



The Church of Scotland

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 December 2020

The Church of Scotland Unincorporated Entities

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Foreword

Letter from Very Rev Dr John Chalmers: Convener

To understand the story of the Church of Scotland in the year 2020 you have to look way beyond the balance sheet. This was a year like no other where the whole of society was hugely impacted by the Covid-19 virus and life as we know it was literally turned on its head. It was a year when many loved ones were lost to the virus, where families were so sadly unable to be present during their final days in quarantined hospitals and where arrangements for funeral services were so restrictive that they excluded many who were bereaved and wanted to both mourn and give thanks for a life that has sadly passed. It has been a year of much sadness and loneliness as families and friends have had to deal with loss, stay distanced and deal with the associated challenges with mental health.

The battle against Covid-19 has brought our wonderful National Health Service into sharp focus in coping with all of this and we really must voice our appreciation for the unstinting dedication of the NHS and care home staff who have toiled at the front line under relentless pressure while putting themselves at personal risk. With this backdrop we also have much to be thankful for within the Church as our Moderator, ministers, ministry workers, volunteers, congregations and staff worked so hard throughout the last year to respond to the changing needs of the Church and surrounding community brought about by the Pandemic.

In response to the closure of our buildings and the constraints of lockdown we witnessed an explosion of imagination and resourcefulness. Ministers and congregations across the country found ways of maintaining worship, pastoral care and community support. The generosity and faithfulness of members and adherents across our congregations sustained our life – that is the story of 2020 for which we are deeply grateful. Here too, a particular and special mention has to be made of the work and witness of CrossReach. Their staff have been on the real frontline, they have featured large in our prayers and as you will see from the Report we have done what we could to support them through the extraordinary difficulties that they have had to face.

Covid-19 brought with it challenges, which at every level of church life were faced square on. This Report describes the way in which forward planning, good management and prudent use of our financial resources have left us in a position where we can now begin to address the challenges and opportunities that have been left in the wake of these unprecedented times. At the time of writing we are still not clear about what tomorrow's new normal will look like but we have made enormous strides in organising ourselves so that we can better identify our priorities and invest in the future.

It was a difficult but unavoidable decision to suspend the creation of the Growth Fund which had been approved by the General Assembly in 2019. For the sake of clarity, however, it is worth highlighting that the 2019 recommended reductions in staffing and resourcing the central work of the Church have been achieved and the aims and objectives of the Growth Fund are now being incorporated into the Faith Action Plan. It is time now for the newly emerging Presbyteries and the process of local church planning to shape the church for mission and service in a post-pandemic Scotland.

For the past 90 years much of our church planning has been about unravelling the Disruption that brought about the proliferation of church building in the 19th century. The day of that kind of planning and readjustment is over and as we move forward our mission planning must be around reshaping the Church of Scotland online and in community. This will mean new forms of church life emerging, team ministries, the pooling of resources, the creation of well-equipped spaces in the right places and the realising of assets which are now past their sell-by date.

The Assembly Trustees want to be a catalyst for the change that we need at the heart of our church life and under the goodness and grace of God they will seek to put the resources of the church where they can make the most difference.

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 (the "Trustees") are the Trustees of the Charity.

The objectives of the Charity are:

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

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

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

The Charity is one of Scotland's largest institutions and, in 2020, the Trustees were responsible for expenditure of £108.5m.

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

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

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, has been 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 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.

The Chief Officer (appointed 1 November 2019) oversees management within the UE and provides executive leadership to the work of the Trustees. With overall executive responsibility for CSC employees and budgets, the Chief Officer is accountable to the Trustees for the effective and efficient organisational implementation of vision, strategy and policy as determined by the Trustees and the General Assembly.

As from January 2020 the principal elements of the 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 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 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 Faith Impact Forum, takes responsibility to manage and run the company and provides the voting directors.
- Tabeetha School, Jaffa, Israel, is an Amuta (Not for Profit Association) in Israel which has its own independent Board of Governors, made up of Church of Scotland appointees from Scotland. The Board of Governors is responsible for the strategic direction of Tabeetha and the oversight of the day to day operations. All major strategic decisions will require the approval of the Faith Impact Forum. Title to the school property is held by the Church of Scotland Trust on behalf of the UE.

