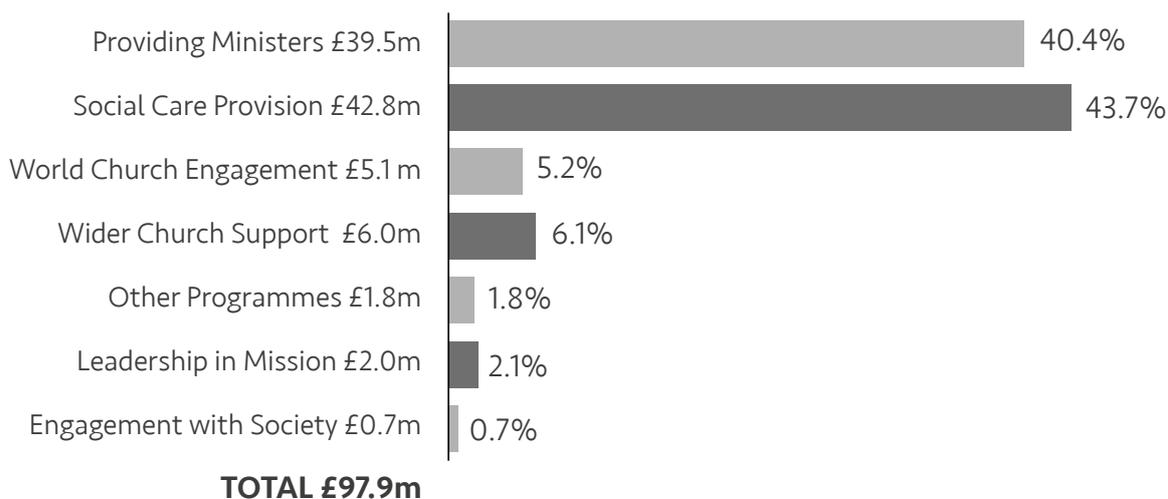


### How this was used



- 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 the 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

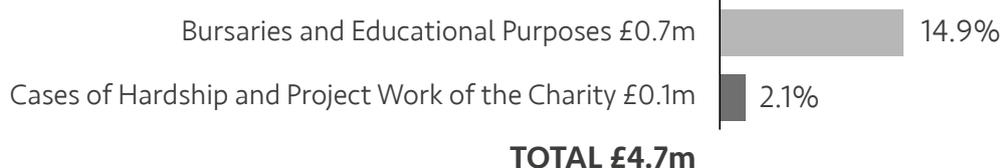


## Charitable Grant Making Activities

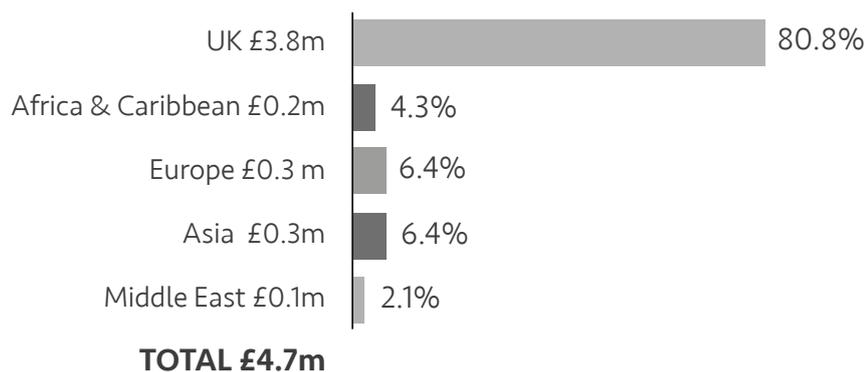
### Grants to Institutions:



### Grants to Individuals:



## Geographical Spread of Grants



## Income Overview

Income from all sources in 2019 was £114.1 million, an increase of £2.6 million on the previous year. Congregational income recognised in the accounts was over £0.9 million more than in 2018, at £47.2 million. This includes an additional £0.5 million approved by the 2018 General Assembly.

Legacies received were slightly higher than in 2018 at £2.5 million. The 2018 results also included a realised foreign currency gain of £0.6 million which was not repeated in 2019. Other trading income increased by nearly £1 million to £8.4 million with the increase in revenue coming from the Israeli subsidiaries.

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

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
<b>Income by Type</b>					
Congregational Contributions	47.2	46.3	46.8	46.8	46.7
Social Care	43.4	43.0	43.4	41.9	42.3
Other Charitable Activities	3.4	4.5	4.0	3.8	3.5
Legacies	2.5	2.3	2.1	3.7	2.2
Donations, Trusts, Grants	2.2	1.8	1.7	2.0	1.8
Other Trading Activities	8.4	7.4	7.3	6.2	5.6
Investment & Other	7.0	6.2	7.4	9.1	8.1
<b>Total</b>	<b>114.1</b>	<b>111.5</b>	<b>112.7</b>	<b>113.5</b>	<b>110.2</b>

## Trends in Congregational Income

It remains encouraging that despite membership numbers declining year on year aggregate offerings are not reducing at the same rate. The Church's income from Congregational Contributions is based on offerings as well as other assessable income, such as rental income, and many congregations have been successful in increasing this over recent years, making up for some of the reduction in personal giving. The Assembly Trustees recognise the potential implications of the downward trend in offerings for the funding of the Church's work in future years. They also appreciate the financial pressures facing many congregations and as a result decided to maintain the total amount requested from congregations in 2020 at the same level as that requested in 2019. However, as the aggregate amount collected is based on actual congregational income, it may not be possible to collect the total sought and this has implications for the Trustees' approach to financial planning.

As well as holding the aggregate amount required from congregations at the same level, the Presbytery Discretionary Allowance against income, which is available to Presbyteries to support missional projects and congregations with financial difficulties, has been continued at the higher rate of 5%.

During 2019 the Church's new stewardship resource "A Narrative of Generosity" was launched at a series of events held around the country. The Trustees ask that Presbyteries use their superintendence to ensure that congregations engage with this resource as it develops further, especially in the changing circumstances of 2020. The range of skills available for active support for stewardship has been strengthened and, over the coming months, priority will be given to identifying new and additional sources of income for congregations and methods of giving which are appropriate for the 21st Century.

The income recorded in the Statement of Financial Activities (SOFA) represents contributions required from congregations, less 5% reductions given by Presbyteries and vacancy allowances to eligible congregations. 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 income recorded of £47.2 million.

Presbyteries can use all or part of their Discretionary Allowance to assist congregations in paying their contributions. This has supported the collection of congregational contributions due and has resulted in a reduction in the provision required against congregational debts in 2019. 98.3% of the contributions due for 2019 had been received by the year end.

A review of the Ministries and Mission contribution system is being carried out and the current position will be covered by the Trustees in their report to the General Assembly of October 2020.

As a result of the Pandemic Church premises were closed for worship after 23 March 2020 and, recognising the potential loss of congregational income and resulting impact on their contributions to the National Budget, the Trustees took action to quantify this if no mitigating actions were taken. Mitigating actions have been taken by congregations, including setting up online donation facilities; encouraging further giving by standing order; and collecting Free Will offering envelopes from members when safe to do so. The Stewardship Team has provided guidance to congregations during this period on setting up alternative ways of giving. The Trustees have been very encouraged by the initiatives and resourcefulness shown in maintaining congregational giving during this very challenging period. However, there are other areas including the impact on church hall letting where it has not been possible to mitigate the lost income and increasing numbers of churches are reliant on the use of limited reserves whilst at the same time facing uncertainty on the time frame for a return to normal operations.

The assumptions made in assessing the potential impact on congregations included that a modest proportion of the loss of income might be borne at a congregational level, by drawing on local reserves and taking actions to save costs, and a higher proportion impacting on the National Church budget as a result of some congregations being unable to pay their full contribution during 2020. This is being monitored and at the half year mark, the collection rates have been 2.3% less than the comparative period in 2019, in financial terms a reduction of £1 million. The continued closure of church premises has meant that congregations cannot accurately predict their income for 2020 and it may well be the end of the financial year before this, and the effect on the National Budget is known.

### **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 two areas of work which attract the majority of voluntary donations are those formerly carried out by the World Mission Council and Guild projects. Support for World Mission's HIV Programme continues and the Guild received £223,000 for its projects in 2019. 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. The Stewardship team is currently working on ways of promoting these. An on-line donation facility was added to the Church's website in 2020, whereby donations can be made by anyone for onward transmission to a congregation.

### **Legacies Making a Lasting Difference**

For many people, leaving a legacy in their will is a final 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 2019, income from Legacies was over £2.5 million (2018: £2.3 million). Legacies without restrictions are vital to our work, providing flexibility to be used where most needed. In 2019, unrestricted legacies for any work of the Church were £0.89 million (2018: £0.54 million). These were used to reduce the amount required for mission work which might otherwise require to be funded by congregational contributions. Unrestricted legacies provide a vital source of funding for the Mission and Renewal Fund, the only fund the Church has available for wider application. In 2019, CrossReach benefited from total legacy income of £0.78 million and World Mission Council received £0.77 million, with most of this arising from one legacy. Other restricted legacies in the year totalled £0.08 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 £8.4 million comprises trading income from the Israeli Entities of £7.3 million (2018: £6.2 million) and fundraising income of £1.2 million (2018: £1.2 million), mainly for CrossReach. St Andrew's Galilee Limited, which operates The Scots Hotel at Tiberias reported higher revenue and improved gross profit and, after other expenses and the effects of currency translation, it recorded a small surplus of £0.2 million (2018: deficit £0.9 million).

In terms of the future outlook the Israeli Operations were also affected by the Pandemic in 2020 and were closed for a period of time. St Andrew's Guesthouse in Jerusalem had been closed for refurbishment and could not re-open as planned. However, cost control measures were taken in the entities and staff were furloughed under the Israeli Government Scheme. Cash Flow forecasts by the Scots Hotel demonstrated that its operations could be maintained without any financial input from the National Church budget. However it is unlikely that the Hotel will be able to make loan repayments or payments of rent to the Church of Scotland Trust in 2020, which would result in a loss of income to the Faith Impact Forum.

### **Investment Income Funding the Church's Work**

Investments provide a source of income for Councils and Funds as well as safeguarding the future of the Church. Reflecting the broader external environment, investment income of £4.5 million was comparable to 2018. Councils and Committees have been working hard to identify other, mainly Restricted, Funds (Funds which are not available for general purposes) which can be invested to provide higher returns while interest rates remain low. Dividend distribution rates paid by the Investors Trust were maintained at the same level for the sixth consecutive year. Other income was from Gains on Disposal of Property of £2.5 million, mainly relating to the Housing and Loan Fund and CrossReach.

## Expenditure overview

### Supporting our activities

The Church's most valuable earthly resource is its people and over 70% of its spending is on stipend and salary costs. This includes almost 900 (full time equivalent) ministers and Ministries Development Staff, overseas Mission Partners, 1,100 (full time equivalent) Social Care staff, and support staff. There are other costs associated with the running of such a large and complex charity, outlined in the table below. Of continued concern to the Assembly Trustees, and indeed the whole Church, is the decline in minister numbers and difficulty in recruiting staff for CrossReach's care homes.

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
<b>Expenditure</b>					
Charitable	97.9	98.1	97.6	97.5	97.2
Support	8.5	8.4	8.0	7.8	7.9
Other	12.2	14.7	6.3	7.2	2.2
<b>Total</b>	<b>118.6</b>	<b>121.2</b>	<b>111.9</b>	<b>112.5</b>	<b>107.3</b>

### Charitable Expenditure

#### Continuing Challenge of Providing and Supporting Ministries

The Church continues to face difficulty in finding sufficient ministers to fill vacancies as others retire. Whilst we continue to welcome ministers who come from other denominations, the rate of retirement is such that these replacements alone will not keep pace with the decrease in numbers in the immediate future. The Faith Nurture Forum is working on initiatives for the future provision of Ministry. £42.3 million (40%) of the Charitable and support costs shown above relate to expenditure on Ministries.

#### Priority Areas

The Church of Scotland provided financial support of over £4.2 million (2018: £4.2 million) through contributions to Parish Ministers' Stipends, employment of Ministries Development Staff and the funding of a range of incentives directly in support of the poorest parishes in Scotland. However these congregations are also contributors to the Church and in some cases contribute very significantly. This is a good example of the relationship between the UE and the congregations of the Church: it is the regular giving of Church members that enables the UE to distribute resources across the whole Church to support every parish for ministry and service.