Significant Funds

The UE holds a substantial number of individual funds, in many of which the purpose for which

they may be used is restricted. In such cases that restriction is observed. Two funds within the UE, the assets of which are part of the charitable estate, are held by separate trustees.

- The Housing and Loan Fund is held by trustees, separate from the Assembly Trustees, for the purpose of providing support to retired Church of Scotland ministers, and widows, widowers, separated or divorced spouses and separated or former civil partners of Church of Scotland ministers, in need of help with housing. Whilst those trustees report directly to the General Assembly, the assets held for the Fund are assets of the Charity and the Trustees have a supervisory role. The value of the Fund as at 31 December 2020 was £44.5 million. Following a remit to the Trustees from the Audit Committee following a report from the Internal Auditors, the Trustees and the trustees of the Housing and Loan Fund are engaged in discussion as to the extent to which the Fund now has more assets than it is anticipated that it will need to fulfil the Fund's current purposes and how, in compliance with the Fund's purposes, these assets can be best applied for the benefit of the Fund's beneficiaries and the wider benefit of the Church.
- The F G Salvesen Trust was a bequest, the purposes of which, as varied by the Court of Session in 1991, are "for any purposes (including, where appropriate, the rendering of financial assistance to indigenous Churches) which, in the opinion of the [Salvesen trustees] provide or assist in providing the ordinances of religion to Scots in any part of the world outwith the United Kingdom of Great Britain and Northern Ireland." Whilst these trust purposes are separate from those in the Constitution and Remit for the Trustees, the funds are treated as part of the overall assets of the Charity and accordingly the Trustees have a supervisory role. The Salvesen trustees comprise the members of the Faith Impact Forum. The value of the Fund as at 31 December 2020 was £17 million. Having regard to a less pressing demand for the provision of worship to Scots abroad and with a view to being more inclusive, the Trustees and the Salvesen trustees have agreed appropriate terms in which to seek a further variation of the trust purposes.

Related Parties

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

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

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

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

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

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

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

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

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

Governance

The General Assembly of 2019 appointed the new trustee body (the "Trustees") to be the Charity Trustees of the Church's charitable funds and assets. The Trustees comprise twelve appointed trustees

together with the Convener of the Assembly Business Committee and the Chair of the General Trustees by virtue of office. There is a Convener, a Vice-convener and an Administrative Trustee.

A list of the Trustees during 2020 can be found under Reference and Administrative Details on page 72.

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

The first Trustees were appointed by the General Assembly of 2019. Those Trustees and their successors must be members of the Church; and in all selection processes, due consideration is given to 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 plan for the anticipated work over the ensuing twelve months with proposed meeting dates, the Code of Conduct for the Trustees, and a link to OSCR Guidance on being a Charity Trustee.

A separate induction meeting is held at which presentations are made by members of the Core Management Team and the Principal Clerk on matters including (a) the charitable purpose of the Church of Scotland and related Charity trustee duties, roles and 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 have adopted, implemented, and will keep under review a Trustee Appraisal System, facilitated by the Head of HR. Each year, between September and November, all Trustees who have been in office for more than twelve months engage in a systematic appraisal of their individual trusteeship. Separately, the Trustees will set aside time, no less frequently than every other year, for a facilitated corporate appraisal of their joint trusteeship. There is a mandatory training programme in place for the Trustees, and the appraisal process is used to determine the ongoing training need.

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.

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

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 the Stewardship and Finance Department in preparing for zero-budgeting and sustainable five-year plans. A restriction on new expenditure or the reallocation of authorised expenditure has been imposed unless with the authorisation of Heads of Department, the Chief

Officer 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.

Following various discussions at the General Assemblies of 2018 and 2019, the Trustees have been progressing the action to develop and implement a revised Ministries and Mission contributions scheme, with appropriate transition arrangements, to address various concerns related to the current arrangements and with a view to establishing a new system that builds and strengthens the local Church. In October 2019 the Trustees appointed an independent panel to review the existing scheme and the Very Rev. Dr Russell Barr agreed to convene it. The Chief Officer was co-opted in May 2020. At the General Assembly in October 2020 approval was given to reduce 2021 aggregate congregational contributions by 18% to reflect the impact of the Pandemic on congregations. The proposed new Ministries and Mission Contribution system will be presented to the General Assembly in May 2021, which recognises that a new system is required but that implementation should be delayed until 2023 when there might be greater stability of the finances of the Church.

Due to the impact of Covid-19, the General Assembly could not be convened in May 2020 due to restrictions on mass gatherings. This is the first time that the General Assembly could not be held in this way since 1689 which highlights the significance of the cancellation. A Commission of Assembly was then held on 7 July 2020 to approve necessary legislation and to deal with urgent business. A shortened virtual General Assembly was held in October 2020 to receive essential short term proposals including the proposed remits of the new Forums and other necessary business. It was confined to an evening and one day.

Management

The Core Management Team ("CMT") exists to ensure that our work towards strategic goals for the Church and operational goals are aligned and since January 2020, comprised:

- The Chief Officer
- The Interim Head of the Faith Impact Forum
- The Interim 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

All members of the CMT are Key Management Personnel. Management meetings incorporate two specific sets of arrangements to ensure that strategic and operational areas are appropriately addressed.

The Strategic Team, which is focussed on delivering the Church's policies and General Assembly Deliverances, and comprising representatives from:

- The Chief Officer
- 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 Chief Officer
- 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 10 bands. The 2019 Special Commission recommended that this be reviewed and this is planned to take place once new structures have been bedded in. The review will consider benchmarks and parameters for the pay levels of these bands.

CrossReach have their own separate Chief Executive Officer who has formal interface arrangements with the Chief Officer and General Treasurer of the Church on the finances of CrossReach and any operational matters which might impact on the Church either financially or in terms of potential risk, and is included within Key Management Personnel.

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.

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

2020 will be remembered as a quite extraordinary year. Our Church buildings, worldwide, when not required for essential purposes, were closed for many months as part of the lockdown measures required to combat the effects of Covid-19. BUT, the Church of Scotland, along with other denominations, continued to provide ministry, care, witness and service.

In line with the Constitution and Remit from the General Assembly of 2020 (GA2020), the Trustees sought to build and strengthen local congregations alongside partnering with other churches and ecumenical bodies. Many congregations quickly learned how to 'broadcast' services from homes and gardens and their sanctuaries. Telephone trees were organised to provide pastoral support for members and others in their parishes and telephone links allowed many lacking technical skills or equipment to join in regular activities. Ministers, and others trained to conduct funerals, found new ways to provide the much needed support and meaningful farewells, learning to harness the benefits of technology. The Church, in conjunction with other denominations and BBC Television provided additional religious programmes which were welcomed across the country and benefitted those housebound without internet facilities. Congregations around the country continued and expanded their community service activities to keep food banks open and provide support for the homeless. At CrossReach, the social care arm of the Church, services were maintained. Care home staff at every level did their very best to keep residents safe and in communication with their relatives. Counselling and support services moved on line or via telephone calls.

Achievements against objectives

GA2020 had endorsed the Church of Scotland vision: **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.** It also agreed that the Faith Action Plan (FAP) would become the framework for the two new Forums, Faith Nurture and Faith Impact, to use as a guide when establishing their priorities in line with their agreed remits.

The working out of the FAP formed the central focus for the work of the agencies at the centre of the Church in 2020. As envisaged in the Special Commission Report approved in 2019, the Trustees started the process of appointing someone to assist the Chief Officer in delivering the plan so as best to support the work of local congregations. The Head of Faith Action Programme has been

appointed and should be in place by early summer 2021. During 2020, the Trustees also addressed the 2019 Special Commission's emphasis on Research and Analysis. An in-house team consisting of Head of Organisational Programmes, Church Statistician, Research Officer and Grants Manager, together with other staff as required, has been formed from existing staff. This department will hold responsibility for both the oversight and research behind the Church's grant donations as well as for the production of research and data in areas which emerge both annually and on individual matters. Immediate benefits have included a model operational plan to sit alongside the FAP to show the congregational and national impact of ministerial and financial changes across the country.

Separately, the Black Lives Matter movement, together with instruction from GA2020 supports the Trustees in agreeing to the formation of a national Equality, Diversity and Inclusion Group. This will take the form of a permanent task force of those with lived experience of discrimination, influence and expertise in relevant areas. Our aim is that this will lead to a more systematic approach to the enhancement of our existing commitment to a more equal, diverse and inclusive organisation. Our values of Grace, Integrity, Respect, Professionalism, Collaboration, Innovation must be reflected in every aspect of the Church's culture, practices and policy.