#### Social Care

CrossReach's total expenditure in 2019 was £47.5 million, which at 45% of the Church's charitable and support costs, was its largest single area of expenditure. 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. Pension deficit payments of £0.8 million were made to the Church's defined benefit pension schemes and payments to Local Government Pension Schemes.

At the outset of the Pandemic CrossReach locked down its Care Homes and took appropriate actions for its other residential and community services very quickly. Regardless of this, the Trustees were very saddened to hear of Covid-19 related deaths at a small number of Care Homes. CrossReach submitted to the Trustees a high level financial forecast based on varying assumptions of Local Authority Funding levels during the crisis, along with anticipating a hit in other income and a significant rise in costs. Despite lower occupancy, and reduced activity in the community, payments by service commissioners continued during lockdown; and there was a strong response to an emergency funding appeal. In the coming months there will be a reconciliation exercise on invoicing, however, because of mitigating actions taken, CrossReach do not now

anticipate that their initial estimates of a significantly increased deficit will be realised, at least to the extent that was originally projected.

### **Grant Making Activities**

Pursuit of the Church's objectives has seen grants awarded increase from £2 million in 2010 to £4.7 million in 2019. These grants are awarded in accordance with set criteria and evaluation systems which are in place to ensure full accountability. As the work of the new Forums will have to be prioritised within the funds available, grant-making activities will come under review.

Capacity building in local congregations has been facilitated by the payment of grants from the Go for It Fund, which awarded £936,000 of grants in 2019, with many of these attracting matched funding for congregations. The Ministries Council provided £0.27 million of grant funding to Workplace Chaplaincy Scotland and made £0.16 million of grant aid to Faith in Community Scotland. The World Mission Council spent £0.3 million on Local Development Programmes including £0.1 million on the Faithshare Visitors Programme. World Mission also invested £0.1 million in Project Funding and Partner work in Europe, £0.3 million in Asia and £0.2 million in Africa and the Caribbean.

### **Other Expenditure – Pensions**

Other Expenditure shown in the table above fluctuates annually because it includes defined benefit pension scheme adjustments as required by Financial Reporting Standard 102. Since 2008, the Church has made substantial deficit repair payments to its defined benefit pension schemes, mainly using reserves. Payments of £0.8 million were made in 2019.

During 2019, the Trustees of the Ministers' Pension Scheme awarded discretionary pension increases, applied to service accrued before 6 April 1997, of 5% from 1 January 2020 onwards. The cost of these increases for 2019 is £4.0 million (2018: £6.9 million) and is reflected in Other Expenditure (Note 11 to the accounts).

## **Plans for Future Periods**

The Covid-19 Pandemic has interrupted but not derailed future plans. In many ways it has meant that some initiatives such as cost reduction targets have been brought forward.

Perhaps the most wide reaching change will be the reform of Presbyteries, reducing the number from 43 to about 12. A consultation exercise has been carried out with Presbyteries and they are at different stages of readiness to move to the new structure. The first three Presbyteries were approved by the Commission of Assembly in July 2020 with others following phased over the period 2021 to 2024. This has major implications for the Church's resource allocation and will be planned out over a five year period in annual rolling budgets.

As instructed by the 2019 General Assembly, the Trustees are seeking an initial recurring saving of £1 million in central administration costs in 2020 towards the agreed indicative saving of 20-30%, but recognise that there may be one-off expenditure to achieve this and that the full saving may therefore not be realised in 2020. Savings will be sought on procurement, travel and meetings, and on programmes of work, the latter being realised once the priorities and new operational characteristics of the new Forums have been established. Programme work is carried out by employed staff and through grant-making activities. The Trustees have established that the savings of 20-30% will be made on areas other than direct Parish Ministries costs and CrossReach.

The potential loss of contributions from congregations, investments and trading income led the Trustees to agree that only essential and urgent work should take place in 2020. This alone will result in one-off savings in 2020, but the Chief Officer and the Forums are still tasked with identifying the recurring savings. A bid process has been introduced for budgets in 2021.

Faith Nurture Forum and Faith Impact Forum budgets for 2020 have been constructed from an amalgamation of the previous Councils' and Committees' budgets pending the review of priorities mentioned above.

CrossReach faces another challenging year in 2020 due to the situation in the care sector generally and issues in some service units within Older People's Services. The impact of the Covid-19 Pandemic will be significant. Its budget deficit of £1.8 million includes around £0.6 million of pension deficit repair contributions.

On a positive note, a pent up demand in the property market may result in property sales by CrossReach and the Housing and Loan Fund, which could not be made or settled during the crisis.

While congregational income and some more minor categories of income will be reduced by the Pandemic, mitigating actions taken should result in a financial out-turn for 2020 which is manageable and any increased deficit over and above the budgeted deficit can be met from reserves.

Finally, the General Assembly agreed to the creation of a new fund for growth. This was due to be launched in 2020 as the Seeds for Change Fund. With uncertainty about the final impact on the Church of Scotland of Covid-19, the Trustees were in no position to implement this aspect of the Radical Action Plan and reluctantly the establishment of this Fund has had to be put on hold.

## Reserves

Historically, reserves have been held almost entirely at Council and Committee level, with the exception of an operational reserve held centrally, known as the Mission and Renewal Fund. That Fund is reliant on unrestricted donations, legacies and investment income and is used to support to the work of Councils and Committees and to meet unplanned contingencies which would not otherwise be able to be funded. Accumulated reserves, as well as annual income of the Fund, have been used to support much valuable mission in recent years. The Trustees previously set a target intended to maintain a reserve of at least £2 million to meet any temporary shortfall on income or other financial contingency, representing approximately three months' expenditure of the UE, excluding the Ministries Council whose work is supported through the Parish Ministries Fund and investment income. Over the longer term, i.e. 5 to 10 years, the Trustees aimed to increase the reserve to cover three to six months of expenditure. The effects of the Pandemic will require the review of this policy.

Research into the Church's funds which has been ongoing since 2018 has released c£6 million back to the Mission and Renewal Fund, which had a balance of £7.4 million at the end of 2019. Further details of the review are shown below.

The Report of the Special Commission on Review and Reform as agreed by the General Assembly of 2019 clarified that "In accordance with the Declaratory Articles and Act of Assembly V of 2010, the Trustees shall hold the entire heritable and moveable property, assets, securities, investments and income held by the Charity." However during 2019 these, most notably the investments, were still held at Council and Committee level pending the creation of the new Forums, other than any funds which the research showed should be transferred to another area, such as to the Mission and Renewal Fund. The 2019 Financial Statements are therefore reported on the same basis as before.

The level of funds held to support its activities varies considerably across the Church and further details are given in notes 27 to 30 of the Financial Statements. Within certain headings there may be additional restrictions and, where this is the case, the Assembly Trustees will ensure that these funds are used as part of their activities and budgets will proceed upon that basis. Many of the funds held have originated from previous legacies and property sales, but also from historic reorganisations of the Church's Boards and Committees. Some Restricted Funds may contain amounts which are, in terms of accounting classification more akin to designated funds (that is, amounts designated for the use of the unit but not part of funds given to the Church upon the basis of restricted use) and, where identified, these will be reclassified as Unrestricted Funds.

The research to determine the extent of the restrictions and to inform future reserves policy progressed further during 2019 and only one major area, the funds formerly held for the World Mission Council, remains to be researched. Of 449 funds, actions have been taken on 265; 120 have still to be reviewed. Actions included removing permanent endowment status and reclassifying from restricted to designated. Several funds have also been reorganised through OSCR.

As at 31 December 2019 reserves for the ongoing work of the Forums, categorised as being total funds excluding tangible and intangible fixed assets and endowments but including some Restricted Funds, were £131.4 million (2018: £115.1 million). This equates to over 12 months of work. 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 has been generally resilient;
- 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;
- each Council monitors its reserves and has strategies in place to balance budgets and use reserves appropriately; and

- ongoing research into the restrictions on reserves.

The negative pensions reserve of £3.8 million is attributable to CrossReach's share of the deficit in two Local Government Pension Schemes (LGPS). Note 33 of the Notes to the Financial Statements gives more information.

As at 31 December 2019, Total Funds for the UE were £205.6 million, of which £171.5 million was in Restricted Funds and £27.6 million in Endowment 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 out with 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 Assembly 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 is mainly invested in equities and aims to provide a growing annual income sufficient to meet the target distributions of the Investors Trust and to provide an increase in the value of capital long term. 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.

While the ethical policy of the Investors Trust has been informed over the years by the General Assembly, the Assembly Trustees' predecessors, the Council of Assembly, recognised the need to state explicitly an Investment Policy for the Charitable estate. A policy, approved in late 2017, was operated from 2018. This policy will be reviewed by the Assembly Trustees.

### **Investment Performance – Unlisted Investments**

An internal benchmark, reflecting ethical constraints, has been agreed with the Managers of the Growth Fund in order to allow objective assessment of investment performance. In 2019 the total return was +17.04% (2018: +0.22%) against the composite benchmark of +17.02% (2018: -3.4%). The Income Fund's total investment return was +9.20% (2018: -0.08%) compared with the composite benchmark return of +8.20% (2018: -1.18%). The Deposit Fund's average rate of interest paid for 2019 was +0.84% (2018: +0.59%).

### **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 1.25% to 4% to provide the Fund with an income to maintain its property portfolio.

### **Pension Schemes**

As described in Note 33 to the Financial Statements, the Church closed its defined benefit pension schemes to future accrual from 1 January 2014 (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.

In addition to a triennial valuation, the Scheme Actuary carries out a separate annual valuation in line with the requirements of Financial Reporting Standard 102, which, through the application of differing assumptions, may result in a different funding position for financial reporting purposes. In 2019 there was a net decrease of £1.4 million in the irrecoverable surpluses in the defined benefit schemes over the previous year.

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 2019 the Church's share of the deficits was £3.8 million (2018: £3.2 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 deficit shown on the balance sheet is therefore £3.8 million (2018: £3.2 million). Note 33 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 £4.0 million (2018: £6.9 million) resulting from increased benefits as awarded by the trustees of the pension scheme.

### **Gains and Losses**

FRS102 requires the disclosure of actuarial gains or losses during the year and the combined gain of £4.1 million (2018: £9.9 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 gain for 2019 was £14.9 million (2018: loss £4.8 million).

### **Going Concern**

The Trustees do not consider that the effects of the Pandemic will cause any material uncertainty as to the ability of the Charity and Group to operate as a going concern. Cashflow forecasts have been prepared for the twelve months following the date of signing of the accounts, which show that activities budgeted for 2021 can be maintained. Mitigating actions have been taken to control expenditure and maintain income and this will continue into 2021. 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.

### **Effects of Covid – 19 on Future Financial Performance**

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

Congregational Contributions are by far the major income to the national budget. The proposed new Ministries and Mission Contribution system, which if accepted will be effective from 2022, will need to

include flexibility to cover increased costs until such time as the Operational Plan now being developed can align resources with the Faith Action Plan.

The Trustees are considering what action should be taken in respect of the 2021 Congregational contributions to reflect the impact of the Pandemic on congregations, some of whom will have used reserves to maintain their contributions during 2020, and this will be reported to the General Assembly in October 2020.

## **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 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 Assembly 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:

Very Rev Dr John Chalmers BD  
Convener of the Assembly Trustees

Dave S Kendall BSc FRSC  
Chief Officer

Edinburgh  
10 September 2020

# Auditors' 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 2019 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 2019 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 regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

### Basis for opinion

We have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under the 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- > the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- > the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) requires 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' 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 and sufficient accounting records have not been kept by the parent charity; or
- > the parent charity financial statements are not in agreement with the accounting records and returns; or
- > we have not received all the information and explanations we require for our audit.

### **Responsibilities of trustees**

As explained more fully in the statement of trustees' responsibilities set out on page 28 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.

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 this 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  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

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 2019

Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2019 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2018 £000
<b>Income from:</b>								
4	952	51,008	-	51,960	625	49,778	-	50,403
5	7,548	895	-	8,443	6,257	1,189	-	7,446
6	3	3,437	1,058	4,498	1	3,559	946	4,506
7	4,264	42,438	-	46,702	4,380	42,364	-	46,744
8	-	2,463	-	2,463	-	1,732	-	1,732
16	-	2	-	2	-	663	-	663
	<b>12,767</b>	<b>100,243</b>	<b>1,058</b>	<b>114,068</b>	<b>11,263</b>	<b>99,285</b>	<b>946</b>	<b>111,494</b>
<b>Expenditure on:</b>								
9	7,227	533	-	7,760	7,339	462	-	7,801
10	4,775	101,586	-	106,361	4,581	101,903	-	106,484
11	-	4,502	-	4,502	-	6,919	-	6,919
	<b>12,002</b>	<b>106,621</b>	<b>-</b>	<b>118,623</b>	<b>11,920</b>	<b>109,284</b>	<b>-</b>	<b>121,204</b>
	<b>765</b>	<b>(6,378)</b>	<b>1,058</b>	<b>(4,555)</b>	<b>(657)</b>	<b>(9,999)</b>	<b>946</b>	<b>(9,710)</b>
15, 17	-	11,599	3,861	15,460	-	(3,738)	(1,094)	(4,832)
27, 29 & 30	765	5,221	4,919	10,905	657	(13,737)	(148)	(14,542)
	6,301	(713)	(5,588)	-	(515)	2,414	(1,899)	-
	<b>7,066</b>	<b>4,508</b>	<b>(669)</b>	<b>10,905</b>	<b>(1,172)</b>	<b>(11,323)</b>	<b>(2,047)</b>	<b>(14,542)</b>
<b>Other Recognised Gains and Losses</b>								
16	405	-	-	405	161	-	-	161
33	-	4,094	-	4,094	-	9,945	-	9,945
	<b>405</b>	<b>4,094</b>	<b>-</b>	<b>4,499</b>	<b>161</b>	<b>9,945</b>	<b>-</b>	<b>10,106</b>
	<b>7,471</b>	<b>8,602</b>	<b>(669)</b>	<b>15,404</b>	<b>(1,011)</b>	<b>(1,378)</b>	<b>(2,047)</b>	<b>(4,436)</b>
	(915)	162,860	28,241	190,186	96	164,238	30,288	194,622
27, 29 & 30	<b>6,556</b>	<b>171,462</b>	<b>27,572</b>	<b>205,590</b>	<b>(915)</b>	<b>162,860</b>	<b>28,241</b>	<b>190,186</b>

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 2019

Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2019 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2018 £000
<b>Income from:</b>								
4	820	51,008	-	51,828	514	49,778	-	50,292
5	268	895	-	1,163	39	1,189	-	1,228
6	3	3,437	1,058	4,498	1	3,559	946	4,506
7	2,231	42,438	-	44,669	2,352	42,364	-	44,716
8	-	2,463	-	2,463	-	1,732	-	1,732
16	-	2	-	2	-	663	-	663
	<b>3,322</b>	<b>100,243</b>	<b>1,058</b>	<b>104,623</b>	<b>2,906</b>	<b>99,285</b>	<b>946</b>	<b>103,137</b>
<b>Expenditure on:</b>								
9	-	533	-	533	-	462	-	462
10	2,494	101,586	-	104,080	2,391	101,903	-	104,294
11	-	4,502	-	4,502	-	6,919	-	6,919
	<b>2,494</b>	<b>106,621</b>	<b>-</b>	<b>109,115</b>	<b>2,391</b>	<b>109,284</b>	<b>-</b>	<b>111,675</b>
	<b>828</b>	<b>(6,378)</b>	<b>1,058</b>	<b>(4,492)</b>	<b>515</b>	<b>(9,999)</b>	<b>946</b>	<b>(8,538)</b>
15, 17	-	11,599	3,861	15,460	-	(3,738)	(1,094)	(4,832)
	<b>828</b>	<b>5,221</b>	<b>4,919</b>	<b>10,968</b>	<b>515</b>	<b>(13,737)</b>	<b>(148)</b>	<b>(13,370)</b>
28, 29 & 30	6,301	(713)	(5,588)	-	(515)	2,414	(1,899)	-
	<b>7,129</b>	<b>4,508</b>	<b>(669)</b>	<b>10,968</b>	<b>-</b>	<b>(11,323)</b>	<b>(2,047)</b>	<b>(13,370)</b>
<b>Other Recognised Gains and Losses</b>								
33	-	4,094	-	4,094	-	9,945	-	9,945
	<b>-</b>	<b>4,094</b>	<b>-</b>	<b>4,094</b>	<b>-</b>	<b>9,945</b>	<b>-</b>	<b>9,945</b>
	<b>7,129</b>	<b>8,602</b>	<b>(669)</b>	<b>15,062</b>	<b>-</b>	<b>(1,378)</b>	<b>(2,047)</b>	<b>(3,425)</b>
	<b>737</b>	<b>162,860</b>	<b>28,241</b>	<b>191,838</b>	<b>737</b>	<b>164,238</b>	<b>30,288</b>	<b>195,263</b>
28, 29 & 30	<b>7,866</b>	<b>171,462</b>	<b>27,572</b>	<b>206,900</b>	<b>737</b>	<b>162,860</b>	<b>28,241</b>	<b>191,838</b>

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 2019

Note		Group		Charity	
		2019 £000	2018 £000	2019 £000	2018 £000
	<b>Fixed Assets</b>				
13	Intangible Assets	257	219	257	219
14	Tangible Assets	46,320	46,606	36,573	37,299
15	Investments	140,616	129,098	142,079	129,602
17a	Mixed Motive Investments	7,080	7,338	7,080	7,338
17b	Programme Related Investments	9,685	9,726	9,685	9,726
	<b>Total Fixed Assets</b>	<b>203,958</b>	<b>192,987</b>	<b>195,674</b>	<b>184,184</b>
	<b>Current Assets</b>				
18	Mixed Motive Investments	141	152	384	276
	Stocks and Work in Progress	92	116	27	37
19	Debtors: Amounts receivable within one year	7,290	8,697	6,285	7,885
20	Short Term Deposits	12,503	7,549	12,503	7,549
	Cash at Bank and in Hand	7,676	5,599	5,612	4,482
	<b>Total Current Assets</b>	<b>27,702</b>	<b>22,113</b>	<b>24,811</b>	<b>20,229</b>
21	Creditors: Amounts falling due within one year	(20,725)	(20,284)	(9,148)	(8,722)
	<b>Net Current Assets</b>	<b>6,977</b>	<b>1,829</b>	<b>15,663</b>	<b>11,507</b>
	<b>Total Assets less Current Liabilities</b>	<b>210,935</b>	<b>194,816</b>	<b>211,337</b>	<b>195,691</b>
22	Creditors: Amounts falling due after one year	(215)	(178)	(215)	(178)
23	Provision for Liabilities and Charges	(1,376)	(1,245)	(468)	(468)
		(1,591)	(1,423)	(683)	(646)
	<b>Net Assets excluding Pension Liability</b>	<b>209,344</b>	<b>193,393</b>	<b>210,654</b>	<b>195,045</b>
33	Defined Benefit Pension Liability	(3,754)	(3,207)	(3,754)	(3,207)
25 & 26	<b>Net Assets including Pension Liability</b>	<b>205,590</b>	<b>190,186</b>	<b>206,900</b>	<b>191,838</b>
	<b>The Funds of the Group and Charity:</b>				
30	Endowment Funds	27,572	28,241	27,572	28,241
27 & 28	Unrestricted Income Funds	6,556	(915)	7,866	737
29	Restricted Funds:				
	Pension Reserve	(3,754)	(3,207)	(3,754)	(3,207)
	Restricted Income Funds	175,216	166,067	175,216	166,067
	<b>Total Restricted Funds</b>	<b>171,462</b>	<b>162,860</b>	<b>171,462</b>	<b>162,860</b>
	<b>Total Funds of the Group and Charity</b>	<b>205,590</b>	<b>190,186</b>	<b>206,900</b>	<b>191,838</b>

The Financial Statements were approved and authorised by the Assembly Trustees on 10 September 2020 and signed on its behalf by :

VERY REV DR JOHN CHALMERS BD Convener of the Assembly Trustees

ANNE F MACINTOSH BA CA General Treasurer

The Notes on pages 36 to 72 form part of these Financial Statements

## Statement of Cash Flows for the year ended 31 December 2019

	Group		Charity	
	2019 £000	2018 £000	2019 £000	2018 £000
<b>Cash Flows from operating activities:</b>				
Net cash provided by/(used in) operating activities	6,058	(19,615)	(3,788)	(19,760)
<b>Cash flows from investing activities</b>				
Dividends, and rents from investments	4,575	4,596	4,575	4,596
Interest received	62	61	62	61
Proceeds from sale of property, plant and equipment	4,124	3,100	4,124	3,100
Purchase of property, plant and equipment	(2,825)	(4,113)	(2,065)	(3,714)
Loans granted	(269)	(739)	(388)	(739)
Loans repaid	579	649	579	649
Proceeds from sale of investments	6,163	1,606	6,163	1,606
Purchase of investments	(2,221)	(3,345)	(3,180)	(3,345)
<b>Net cash provided by investing activities</b>	<b>10,188</b>	<b>1,815</b>	<b>9,870</b>	<b>2,214</b>
Change in cash and cash equivalents in the reporting year	16,246	(17,800)	6,082	(17,546)
Cash and cash equivalents at the beginning of the reporting year	3,526	20,502	12,031	28,914
Change in cash equivalents due to exchange rate movements	407	824	2	663
<b>Cash and cash equivalents at the end of the reporting year</b>	<b>20,179</b>	<b>3,526</b>	<b>18,115</b>	<b>12,031</b>
<b>Reconciliation of net income/(expenditure) to net cash flow for the reporting year</b>				
Net income/(expenditure) for the year per the Statement of Financial Activities	10,905	(14,542)	10,968	(13,370)
Adjustments for:				
Depreciation charges (net of foreign currency adjustments) and impairment	1,412	2,583	1,092	1,644
Dividends interest and rents from investments (including pension schemes)	(4,498)	(4,506)	(4,498)	(4,506)
Profit on sale of fixed assets	(2,463)	(1,732)	(2,463)	(1,732)
Realised gains on foreign currency	(2)	(663)	(2)	(663)
Net (gains)/losses on investment assets	(15,460)	4,832	(15,460)	4,832
Reclassify investment from reserves	-	(116)	-	(116)
Decrease/(Increase) in stock	24	(17)	10	(2)
Decrease in cash advances as a social investment	-	(9,726)	-	(9,726)
Decrease/(Increase) in debtors receivable within one year	1,407	(2,742)	1,600	(2,720)
Increase/(decrease) in creditors	10,063	(35)	426	(407)
Increase in provisions	131	43	-	-
Increase in long term liabilities	37	87	37	87
Increase in pension deficit	4,502	6,919	4,502	6,919
<b>Net cash provided by/(used in) operating activities</b>	<b>6,058</b>	<b>(19,615)</b>	<b>(3,788)</b>	<b>(19,760)</b>

## Statement of Cash Flows for the year ended 31 December 2019 (continued)

<b>Analysis of changes in net cash</b>	Balance 1 Jan 2019 £000	Movements £000	Balance 31 Dec 2019 £000
<b>Group</b>			
Short term deposits	7,549	4,954	12,503
Cash at Bank and in Hand	5,599	2,077	7,676
Bank Overdraft	(9,622)	9,622	-
	<b>3,526</b>	<b>16,653</b>	<b>20,179</b>
<b>Charity</b>			
Short term deposits	7,549	4,954	12,503
Cash at Bank and in Hand	4,482	1,130	5,612
	<b>12,031</b>	<b>6,084</b>	<b>18,115</b>

<b>Analysis of changes in net cash</b>	Balance 1 Jan 2019 £000	Cash flows £000	Other non- cash changes £000	Balance 31 Dec 2019 £000
<b>Group</b>				
Cash and cash equivalents				
Short term deposits	7,549	4,954	-	12,503
Cash at Bank and in Hand	5,599	2,077	-	7,676
Bank Overdraft	(9,622)	9,622	-	-
	<b>3,526</b>	<b>16,653</b>	<b>-</b>	<b>20,179</b>
<b>Borrowings</b>				
Debt due within one year	11,907	10,063	131	22,101
Debt due within after year	178	37	-	215
	<b>12,085</b>	<b>10,100</b>	<b>131</b>	<b>22,316</b>
<b>Total</b>	<b>(8,559)</b>	<b>6,553</b>	<b>(131)</b>	<b>(2,137)</b>
<b>Charity</b>				
Short term deposits	7,549	4,954	-	12,503
Cash at Bank and in Hand	4,482	1,130	-	5,612
	<b>12,031</b>	<b>6,084</b>	<b>-</b>	<b>18,115</b>
<b>Borrowings</b>				
Debt due within one year	9,190	426	-	9,616
Debt due within after year	178	37	-	215
	<b>9,368</b>	<b>463</b>	<b>-</b>	<b>9,831</b>
<b>Total</b>	<b>2,663</b>	<b>5,621</b>	<b>-</b>	<b>8,284</b>

# Notes to the Financial Statements for the year ended 31 December 2019

## 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. These financial statements are presented in £000 Sterling.

### 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).

The charity meets the definition of a public benefit entity ('PBE') as set out in FRS 100 and therefore applies the PBE prefixed paragraphs in FRS 102.