Covid-19 has altered everyone's ways of working and living; and the Church has risen to the challenges. Through guidance from central management, staff, both centrally and locally, very quickly were able to adapt to working from home, with some accepting the need to furlough for a while. Health & Safety and other practical guidelines provided reassurance for local congregations as well.

The outgoing and incoming Moderator's schedules were totally disrupted but, with central assistance, both have proved to be a source of inspiration and comfort, probably touching more lives through their online presence than would normally be possible. The Trustees await the outcome of a listening project where the experiences of living through the Pandemic should offer insight as to where new ways of working might, in fact, become part of the 'new normal'.

During the early stages of the first lockdown, the Trustees instituted three internal task groups to oversee the areas of Finance, IT and Communications and Presbytery Planning, each critical to ensuring that our resources were carefully used. The Finance Group has become a standing committee of the Trustees. An IT Programme Board has been formed and has drawn up an IT strategy document which is in turn determining an IT operational plan. A review of our external communications has been completed as actioned at GA 2020 which has led to the proposal to establish a Strategic Communications Board and further development of the associated communications strategy is in progress. New Presbytery Planning numbers will be presented at GA2021.

The six Trustees appointed during 2020 brought highly honed skills from a variety of backgrounds and these along with those to be accepted by GA2021 will provide continuity and in time the successors for the Convener, Vice-Convener and Administrative Trustee. The appraisal systems approved by GA2019 are being implemented.

The Covid-19 Pandemic has imposed ever-changing financial landscapes for the Trustees as local congregational and investment income dropped. Cost controls were tightened, work programmes prioritised, staff were furloughed and a Voluntary Exit Scheme was instigated; all of which have contributed to central cost savings. One helpful bonus has been the introduction of a 'Donate' button on our Church of Scotland website. This has been designed to be able to support both local congregations and national efforts and in 2020 attracted donations of £0.2m. A detailed explanation of the background to our accounts can be found in the Financial Review section of this report.

Measures of Success

Moves are being made towards a more target driven set of metrics where appropriate – though the success of the Church will not simply be about “the numbers” as a religious organisation. Much of the metric measurement is about demonstration of sound governance and oversight. At the GA 2021 specific targets will be set for numbers of ministers, charges, buildings together with longer term budgets and expenditure. Specific Key Performance Indicators and measures of success are currently in development.

Fundraising

The Trustees have continued to monitor on a

monthly basis the receipts from Congregations. Given the exigencies of 2020, they have also continued to consider the appropriate focus of the Stewardship Team.

Investments

The investments of the Unincorporated Entities remain with the Church of Scotland Investors Trust and the Trustees meet with the Chair of the Investors Trust to discuss investment policy. The Trustees are engaged with the Investors Trust and with the Faith Impact Forum on matters of mutual interest.

In such an exceptionally challenging year, the Trustees are content that the performance of the Investors Trust Funds is within acceptable range.

Plans for the future

In current circumstances, the view of the Trustees as to future plans is that the principal focus must be on restricting the use of funds to those uses which support the primary aims of the Church as set out in Clauses 17 and 18 of their Constitution and Remit. Working on that basic approach, the Trustees will move even more closely, in 2021, towards the goal of better sustaining the local Church. Further information is provided on page 24 - Plans for Future Periods.

This will be achieved by:

- Further development and roll out of the Faith Action Plan;
- Supporting the Presbytery reform process and formation of the new Presbyteries;
- Focus on Presbytery Planning and achieving the 2025 targets for ministry numbers;
- Recruitment to ministries posts to address the demographic challenge with a focus on identifying inspirational leaders that are grounded in theology;
- Building on steps already taken, and further research will be undertaken to understand and actively utilise our data to better inform decision making;
- Development of the operational plan;
- Continually consult, communicate and listen to our Presbyteries, Ministers, Congregations and staff – focus the National Office on support to the local;
- Further deployment of the accountability process for finances to facilitate achievement of the above objectives.

Audit and Compliance

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

The Internal Audit function was delivered in 2020 by Azets (formerly 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. Some of the planned internal audit reviews were delayed during the year due to Covid-19.