These financial statements have been prepared on a going concern basis. On 31 December 2019, whilst Covid-19 existed, the severity of the virus and the responses to the outbreak which are now having impact on business and stock markets, occurred after this date. The impact of Covid-19 is set out on page 9 of the Trustees' Report. The Trustees have considered the impact of Covid-19 on the charity's current and future financial position and have revisited the budgets and cashflow forecasts to take account of this. 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. Further details are given in Note 33.

#### Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Charity performs impairment reviews on fair value less costs to sell. 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.

With respect to the next reporting period, the most significant areas of uncertainty that affect the carrying value of assets held by the charity are the level of investment return and the performance of investment markets (see the investment policy and performance and risk management sections of the annual report for more information).

#### 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 subsidiary CrossReach Trading Limited which is considered immaterial to the overall results. For a full description and listing of the Charity's material subsidiary companies, please refer to Note 31 to the Financial Statements.

#### Funds

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 fund

**> Designated Funds**

These are unrestricted funds which are expendable on the work of specified Forums, Committees, Other Funds or 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 the work of a specified Forum, Committee or Other Fund, or for a specific purpose or project within a Forum, Committee or Other Fund.

**> 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.

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. The Trustees' annual report contains more information about the contributions of volunteers to the work of the charity.

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.

Restricted 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.

**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 UCC, a liability is not recognised. Where a condition falls outside the control of UCC, a liability arises and expenditure is recognised in full.

For capital contracts in place at the year end which include payments to be made in future years, such payments are disclosed in Note 32 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 initially recorded at cost and written off over ten years on a straight line basis from the date at which it is available for use.

### 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 (formerly World Mission Council).

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.

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

Land and assets under construction are not depreciated.

One property is held as a social investment and is stated at valuation. This property is not depreciated.

#### 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 2019 was £5,000 and £25,000 respectively. The interest rate on such loans is currently four per cent for ministers and two 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 2019 was £122,500. The interest rate on such loans is currently two and a half per cent for ministers and one and one quarter 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.

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 Liquid Resources

Cash comprises cash in hand and deposits repayable on demand. Liquid resources comprise term deposits of less than one year. Cash and liquid resources 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.

These scheme assets are measured using bid price values at the balance sheet date. Pension scheme liabilities are measured using a projected unit 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 Faith Nurture and 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.

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.

From financial year ended 31 December 2014 valuations for the purposes of FRS102 were obtained and the share of the deficits in the schemes has since been recognised in the SOFA and Balance Sheet as described above.

### 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

*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. During the year the Unincorporated Entities charged £110,000 (2018: £110,000) to the Investors Trust for management services provided by staff in the Stewardship and Finance Department. At 31 December 2019 the Unincorporated Entities had a net creditor balance due of £612,000 (2018: net creditor £341,000) (see note 21).

*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 out with 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. During the year the Unincorporated Entities made a grant of £42,000 (2018: £39,000) to the Church of Scotland Trust. The Church of Scotland Trust paid £43,000 to the Unincorporated Entities in respect of finance and legal services (2018: £39,000) and repaid £41,000 of the loan due (2018: nil). At 31 December 2019 the Unincorporated Entities had a program related investment balance due outwith one year of £9,685,000 (2018: £9,726,000) (see Note 17b) and a debtor balance due within one year of £6,000 (2018: £18,000). During the year The Church of Scotland Trust made a donation of £270,000 (2018: £270,000) to the Unincorporated Entities. During the year St Andrew's Galilee Limited paid £41,000 in relation to the loan held, resulting in a loan balance of £9,685,000 (2018: £9,726,000) at the year end. Payments made to The Church of Scotland Trust in the year were loan interest of £378,000 and rent of £272,000.

*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. In 2019 The General Trustees paid over to the Ministry Funds stipend endowment income and glebe rents income of £3,556,000 (2018: £3,419,000). They also paid levy income of £119,000 (2018: £151,000) to the Faith Nurture Forum's Go For It Fund representing that Forum's

one half share of the levy on property sales. As new Charge Developments and Church Extension Charges achieve Full Status, administrative responsibility for the Churches and manses is transferred from the Faith Nurture Forum to the General Trustees and congregations concerned. There was a grant paid from General Trustees to Faith Nurture Forum of £30,000 in 2019 (2018: £30,000). As at 31 December 2019, the Unincorporated Entities had a creditor balance of £15,000 (2018: debtor £977,000) in respect of monies held in the churches internal banking system (see note 21). £1,509,000 was paid to Support & Services (2018: £1,304,000) in respect of legal, IT, HR and financial services.

*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. During the year the Unincorporated Entities paid £973,000 (2018: £1,421,000) to the Pension Trustees for employer pension contributions. The Pension Trustees paid £15,036,000 (2018: £15,017,000) in the year to the Unincorporated Entities in respect of pensions paid, and £493,000 (2018: £641,000) in respect of management fees. At 31 December 2019, the Unincorporated Entities had a creditor balance of £3,000 (2018: debtor £304,000) (see note 21).

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.

### 3. Staff Costs and Numbers

Staff are paid and/or employed by the Faith Nurture Forum, Social Care Council, Central Services Committee (CSC) and Faith Impact Forum and such costs are included in expenditure disclosed in Notes 10, 11 and 12.

The following 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 £4.1 million for agency staff (2018: £4.3 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.

	Ministries £000	Social Care £000	CSC £000	World Mission £000	2019 Total £000	2018 Total £000
<b>Staff Costs</b>						
Salaries and Stipends	28,884	30,651	6,990	326	66,851	66,668
Social Security Costs	2,676	1,925	674	10	5,285	5,274
Pension Costs – Defined Contribution	4,475	1,488	1,163	2	7,128	6,802
Pension Costs – Defined Benefit	4,774	838	193	-	5,805	8,719
<b>Total</b>	<b>40,809</b>	<b>34,902</b>	<b>9,020</b>	<b>338</b>	<b>85,069</b>	<b>87,463</b>

Severance costs included in the above were £248,000 (2018: £152,000). These related to closed services in the Social Care Council and other termination costs in the year.

	Ministries No.	Social Care No.	CSC No.	World Mission No.	2019 Total No.	2018 Total No.
<b>Average Staff Numbers</b>						
Monthly Average						
Full Time	838	474	167	12	1,491	1,516
Part Time	86	1,267	70	-	1,423	1,652
<b>Total</b>	<b>924</b>	<b>1,741</b>	<b>237</b>	<b>12</b>	<b>2,914</b>	<b>3,168</b>
<b>Full Time Equivalents</b>	<b>880</b>	<b>1,103</b>	<b>217</b>	<b>12</b>	<b>2,212</b>	<b>2,236</b>

There were 17 employees whose employee benefits (excluding employer pension contributions) exceeded £60,000 in 2019 (2018: 11 employees). A greater number of employees are included within the salary bandings in 2019, compared to 2018, due to standard annual incremental increases being applied for the year.

	Social Care No.	CSC No.	2019 Total No.	2018 Total No.
<b>Salary Bands</b>				
£60,001 - £70,000	5	9	14	7
£70,001 - £80,000	2	-	2	3
£90,001 - £100,000	1	-	1	1
£100,001 - £110,000	-	-	-	-

The total aggregate pension contribution for these employees for 2019 was £123,000 (2018: £76,000).

During 2019, there were 15 (2018: 14) individuals who served as members of the Core Management Team, including some who served for only part of the year. There is one member of the Core Management Team whose salary is recharged in full to The Church of Scotland General Trustees. The total remuneration (salary, benefits, employer pension contributions and employer national insurance contributions) for the Core Management Team for 2019 was £1,215,000 (2018: £1,078,000).

### Subsidiary Companies and Tabeetha School

Staff employed by three institutions in Israel are paid in New Israeli Shekels, translated to Sterling for the

	2019 £000	2018 £000
<b>Staff Costs</b>		
Salaries	4,048	3,728
Social Security Costs	293	190
Pension Costs	367	370
<b>Total</b>	<b>4,708</b>	<b>4,288</b>

	2019 No.	2018 No.
<b>Average Staff Numbers</b>		
Monthly Average	161	160
Full Time Equivalents	133	125

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 received emoluments including local benefits in kind as described above, which when converted to Sterling were as follows:

	2019 No.	2018 No.
£130,001 - £140,000	-	1
£150,001 - £160,000	1	-
£160,001 - £170,000	-	1
£190,001 - £200,000	1	-

## 4. Donations and Legacies

	Group		Charity	
	2019 £000	2018 £000	2019 £000	2018 £000
Assessed Congregational Contributions	43,675	42,864	43,675	42,864
Stipend Endowment Income	3,556	3,419	3,556	3,419
<b>Total Congregational Income</b>	<b>47,231</b>	<b>46,283</b>	<b>47,231</b>	<b>46,283</b>
Donations, Grants, Trusts	1,931	1,513	1,799	1,402
Legacies	2,528	2,337	2,528	2,337
Donations from The Church of Scotland Trust	270	270	270	270
	<b>51,960</b>	<b>50,403</b>	<b>51,828</b>	<b>50,292</b>

Donations, Grants, Trusts includes £48,000 (2018 £50,000) in respect of government grants for specific projects carried out by the Church and Society Council.

## 5. Other trading activities

	Group		Charity	
	2019 £000	2018 £000	2019 £000	2018 £000
Fundraising	1,163	1,228	1,163	1,228
Israeli Trading Subsidiaries	7,280	6,218	-	-
	<b>8,443</b>	<b>7,446</b>	<b>1,163</b>	<b>1,228</b>

## 6. Income from Investments

	Group		Charity	
	2019 £000	2018 £000	2019 £000	2018 £000
Dividends from Unitised Investments	4,575	4,596	4,575	4,596
Deposit and Bank Account Interest	62	61	62	61
Net Interest on Defined Benefit Pension Schemes Liabilities (Note 33)	(139)	(151)	(139)	(151)
	<b>4,498</b>	<b>4,506</b>	<b>4,498</b>	<b>4,506</b>

## 7. Income from Charitable Activities

	Group		Charity	
	2019 £000	2018 £000	2019 £000	2018 £000
Social Service Provision	43,358	42,971	41,325	40,943
Rental of Accommodation and Premises	687	723	687	723
Publications and Royalties	643	667	643	667
Income from Events	279	281	279	281
Guild Memberships and Other Fees	207	190	207	190
Reimbursement of Legal, Accounting and Other Support by Wider Network of Church Organisations	1,250	1,363	1,250	1,363
Other	278	549	278	549
	<b>46,702</b>	<b>46,744</b>	<b>44,669</b>	<b>44,716</b>

## 8. Other Income

	Group		Charity	
	2019 £000	2018 £000	2019 £000	2018 £000
Gain on Disposal of Fixed Assets	2,463	1,732	2,463	1,732
	<b>2,463</b>	<b>1,732</b>	<b>2,463</b>	<b>1,732</b>

## 9. Expenditure on Raising Funds

	Group		Charity	
	2019 £000	2018 £000	2019 £000	2018 £000
Fundraising Activities (including Trading Subsidiaries in Israel)	7,227	7,339	-	-
Costs of Generating Voluntary Income	533	462	533	462
	<b>7,760</b>	<b>7,801</b>	<b>533</b>	<b>462</b>

## 10. Expenditure on Charitable Activities

	Group and Charity			
	Direct Costs £000	Grants £000	Support Costs £000	Total 2019 £000
Social Care Council	42,731	41	4,680	47,452
Faith Nurture Forum (formerly Ministries Council)	36,519	2,966	2,864	42,349
Faith Impact Forum (formerly World Mission Council)	1,965	855	154	2,974
Faith Nurture Forum (formerly Mission and Discipleship Council)	1,896	82	149	2,127
Support and Services Departments	6,034	6	496	6,536
Faith Impact Forum (formerly Church and Society Council)	633	41	50	724
Other Funds	1,150	678	90	1,918
<b>Charity Total</b>	<b>90,928</b>	<b>4,669</b>	<b>8,483</b>	<b>104,080</b>
Faith Impact Forum (formerly World Mission) - Tabeetha School	2,281	-	-	2,281
<b>Group Total</b>	<b>93,209</b>	<b>4,669</b>	<b>8,483</b>	<b>106,361</b>

	Group and Charity			
	Direct Costs £000	Grants £000	Support Costs £000	Total 2018 £000
Social Care Council	42,022	41	4,461	46,524
Faith Nurture Forum (formerly Ministries Council)	36,449	2,632	2,872	41,953
Faith Impact Forum (formerly World Mission Council)	1,863	1,060	147	3,070
Faith Nurture Forum (formerly Mission and Discipleship Council)	2,027	14	160	2,201
Support and Services Departments	6,624	20	522	7,166
Faith Impact Forum (formerly Church and Society Council)	571	50	45	666
Other Funds	2,141	423	150	2,714
<b>Charity Total</b>	<b>91,697</b>	<b>4,240</b>	<b>8,357</b>	<b>104,294</b>
Faith Impact Forum (formerly World Mission) - Tabeetha School	2,190	-	-	2,190
<b>Group Total</b>	<b>93,887</b>	<b>4,240</b>	<b>8,357</b>	<b>106,484</b>

## 10. Expenditure on Charitable Activities (continued)

	Group and Charity	
	2019 £000	2018 £000
<b>Grants</b>		
Grants to Individuals:		
Bursaries and Educational Purposes	713	620
Cases of Hardship	117	84
Project Work of the Charity	22	18
	<b>852</b>	<b>722</b>
Grants to Organisations for the Advancement of Religion:		
Through Theological Education and Partner Churches	574	899
Through Community Projects including 'Go For It'	1,891	1,407
By Payments to Support Individual Congregations	864	927
For the Relief of Poverty	485	281
For Heritage and the Environment	3	4
	<b>3,817</b>	<b>3,518</b>
<b>Total Grants</b>	<b>4,669</b>	<b>4,240</b>

	Group and Charity	
	2019 £000	2018 £000
<b>Support Costs</b>		
Finance, Payroll, Information Technology and Estates	3,005	2,845
Human Resources and Training	1,323	1,319
Central Premises	831	1,046
Regional Offices and Senior Operational Management	1,923	1,659
Legal	263	305
Safeguarding of Children and Vulnerable Adults	337	350
Media Relations and Website	801	833
	<b>8,483</b>	<b>8,357</b>

Support costs are apportioned to charitable activities and individual Councils on the basis of direct expenditure.

	Group and Charity	
	2019 £000	2018 £000
<b>Governance costs included in Expenditure on Charitable Activities</b>	1,470	1,536
<b>Leasing costs charged to the SOFA</b>		
Property	1,117	834
Other	455	430
<b>Total Leasing Charges</b>	<b>1,572</b>	<b>1,264</b>
<b>Fees paid to the external auditors are as follows;</b>		
Audit of UE - RSM UK	55	51
Audit of subsidiary undertakings - PWC (2018: PWC)	17	27
Total audit fees	72	78
Tax advice- RSM UK	6	5
Total non-audit fees	6	5
<b>Total Fees</b>	<b>78</b>	<b>83</b>

## 11. Other Expenditure

	Group and Charity	
	2019 £000	2018 £000
<b>Defined Benefit Pension Schemes (Note 33)</b>		
Current cost	303	368
Past Service Cost	4,020	6,918
Administration costs	1,343	1,282
Employer Contributions	(1,164)	(1,649)
	<b>4,502</b>	<b>6,919</b>

## 12. Trustees' Remuneration and Expenses

Trustees are not remunerated for their services on the Council of Assembly or as Assembly Trustees. From 1 January to 31 May 2019, there were seventeen voting members of the Council of Assembly as described in the Governance section of the Trustees' Report. From 1 June 2019 there were fifteen Assembly Trustees. Three people served on both The Council of Assembly and The Assembly Trustees. Nine of the seventeen voting members who served during 2019 (2018: seven of twenty one) 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 nine Trustees as parish ministers was £133,000 (2018: £232,000). Expenses of £4,000 (2018: £4,000) were reimbursed to Trustees in respect of travel to Council of Assembly meetings and overnight accommodation where required. Additionally, £4,000 (2018 : £2,000) of expenses were reimbursed to Trustees for attending meetings of, or on behalf of, other councils and committees. In total, fourteen Trustees received expenses during 2019 (2018: fourteen Trustees). Expenses of £6,000 (2018: £6,000) were foregone by Trustees. The list of all Trustees who served during 2019 is given at the end of the Annual Report.

## 13. Intangible Assets

	Website Costs £000	Computer Software £000	Total £000
<b>Group and Charity</b>			
<b>Cost</b>			
At 1 January 2019	63	160	223
Additions	15	47	62
At 31 December 2019	78	207	285
<b>Accumulated Amortisation</b>			
At 1 January 2019	4	-	4
Charge for year	7	17	24
At 31 December 2019	11	17	28
<b>Net Book Value</b>			
At 31 December 2019	67	190	257

Intangible assets are the costs of the software for the new HR/Payroll System and website costs for Social Care Council.

<b>Group and Charity</b>			
<b>Cost</b>			
At 1 January 2018	-	94	94
Additions	63	166	129
At 31 December 2018	63	260	223
<b>Accumulated Amortisation</b>			
At 1 January and 31 December 2018	-	-	-
Charge for year	4	-	4
	4	-	4
<b>Net Book Value</b>			
At 31 December 2018	59	260	219

## 14. Tangible Assets

	Heritable & Other Properties £000	Motor Vehicles £000	Equipment & Furniture £000	Capital Work in Progress £000	Total £000
<b>Group</b>					
<b>Cost</b>					
At 1 January 2019	83,623	337	6,702	-	90,662
Additions	1,870	-	346	547	2,763
Transfers	23	-	(23)	-	-
Disposals	(5,943)	(61)	(1,158)	-	(7,162)
<b>At 31 December 2019</b>	<b>79,573</b>	<b>276</b>	<b>5,867</b>	<b>547</b>	<b>86,263</b>
<b>Accumulated Depreciation</b>					
At 1 January 2019	38,900	285	4,871	-	44,056
Disposals	(4,363)	(61)	(1,077)	-	(5,501)
Charge for Year	1,282	34	455	-	1,771
Foreign Currency Exchange Adjustments	(344)	-	(39)	-	(383)
<b>At 31 December 2019</b>	<b>35,475</b>	<b>258</b>	<b>4,210</b>	<b>-</b>	<b>39,943</b>
<b>Net Book Value</b>					
<b>At 31 December 2019</b>	<b>44,098</b>	<b>18</b>	<b>1,657</b>	<b>547</b>	<b>46,320</b>
<b>Charity</b>					
<b>Cost</b>					
At 1 January 2019	69,537	332	3,332	-	73,201
Additions	1,823	-	180	-	2,003
Transfers	23	-	(23)	-	-
Disposals	(5,943)	(61)	(1,158)	-	(7,162)
<b>At 31 December 2019</b>	<b>65,440</b>	<b>271</b>	<b>2,331</b>	<b>-</b>	<b>68,042</b>
<b>Accumulated Depreciation</b>					
At 1 January 2019	33,522	281	2,099	-	35,902
Disposals	(4,363)	(61)	(1,077)	-	(5,501)
Charge for Year	727	33	308	-	1,068
<b>At 31 December 2019</b>	<b>29,886</b>	<b>253</b>	<b>1,330</b>	<b>-</b>	<b>31,469</b>
<b>Net Book Value</b>					
<b>At 31 December 2019</b>	<b>35,554</b>	<b>18</b>	<b>1,001</b>	<b>-</b>	<b>36,573</b>

## 14. Tangible Assets (continued)

	Heritable & Other Properties £000	Motor Vehicles £000	Equipment & Furniture £000	Total £000
<b>Group</b>				
<b>Cost</b>				
At 1 January 2018	81,976	361	6,206	88,543
Additions	3,470	18	496	3,984
Disposals	(1,823)	(42)	-	(1,865)
<b>At 31 December 2018</b>	<b>83,623</b>	<b>337</b>	<b>6,702</b>	<b>90,662</b>
<b>Accumulated Depreciation</b>				
At 1 January 2018	37,228	307	4,439	41,974
Disposals	(462)	(35)	-	(497)
Charge for Year	1,974	13	412	2,399
Foreign Currency Exchange Adjustments	160	-	20	180
<b>At 31 December 2018</b>	<b>38,900</b>	<b>285</b>	<b>4,871</b>	<b>44,056</b>
<b>Net Book Value</b>				
<b>At 31 December 2018</b>	<b>44,723</b>	<b>52</b>	<b>1,831</b>	<b>46,606</b>
<b>Charity</b>				
<b>Cost</b>				
At 1 January 2018	68,122	356	3,003	71,481
Additions	3,238	18	329	3,585
Disposals	(1,823)	(42)	-	(1,865)
<b>At 31 December 2018</b>	<b>69,537</b>	<b>332</b>	<b>3,332</b>	<b>73,201</b>
<b>Accumulated Depreciation</b>				
At 1 January 2018	32,606	304	1,849	34,759
Disposals	(462)	(35)	-	(497)
Charge for Year	1,378	12	250	1,640
<b>At 31 December 2018</b>	<b>33,522</b>	<b>281</b>	<b>2,099</b>	<b>35,902</b>
<b>Net Book Value</b>				
<b>At 31 December 2018</b>	<b>36,015</b>	<b>51</b>	<b>1,233</b>	<b>37,299</b>

## 15. Investments

	Group		Charity	
	2019 £000	2018 £000	2019 £000	2018 £000
Unlisted Investments - Growth Fund	119,879	109,750	119,879	109,750
Unlisted Investments - Income Fund	20,610	19,221	20,610	19,221
Unlisted Investments - Investment in Oiko Credit Co-operative	116	116	116	116
Deposit Fund - Bank Deposit Accounts	11	11	11	11
	140,616	129,098	140,616	129,098
Investment in Subsidiary Company	-	-	1,463	504
<b>Fair Value/Cost</b>	<b>140,616</b>	<b>129,098</b>	<b>142,079</b>	<b>129,602</b>
Historic Cost	69,937	68,952	71,400	69,546

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	
	2019 £000	2018 £000	2019 £000	2018 £000
Fair Value at 1 January	129,098	132,025	129,602	132,529
Disposals at Opening Fair Value	(5,641)	(1,623)	(5,641)	(1,623)
Reclassification from reserves	-	116	-	116
Acquisitions at Cost	2,221	3,345	3,180	3,345
Net (Losses)/Gains on Revaluation at 31 December	14,938	(4,765)	14,938	(4,765)
<b>Market Value at 31 December</b>	<b>140,616</b>	<b>129,098</b>	<b>142,079</b>	<b>129,602</b>

### Net (Losses)/Gains on Disposal of Investments

Sale Proceeds	6,163	1,606	6,163	1,606
Fair Value at 1 January	(5,641)	(1,623)	(5,641)	(1,623)
<b>Net Realised (Losses)/Gains on disposal in Year</b>	<b>522</b>	<b>(17)</b>	<b>522</b>	<b>(17)</b>

### Amount charged to the Statement of Financial Activities

Net (Losses)/Gains on Revaluation of Investments	14,938	(4,765)	14,938	(4,765)
Net Realised (Losses)/Gains on Disposal of Investments	522	(17)	522	(17)
Net Loss on Revaluation of Mixed Motive Investments (Note 17a)	-	(50)	-	(50)
<b>Net (Losses)/Gains on Investment Assets</b>	<b>15,460</b>	<b>(4,832)</b>	<b>15,460</b>	<b>(4,832)</b>

## 16. Foreign Currency

	Group		Charity	
	2019 £000	2018 £000	2019 £000	2018 £000
<b>Realised Gains and Losses recognised in:</b>				
<b>Income</b>				
On Bank Deposits not denominated in sterling	2	663	2	663
<b>Unrealised Gains and Losses recognised in:</b>				
<b>Expenditure</b>				
On Bank Deposits not denominated in sterling	-	-	-	-
<b>Other Recognised Gains and Losses</b>				
Gains/(Losses) on Net Assets of Subsidiary Companies on Consolidation	405	161	-	-

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.

## 17a. Mixed Motive Investments - Fixed Assets

	Group and Charity	
	2019 £000	2018 £000
Housing Loans (heritably secured) at amortised cost	6,380	6,638
Property held as mixed motive investment	700	700
	<b>7,080</b>	<b>7,338</b>

The Housing Loans are repayable when the properties relating to the loans are sold, and attract interest at rates between 1.25% and 4%. The carrying amount of concessionary loans was £6,137,000 (2018: £6,402,000). At 31 December 2019, future Housing Loans which were committed but not taken up were £844,000 (2018: £1,119,000).

	Group and Charity	
	2019 £000	2018 £000
<b>Movement in Property held as Mixed Motive Investment</b>		
Valuation at 1 January	700	750
Unrealised loss on revaluation	-	(50)
Valuation at 31 December	<b>700</b>	<b>700</b>

## 17b. Programme Related Investments

	Group and Charity	
	2019 £000	2018 £000
<b>The Church of Scotland Trust</b>		
At 1 January	9,726	-
Loan advanced	-	9,726
Loan repaid	(41)	-
At 31 December	9,685	9,726

The funding provided to The Church of Scotland Trust is an unsecured loan which is repayable over thirty nine years. No interest is charged on the loan.

## 18. Mixed Motive Investments - Current Assets

	Group		Charity	
	2019 £000	2018 £000	2019 £000	2018 £000
Car Loans	120	133	120	133
Loan to Subsidiary Company	-	-	243	124
Other Loans	21	19	21	19
	<b>141</b>	<b>152</b>	<b>384</b>	<b>276</b>

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

## 19. Debtors

	Group		Charity	
	2019 £000	2018 £000	2019 £000	2018 £000
Amounts receivable within one year				
Trade Debtors	2,985	2,830	2,368	2,208
Amounts Owed by: Congregations	1,380	1,092	1,380	1,092
Church of Scotland General Trustees	-	977	-	977
Church of Scotland Trust	6	18	6	18
Church of Scotland Pension Trustees	-	304	-	304
Sundry Debtors	365	291	42	153
Prepayments	839	704	819	692
Accrued Income	1,715	2,481	1,670	2,441
	<b>7,290</b>	<b>8,697</b>	<b>6,285</b>	<b>7,885</b>

Amounts owed by congregations were in respect of congregational contributions, ministers' travel, locums and associate ministers, levied under Regulation 129.

## 20. Short Term Deposits

	Group		Charity	
	2019 £000	2018 £000	2019 £000	2018 £000
Deposit Fund with Church of Scotland Investors Trust	12,503	7,549	12,503	7,549
	<b>12,503</b>	<b>7,549</b>	<b>12,503</b>	<b>7,549</b>

## 21. Creditors: Amounts Falling Due within One Year

	Group		Charity	
	2019 £000	2018 £000	2019 £000	2018 £000
Bank Overdraft	-	9,622	-	-
Trade Creditors	1,089	1,062	898	595
Amounts Owed to: Church of Scotland Investors Trust	612	341	612	341
Church of Scotland Pension Trustees	3	-	3	-
Church of Scotland General Trustees	15	-	15	-
Church of Scotland Trust	9,622	-	-	-
Other Creditors Including Tax and Social Security	1,666	1,752	1,638	1,726
Sundry Creditors	2,555	1,812	1,997	1,216
Accruals	3,868	4,414	3,141	3,987
Deferred Income	1,295	1,281	844	857
	<b>20,725</b>	<b>20,284</b>	<b>9,148</b>	<b>8,722</b>

As at 31 December 2018, the bank overdraft was secured against a US dollar account assigned to The Church of Scotland Trust. In early January 2019, the overdraft was repaid using cash loaned from The Church of Scotland Trust.

Deferred Income relates to payments received in advance of services being provided by the Social Care Council (£801,000), Deferred Faith Nurture Forum (formerly Ministries Council) income (£9,000), Deferred Faith Impact Forum (formerly World Mission Council) income (£34,000) and advance payments from customers received by the Israeli trading subsidiaries (£451,000). The balances reported have all been deferred in the current year and will be released to income in the following year.

## 22. Creditors: Amounts Falling Due after One Year

	Group and Charity	
	2019 £000	2018 £000
Grants	210	173
Loan from Nan Stevenson Trust to Housing & Loan Fund	5	5
	<b>215</b>	<b>178</b>

## 23. Provision for Liabilities and Charges

	Group		Charity	
	2019 £000	2018 £000	2019 £000	2018 £000
Onerous Leases	468	468	468	468
Other	908	777	-	-
	<b>1,376</b>	<b>1,245</b>	<b>468</b>	<b>468</b>
Onerous Leases:				
Balance Brought Forward	468	468	468	468
Provision released to Statement of Financial Activities	-	-	-	-
Balance Carried Forward	468	468	468	468

The onerous lease provision is for dilapidations in respect of an operational property. Other provisions relate to provisions in the Israeli Trading subsidiaries for statutory severance pay.

The onerous lease has a further 4 years to run. The timing of the release of the other provisions is inherently uncertain as these are calculated by reference to the length of service of employees in Israel.

## 24. Financial Instruments

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

	Group		Charity	
	2019 £000	2018 £000	2019 £000	2018 £000
<b>Financial assets at fair value through the Statement of Financial Activities</b>				
Unlisted investments	140,605	129,087	142,068	129,591
<b>Financial assets that are debt instruments measured at cost less impairment</b>				
Housing loans	6,380	6,638	6,380	6,638
Car and other loans	141	152	141	152
Trade debtors and amounts due from congregations and related parties	4,371	5,221	3,754	4,599
Amount due from The Church of Scotland Trust outwith one year	9,685	9,726	9,685	9,726
Sundry debtors	365	291	42	153
Accrued income	1,715	2,481	1,670	2,441
<b>Financial liabilities measured at amortised cost</b>				
Bank overdraft	-	(9,622)	-	-
Trade creditors	(1,089)	(1,062)	(898)	(595)
Accruals	(3,868)	(4,414)	(3,141)	(2,987)
Loans	(5)	(5)	(5)	(5)
Amounts owed to related parties	(10,252)	(341)	(630)	(341)
Sundry creditors	(2,555)	(1,812)	(1,997)	(1,216)

## 25. Analysis of Net Assets among Funds - Group

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2019 £000
Tangible and Intangible Fixed Assets	9,747	36,830	-	46,577
Investments	-	113,044	27,572	140,616
Mixed Motive Investments	-	7,080	-	7,080
Programme Related Investments	-	9,685	-	9,685
<b>Total Fixed Assets</b>	<b>9,747</b>	<b>166,639</b>	<b>27,572</b>	<b>203,958</b>
Net Current (Liabilities)/Assets	(8,686)	15,663	-	6,977
Creditors: Amounts falling due after more than one year and Provisions for Liabilities and Charges	(908)	(683)	-	(1,591)
Pension Scheme Liability	-	(3,754)	-	(3,754)
<b>Net Assets</b>	<b>153</b>	<b>177,865</b>	<b>27,572</b>	<b>205,590</b>

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2018 £000
Tangible Fixed Assets	9,307	37,518	-	46,825
Investments	-	100,857	28,241	129,098
Mixed Motive Investments	-	7,338	-	7,338
Programme Related Investments	-	9,726	-	9,726
<b>Total Fixed Assets</b>	<b>9,307</b>	<b>155,439</b>	<b>28,241</b>	<b>192,987</b>
Net Current (Liabilities)/Assets	(9,445)	11,274	-	1,829
Creditors: Amounts falling due after more than one year and Provisions for Liabilities and Charges	(777)	(646)	-	(1,423)
Pension Scheme Liability	-	(3,207)	-	(3,207)
<b>Net (Liabilities)/Assets</b>	<b>(915)</b>	<b>162,860</b>	<b>28,241</b>	<b>190,186</b>

## 26. Analysis of Net Assets among Funds - Charity

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2019 £000
Tangible and Intangible Fixed Assets	-	36,830	-	36,830
Investments	504	114,003	27,572	142,079
Mixed Motive Investments	-	7,080	-	7,080
Programme Related Investments	-	9,685	-	9,685
<b>Total Fixed Assets</b>	<b>504</b>	<b>167,598</b>	<b>27,572</b>	<b>195,674</b>
Net Current Assets	7,362	8,301	-	15,663
Creditors: Amounts falling due after more than one year and Provisions for Liabilities and Charges	-	(683)	-	(683)
Pension Scheme Liability	-	(3,754)	-	(3,754)
<b>Net Assets</b>	<b>7,866</b>	<b>171,462</b>	<b>27,572</b>	<b>206,900</b>

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2018 £000
Tangible Fixed Assets	-	37,518	-	37,518
Investments	504	100,857	28,241	129,602
Mixed Motive Investments	-	7,338	-	7,338
Programme Related Investments	-	9,726	-	9,726
<b>Total Fixed Assets</b>	<b>504</b>	<b>155,439</b>	<b>28,241</b>	<b>184,184</b>
Net Current Assets	233	11,274	-	11,507
Creditors: Amounts falling due after more than one year and Provisions for Liabilities and Charges	-	(646)	-	(646)
Pension Scheme Liability	-	(3,207)	-	(3,207)
<b>Net Assets</b>	<b>737</b>	<b>162,860</b>	<b>28,241</b>	<b>191,838</b>

## 27. Unrestricted Funds - Group

	At 1 Jan 2019 £000	Income £000	Expenditure £000	Fund Transfers £000	Other Recognised Gains and Losses £000	At 31 Dec 2019 £000
Faith Nurture Forum (formerly Ministries Council)	4	30	(30)	-	-	4
Faith Impact Forum (formerly World Mission Council)	(1,148)	9,445	(9,508)	-	405	(806)
Faith Nurture Forum (formerly Mission & Discipleship Council)	-	981	(981)	-	-	-
Support & Services	-	1,483	(1,483)	-	-	-
Other Funds	229	828	-	6,301	-	7,358
	<b>(915)</b>	<b>12,767</b>	<b>(12,002)</b>	<b>6,301</b>	<b>405</b>	<b>6,556</b>

Research into the Church's funds has been ongoing since 2018 and will continue beyond 2019 to allow all funds to be reviewed. Many of the funds held have originated from previous legacies and property sales, but also from historic reorganisations of the Church's Boards and Committees. Some Restricted Funds may contain amounts which are, in terms of accounting classification more akin to designated funds (that is, amounts designated for the use of the unit but not part of funds given to the Church upon the basis of restricted use) and, where identified, these will be reclassified as Unrestricted Funds. Actions included removing permanent endowment status and reclassifying from restricted to designated. For all funds which were reorganised through OSCR during 2019, the approved reorganisation has taken effect and any necessary changes have been made to reflect these changes in the funds. Where the reorganisation required a change of fund classification these have been effected through fund transfers in the year.

	At 1 Jan 2018 £000	Income £000	Expenditure £000	Fund Transfers £000	Other Recognised Gains and Losses £000	At 31 Dec 2018 £000
Faith Nurture Forum (formerly Ministries Council)	4	39	(39)	-	-	4
Faith Impact Forum (formerly World Mission Council)	(137)	8,357	(9,529)	-	161	(1,148)
Faith Nurture Forum (formerly Mission & Discipleship Council)	-	948	(948)	-	-	-
Support & Services	-	1,404	(1,404)	-	-	-
Other Funds	229	515	-	(515)	-	229
	<b>96</b>	<b>11,263</b>	<b>(11,920)</b>	<b>(515)</b>	<b>161</b>	<b>(915)</b>

Other than unrestricted legacies and donations received, all funds are designated for the work of individual Forums and Other Funds. In 2019 there was a foreign currency translation gain of £405,000 upon consolidation of the net assets of the Israeli Subsidiaries as disclosed in Note 31 (2018: gain £161,000).

## 28. Unrestricted Funds - Charity

	At 1 Jan 2019 £000	Income £000	Expenditure £000	Fund Transfers £000	At 31 Dec 2019 £000
Faith Nurture Forum (formerly Ministries Council)	4	30	(30)	-	4
Faith Impact Forum (formerly World Mission Council)	504	-	-	-	504
Faith Nurture Forum (formerly Mission & Discipleship Council)	-	981	(981)	-	-
Support & Services	-	1,483	(1,483)	-	-
Other Funds	229	828	-	6,301	7,358
	<b>737</b>	<b>3,322</b>	<b>(2,494)</b>	<b>6,301</b>	<b>7,866</b>

	At 1 Jan 2018 £000	Income £000	Expenditure £000	Fund Transfers £000	At 31 Dec 2018 £000
Faith Nurture Forum (formerly Ministries Council)	4	39	(39)	-	4
Faith Impact Forum (formerly World Mission Council)	504	-	-	-	504
Faith Nurture Forum (formerly Mission & Discipleship Council)	-	948	(948)	-	-
Support & Services	-	1,404	(1,404)	-	-
Other Funds	229	515	-	(515)	229
	<b>737</b>	<b>2,906</b>	<b>(2,391)</b>	<b>(515)</b>	<b>737</b>

## 29. Restricted Funds - Group and Charity

	Balance 1 Jan 2019 £000	Income £000	Expenditure £000	Net Gains on Investment Assets £000	Fund Transfers £000	Actuarial Gains £000	Balance 31 Dec 2019 £000
Social Care Council	23,716	44,300	(47,452)	1,031	1,137	-	22,732
Faith Nurture Forum (formerly Ministries Council)	40,843	40,184	(42,319)	3,640	(825)	-	41,523
Faith Impact Forum (formerly World Mission Council)	40,680	3,070	(2,974)	3,256	1,540	-	45,572
Faith Nurture Forum (formerly Mission & Discipleship Council)	10,258	424	(1,146)	1,128	818	-	11,482
Support & Services	419	44	(5,586)	11	5,503	-	391
Church & Society Council (formerly Church & Society Council)	634	139	(724)	94	508	-	651
Other Funds	49,517	12,221	(1,918)	2,439	(9,394)	-	52,865
	166,067	100,382	(102,119)	11,599	(713)	-	175,216
Pensions Reserve	(3,207)	(139)	(4,502)	-	-	4,094	(3,754)
	<b>162,860</b>	<b>100,243</b>	<b>(106,621)</b>	<b>11,599</b>	<b>(713)</b>	<b>4,094</b>	<b>171,462</b>

	Balance 1 Jan 2018 £000	Income £000	Expenditure £000	Net Losses on Investment Assets £000	Fund Transfers £000	Actuarial Gains £000	Balance 31 Dec 2018 £000
Social Care Council	25,340	44,171	(46,774)	(362)	1,341	-	23,716
Faith Nurture Forum (formerly Ministries Council)	41,649	41,069	(41,915)	(1,234)	1,274	-	40,843
Faith Impact Forum (formerly World Mission Council)	41,429	2,492	(3,070)	(1,019)	848	-	40,680
Faith Nurture Forum (formerly Mission & Discipleship Council)	10,731	496	(1,253)	(307)	591	-	10,258
Support & Services	31	190	(5,974)	(3)	6,175	-	419
Church & Society Council (formerly Church & Society Council)	747	182	(666)	(28)	399	-	634
Other Funds	50,393	10,836	(2,713)	(785)	(8,214)	-	49,517
	170,320	99,436	(102,365)	(3,738)	2,414	-	166,067
Pensions Reserve	(6,082)	(151)	(6,919)	-	-	9,945	(3,207)
	<b>164,238</b>	<b>99,285</b>	<b>(109,284)</b>	<b>(3,738)</b>	<b>2,414</b>	<b>9,945</b>	<b>162,860</b>

Four funds made up 95% of the Other Funds, namely the Housing and Loan Fund (£46,308,000), New College (£2,811,000), the Guild (£854,000) and the Mission and Renewal Fund (£52,000). Transfers includes £8,912,000 transferred to Forums from the Mission and Renewal Fund which receives incoming resources from Ministry and Mission contributions from congregations. In addition to this, £149,000 was transferred from the Mission and Renewal Fund during the year to support the work of Forums and the Support and Services Departments. Transfers were also made from Third Party trusts to Forums in respect of their charitable activities, with restrictions as appropriate. The F G Salvesen Trust is included within the Faith Impact Forum (formerly World Mission Council). Fund transfers includes reclassification of funds through approved reorganisations in the year as described in note 27.

## 30. Endowment Funds - Group and Charity

	Balance 1 Jan 2019 £000	Income £000	Investment Gains £000	Fund Transfers £000	Balance 31 Dec 2019 £000
Social Care Council	352	6	8	(16)	350
Faith Nurture Forum (formerly Ministries Council)	4,580	302	733	(1,944)	3,671
Faith Impact Forum (formerly World Mission Council)	5,050	179	817	(431)	5,615
Faith Nurture Forum (formerly Mission & Discipleship Council)	690	23	106	(41)	778
Support & Services	131	5	18	(5)	149
Faith Impact Forum (formerly Church & Society Council)	65	2	8	(2)	73
Other Funds	17,373	541	2,171	(3,149)	16,936
	<b>28,241</b>	<b>1,058</b>	<b>3,861</b>	<b>(5,588)</b>	<b>27,572</b>

Total Endowment Funds at 31 December 2019 of £27,572,000 are made up of £26,330,000 Permanent Endowment and £1,242,000 Expendable Endowment (2018: Permanent Endowment £27,015,000 and Expendable Endowment £1,289,000). Transfers of investment income were made to Forums and Committees for expending on their charitable activities. Income from endowment funds is for restricted purposes. Fund transfers includes reclassification of funds through approved reorganisations in the year as described in note 27.

	Balance 1 Jan 2018 £000	Income £000	Investment Losses £000	Fund Transfers £000	Balance 31 Dec 2018 £000
Social Care Council	356	6	(4)	(6)	352
Faith Nurture Forum (formerly Ministries Council)	6,034	144	(196)	(1,402)	4,580
Faith Impact Forum (formerly World Mission Council)	5,116	185	(216)	(35)	5,050
Faith Nurture Forum (formerly Mission & Discipleship Council)	715	24	(25)	(24)	690
Support & Services	136	4	(5)	(4)	131
Faith Impact Forum (formerly Church & Society Council)	67	2	(2)	(2)	65
Other Funds	17,864	581	(646)	(426)	17,373
	<b>30,288</b>	<b>946</b>	<b>(1,094)</b>	<b>(1,899)</b>	<b>28,241</b>

Total Endowment Funds at 31 December 2019 of £27,572,000 are made up of £27,097,000 Permanent Endowment and £480,000 Expendable Endowment (2018: Permanent Endowment £27,015,000 and Expendable Endowment £1,289,000). Transfers of investment income were made to Forums and Committees for expending on their charitable activities. Income from endowment funds is for restricted purposes.

## 31. Subsidiary Undertakings

The Church of Scotland has the following material subsidiary undertakings:

### 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 Amutta (Not for Profit Organisation) Number 580500601

The school has operated under the supervision of the Faith Impact Forum (formerly World Mission Council) 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 Amutta, 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.

#### Their financial results were as follows:

	St. Andrew's Galilee Limited		St. Andrew's Scottish Centre Limited		Tabeetha School	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Income	6,497	5,568	783	650	2,165	2,139
Expenditure	(6,476)	(6,604)	(751)	(735)	(2,281)	(2,190)
<b>Net Profit/(Loss)</b>	<b>21</b>	<b>(1,036)</b>	<b>32</b>	<b>(85)</b>	<b>(116)</b>	<b>(51)</b>
Unrealised Gains/(Losses) on Foreign Currency transactions	190	145	209	5	6	11
	<b>211</b>	<b>(891)</b>	<b>241</b>	<b>(80)</b>	<b>(110)</b>	<b>(40)</b>
Gross Assets	10,339	10,044	1,666	384	1,347	919
Gross Liabilities	(11,391)	(11,307)	(1,445)	(353)	(1,263)	(770)
<b>Total Net (Liabilities)/Assets</b>	<b>(1,052)</b>	<b>(1,263)</b>	<b>221</b>	<b>31</b>	<b>84</b>	<b>149</b>

## 32. Commitments

	Group and Charity	
	2019 £000	2018 £000

### Capital Expenditure

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

Central Services Committee	-	-
Social Care Council	59	88
	<b>59</b>	<b>88</b>

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

Social Care Council	170	64
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### Operating Leases where the Group is Lessee

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

	Group		2019 Total £000	2018 Total £000
	Property £000	Other £000		
Within 1 year	811	526	1,337	1,250
After 1 and before 5 years	1,244	910	2,154	2,522
	<b>2,055</b>	<b>1,436</b>	<b>3,491</b>	<b>3,772</b>

	Charity		2019 Total £000	2018 Total £000
	Property £000	Other £000		
Within 1 year	811	484	1,295	1,216
After 1 and before 5 years	1,244	868	2,112	2,478
	<b>2,055</b>	<b>1,352</b>	<b>3,407</b>	<b>3,694</b>

#### Operating Leases where the Group is Lessor

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

	Group and Charity	
	2019 £000	2018 £000
Within 1 year	100	121
After 1 and before 5 years	4	23
	<b>104</b>	<b>144</b>

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.

## 33. 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 Faith Nurture and Faith Impact Forums 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 1% 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.

### Defined Benefit Schemes

- > The Scheme for Ministers and Overseas Missionaries (for employees of the Faith Nurture and Faith Impact Forums). 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 in the Pension Investment Fund, which is operated on a unitised basis, the Managers being Baillie Gifford & Co, Aberdeen Standard Investments, BlackRock Asset Management (UK) Ltd, Legal & General Investment Management Ltd, Kames Capital Plc and Newton Investment Management Ltd. The Pension Investment Fund was created in June 1998 and formalised on 17th May 2005 by Trust Deed. The Pension Investment Fund has one Trustee, the Church of Scotland Pension Investment Fund Trustee Limited.

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 deficit. 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 2015 and were updated by the Group's actuaries, Hymans Robertson LLP, to take account of the requirements of FRS 102 in order to assess the assets and liabilities of the schemes at 31 December 2019. The Actuary has determined contribution rates for funding past service, and these will be funded from the reserves of those Forums whose past and present employees are scheme members.

The most recent actuarial valuation for the Local Government Pension Scheme (LGPS) was 31 March 2017. 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 2017), or at any other time as instructed to do so by the Administering Authority. The contributions payable over the period to 31 March 2021 are set out in the Rate and Adjustments certificate.

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2019 £000	2018 £000
<b>Defined Benefit Obligation</b>							
Opening Defined Benefit Obligations	226,349	13,434	52,477	31,473	19,593	343,326	401,359
Current Service Cost	-	-	-	-	303	303	368
Administration Costs	586	183	382	192	-	1,343	1,282
Interest Cost	6,205	370	1,431	868	566	9,440	9,661
Contributions by Scheme Participants	-	-	-	-	53	53	57
Actuarial (Gains)/Losses	17,992	1,396	4,540	3,367	2,137	29,432	(58,349)
Past Service Cost	3,956	-	-	-	64	4,020	6,918
Benefits and Expenses paid	(12,927)	(603)	(2,878)	(1,194)	(544)	(18,146)	(17,970)
<b>Closing Defined Benefit Obligations</b>	<b>242,161</b>	<b>14,780</b>	<b>55,952</b>	<b>34,706</b>	<b>22,172</b>	<b>369,771</b>	<b>343,326</b>
<b>Fair Value of Scheme Assets</b>							
Opening Fair Value of Scheme Assets	322,149	17,705	60,197	40,443	16,386	456,880	473,705
Interest Income	8,841	487	1,654	1,118	470	12,570	11,432
Contributions by Scheme Participants	-	-	-	-	53	53	57
Contributions by the Employer	81	17	783	92	191	1,164	1,649
Actual return on assets excluding amounts included in net interest	20,732	1,130	5,542	2,864	1,862	32,130	(11,993)
Benefits and Expenses paid	(12,927)	(603)	(2,878)	(1,194)	(544)	(18,146)	(17,970)
<b>Closing Fair Value of Scheme Assets</b>	<b>338,876</b>	<b>18,736</b>	<b>65,298</b>	<b>43,323</b>	<b>18,418</b>	<b>484,651</b>	<b>456,880</b>
Irrecoverable surplus brought forward	(95,800)	(4,271)	(7,720)	(8,970)	-	(116,761)	(78,428)
Impact of irrecoverable surplus on interest income	(2,682)	(120)	(216)	(251)	-	(3,269)	(1,922)
(Increase)/decrease in irrecoverable surplus from experience	1,767	435	(1,410)	604	-	1,396	(36,411)
Irrecoverable surplus at end of year	(96,715)	(3,956)	(9,346)	(8,617)	-	(118,634)	(116,761)
<b>Closing Fair Value of Scheme Assets recognised on Balance Sheet</b>	<b>242,161</b>	<b>14,780</b>	<b>55,952</b>	<b>34,706</b>	<b>18,418</b>	<b>366,017</b>	<b>340,119</b>
<b>Closing Net Defined Benefit Obligation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,754</b>	<b>3,754</b>	<b>3,207</b>
<b>Opening Net Defined Benefit Obligation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,207</b>	<b>3,207</b>	<b>6,082</b>

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2019 £000	2018 £000
<b>Analysis of Amount Charged to Operating (Deficit)/Surplus</b>							
Current & Past Service Cost	3,956	-	-	-	367	4,323	7,286
Administration Costs	586	183	382	192	-	1,343	1,282
<b>Total Operating Charge</b>	<b>4,542</b>	<b>183</b>	<b>382</b>	<b>192</b>	<b>367</b>	<b>5,666</b>	<b>8,568</b>

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2019 £000	2018 £000
<b>Analysis of Amount Credited to Other Finance Income</b>							
Interest Income on Scheme Assets	8,841	487	1,654	1,118	470	12,570	11,432
Impact of Asset Ceiling on Net Interest	(2,682)	(120)	(216)	(251)	-	(3,269)	(1,922)
Interest on Scheme Liabilities	(6,205)	(370)	(1,431)	(868)	(566)	(9,440)	(9,661)
<b>Net Interest on Net Defined Benefit Liability</b>	<b>(46)</b>	<b>(3)</b>	<b>7</b>	<b>(1)</b>	<b>(96)</b>	<b>(139)</b>	<b>(151)</b>

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2019 £000	2018 £000
<b>Total Amount Charged to Statement of Financial Activities</b>							
<b>Total Operating Charge less Net Interest</b>	<b>4,588</b>	<b>186</b>	<b>375</b>	<b>193</b>	<b>463</b>	<b>5,805</b>	<b>8,719</b>

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2019 £000	2018 £000
<b>Analysis of Amount recognised in Other Recognised Gains and Losses</b>							
Actual return on Assets excluding amounts included in net interest	20,732	1,130	5,542	2,864	1,862	32,130	(11,993)
Actuarial gains/(losses) on Scheme obligations	(17,992)	(1,396)	(4,540)	(3,367)	(2,137)	(29,432)	58,349
(Increase)/decrease in irrecoverable surplus from membership fall and other factors	1,767	435	(1,410)	604	-	1,396	(36,411)
<b>Remeasurement gain/(loss) recognised in Other Recognised Gains and Losses</b>	<b>4,507</b>	<b>169</b>	<b>(408)</b>	<b>101</b>	<b>(275)</b>	<b>4,094</b>	<b>9,945</b>

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2019 £000	2018 £000
<b>Major Categories of Scheme Assets:</b>							
UK Equities	-	26	108	58	11,775	11,967	17,975
Overseas Equities	-	548	2,310	1,254	-	4,112	14,119
UK Managed Funds	-	730	9,029	1,671	-	11,430	22,938
Overseas Managed Funds	-	669	2,263	1,530	-	4,462	9,751
UK Government Index-linked Bonds	149,383	12,418	32,650	22,567	4,433	221,451	182,311
UK Government Fixed-interest Bonds	159,201	4,096	18,368	15,654	-	197,319	189,793
Property	-	-	-	-	1,533	1,533	1,451
Cash/Net Current Assets	30,292	249	570	589	677	32,377	18,542
<b>Total Value of Assets</b>	<b>338,876</b>	<b>18,736</b>	<b>65,298</b>	<b>43,323</b>	<b>18,418</b>	<b>484,651</b>	<b>456,880</b>
Actuarial Value of Liabilities	(242,161)	(14,780)	(55,952)	(34,706)	(22,172)	(369,771)	(343,326)
Surplus/(Deficit) of Funded Scheme Liabilities	96,715	3,956	9,346	8,617	(3,754)	114,880	113,554
Irrecoverable Surplus	(96,715)	(3,956)	(9,346)	(8,617)	-	(118,634)	(116,761)
<b>Net Pension Liability</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,754)</b>	<b>(3,754)</b>	<b>(3,207)</b>

Although some of the defined benefit pension schemes show an accounting surplus as disclosed above, the financial positions as measured by the latest actuarial valuations require that the Charity makes total deficit repair payments as follows:

	£000		£000
<b>Deficit Repair Payments</b>			
2020	569	2024	640
2021	586	2025	165
2022	603		
2023	621		

The main financial assumptions used in preparing the defined benefit schemes figures above as at 31 December 2019 and 2018 are as follows:

	2019 %	2018 %
<b>Financial Assumptions</b>		
Retail Price inflation	3.25	3.45
Consumer Price inflation	2.20 - 2.40	2.60
Discount rate	1.95 - 2.00	2.80
Pension Increase Rate	2.70 - 3.40	1.95 - 2.60
Salary increase rate (LGP Schemes only)	3.40	2.90

## 34. Post Balance Sheet Event

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At 31 December 2019, whilst Covid-19 existed, the severity of the virus and the responses to the outbreak which are now having an impact on businesses and stock markets occurred after this date. The outbreak is deemed a non-adjusting post balance sheet event and the going concern basis remains appropriate. At the end of August 2020 the negative impact on the combined investment fund values was 7.24%, however, the long term financial effect cannot be estimated with any degree of certainty as global markets continue to fluctuate.

## Reference and Administrative Details

### Assembly Trustees from June 2019

- **Beth Ashcroft**, Assembly Trustee (from June 2019)
- **Alan Campbell**, Assembly Trustee (from June 2019)
- **Sandra Carter**, Assembly Trustee (from June 2019; resigned as Trustee May 2020)
- **John Chalmers**, Assembly Trustee (Council of Assembly Trustee until May 2019; Assembly Trustee from June 2019)
- **George Cowie**, Assembly Trustee (from June 2019; resigned as Trustee December 2019)
- **Jamie Lockhart**, Assembly Trustee (from June 2019)
- **Gary Macfarlane**, Assembly Trustee (from June 2019; resigned as Trustee May 2020)
- **Donald McCorkindale**, Assembly Trustee - ex officio Convener of Assembly Business Committee Assembly Trustee (from December 2019 following resignation of Fiona Smith)
- **James McNeill**, Assembly Trustee (from June 2019)
- **Norma Rolls**, Assembly Trustee (Council of Assembly Trustee until May 2019; Assembly Trustee from June 2019)
- **Anikó Schütz Bradwell**, Assembly Trustee (from June 2019)
- **Fiona Smith**, Assembly Trustee - ex officio Convener of Assembly Business Committee (from June 2019; resigned as Trustee December 2019)
- **Iain Torrance**, Assembly Trustee (from June 2019; resigned as Trustee May 2020)
- **David Watt**, Assembly Trustee (Council of Assembly Trustee until May 2019; Assembly Trustee from June 2019; resigned as Trustee May 2020)
- **Raymond Young**, Assembly Trustee - ex officio Chair of General Trustees (Sat on Council of Assembly until May 2019; Assembly Trustee from June 2019)
- **Jean Couper**, Assembly Trustee (from June 2020)
- **David Harrison**, Assembly Trustee (from June 2020)
- **Linda Irvine**, Assembly Trustee (from June 2020)
- **Geoff Miller**, Assembly Trustee (from June 2020)
- **Ann Nelson**, Assembly Trustee (from June 2020)
- **Richard Frazer**, Trustee - Council of Assembly (until May 2019)
- **Alistair Gibb**, Trustee - Council of Assembly (until May 2019)
- **Neil Glover**, Trustee - Council of Assembly (until May 2019)
- **Isobel Hunter**, Trustee - Council of Assembly (until May 2019)
- **Anne Lamont**, Trustee - Council of Assembly (until May 2019)
- **Andrew McGowan**, Trustee - Council of Assembly (until May 2019)
- **Norma Rolls**, Trustee - Council of Assembly (Council of Assembly until May 2019 and Assembly Trustee from June 2019)
- **Norman Smith**, Trustee - Council of Assembly (until May 2019)
- **Alan Sorensen**, Trustee - Council of Assembly (until May 2019)
- **Bill Steele**, Trustee - Council of Assembly (until May 2019; Bill Steele passed away in December 2019)
- **David Watt**, Trustee - Council of Assembly (Council of Assembly until May 2019 and Assembly Trustee from June 2019)
- **Ronald Wright**, Trustee - Council of Assembly (until May 2019)

### Council of Assembly Members January - May 2019

**Jennifer Adams**, Trustee - Council of Assembly (until May 2019)

- **Sally Bonnar**, Trustee - Council of Assembly (until May 2019)
- **David Brackenridge**, Trustee - Council of Assembly (until May 2019)
- **John Chalmers**, Trustee - Council of Assembly (Council of Assembly until May 2019 and Assembly Trustee from June 2019)
- **Alison Fenton**, Trustee - Council of Assembly (until May 2019)

# Reference and Administrative Details

## Council of Assembly Members January - May 2019 Secretaries (Council of Assembly Non-Voting)

- **Ian Alexander**, Secretary to the World Mission Council (until May 2019)
- **Chloe Clemmons**, As Acting Secretary to Church and Society Council (until May 2019)
- **Viv Dickenson**, Secretary to the Social Care Council (until May 2019)
- **Martin Johnstone**, Secretary to the Church and Society Council/  
Acting Head of Staff (until May 2019)
- **Angus Mathieson**, Secretary to the Mission and Discipleship Council (until May 2019)
- **Jayne Scott**, Secretary to the Ministries Council (until May 2019)
- **Martin Scott**, Secretary to Council of Assembly (Resigned 31 January 2019)

## Members ex officiis - Council of Assembly (non-voting)

- **Anne Macintosh**, General Treasurer (until May 2019)
- **Mary Macleod**, Solicitor of the Church (until May 2019)
- **George Whyte**, Principal Clerk (until May 2019)

## Key Management Personnel

- **Dave Kendall**, Chief Officer (from 1 November 2019)
- **Anne Macintosh**, General Treasurer
- **Mary Macleod**, Solicitor of the Church
- **Elaine McCloghry**, Head of Human Resources

## Scottish Charity Number

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SC011353

## Principal Office

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121 George Street  
Edinburgh  
EH2 4YN

## Professional Advisors

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### Auditors

RSM UK Audit LLP  
(Group Auditors)  
Chartered Accountants  
and Statutory Auditor  
139 Fountainbridge  
Edinburgh  
EH3 9QG

### PricewaterhouseCoopers

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

### Bankers

The Royal Bank of  
Scotland plc  
36 St Andrew Square  
Edinburgh  
EH2 2AD

### The Bank of Scotland

The Mound  
Edinburgh  
EH1 1YZ

### Bank Hapoalim

45 Hamelach Street  
Netanya 42505  
Israel

### Mercantile Discount Bank Ltd

PO Box 1292  
103 Allenby Street  
Tel Aviv 61012  
Israel

### Investments

The Church of Scotland  
Investors Trust  
121 George Street  
Edinburgh  
EH2 4YN

Scottish Charity Number: SC011353

[www.churchofscotland.org.uk](http://www.churchofscotland.org.uk)