Azets conducted four reviews in 2020 covering Tendering and Contract Management (CrossReach); Risk Management; Cyber Security; and Payroll System. Overall, Azet'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 a range of continuous improvement actions, addressing the higher-graded matters arising from internal audit reviews. This also applies to historic/backlog action implementation.

In 2019 Azets had conducted a review of the Housing and Loan Fund which had identified a number of areas for improvement. Upon receipt of the report in 2020 the Audit Committee remitted to the Trustees the implementation of the recommendations and the Trustees have engaged with the Housing and Loan Fund trustees on those matters. One area of concern was that there did not appear to be a clear strategic framework for forward planning, among other matters, to the possibility of excessive reserves and associated regulatory issues. The Trustees and the Housing and Loan Fund trustees are engaged in discussion as to the extent to which the Fund now has more assets than it is anticipated that it will need to fulfil the Fund's current purposes and how, in compliance with the Fund's purposes, these assets can be best applied for the benefit of the Fund's Beneficiaries and the wider benefit of the Church.

In 2021 the Trustees will engage with the Internal Auditors in a validated self-assessment. This will consider the extent to which the Trustees are able to demonstrate compliance with good practice in key governance arrangements.

Principal Risks and Uncertainties

The Trustees, through the Chief Officer, continue to review the approaches to Risk and Resilience but are of the opinion that the majority of the principal risks highlighted in the Annual Report for 2019 remain.

The ability of the Church to address the well understood, long standing challenges that it faces is probably the key risk. This requires a coherent, joined up approach to achieve a sustainable, affordable organisation that is fit for the future. The progress in 2020 has demonstrated that change can be delivered with innovation, urgency and pace which gives great encouragement when coupled with the improved governance and accountability that has been implemented.

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 Faith Action Plan.

There is a risk that congregational contributions will be further reduced; but our new capability for financial modelling will mean that we can plan for a wide range of economic circumstances.

IT provision. The Trustees are concerned that the IT provision must be strengthened and secured and this will continue to be one of the priorities of the Chief Officer in 2021 – budgetary allowance has been made to progress a number of IT projects related to improvements to email, new intranet and network security/multifactor authentication. During 2020 progress has been made through establishing the IT Programme Board to provide oversight of the IT programme; the IT Strategy has been developed and approved; and all staff were fully equipped to enable home working.

Social Care. There are a number of important uncertainties as regards financial sustainability of Older People Services. All financial models are vulnerable to uncertainties, and in this case there can be uncertainty about levels of need for agency staff and about timing of repairs to older properties. Any closure of services, where warranted, carries exceptional costs particularly when 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, are working more closely with the CEO of CrossReach, in continuing more stringent financial controls and budgeting.

Historic Child Abuse payments. The Social Care Council remains a core participant in the Scottish Child Abuse Inquiry and is vulnerable to civil claims for compensation relating to past abuse in care. The Redress Scheme is a separate provision, through which organisations can now make payments to allow reparation to be made to survivors of abuse in care without recourse to civil action. Our part in this is still under discussion with the Scottish Government and is likely to result in payment into the Scheme by CrossReach in recognition of abuse which occurred in the course of past activities by the body now known as the Social Care Council.

The principal new risk which emerged during 2020 was the **Covid-19 Pandemic**. The ongoing impact of Covid-19 on the work and finances of the Church must continue to be considered.

As part of this risk, there is a risk that, unless supported with proper management, accountability and good communication, our ministers, staff and Forums and Committee members will feel under too much pressure due to the challenging conditions in which we are operating. This is a key area for the Chief Officer and Management Team to manage with full Trustee support.

Each of us, members of this Church, must value everyone who gives their energy and enthusiasm to the ongoing life of the Church. God is not finished with the Church of Scotland; together and together with sister Churches and organisations there is work to be done.

The risk posed by the virus was first recognised in March 2020. However, the full extent of the crisis quickly unfolded. Lockdown restrictions meant that church premises and the National office had to be closed down. CrossReach's Care Homes went into early lockdown and this almost certainly contained the effects of the Pandemic. Sadly though, a number of homes saw deaths from Covid-19 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 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 due to the restrictions in place.

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 which has accelerated the already challenging financial situation that was being addressed
- 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 lockdown 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 Trustees and staff.

Financial Review for the year ended 31 December 2020

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 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 General Assembly 2020:

- Approved aggregate congregational Ministry and Mission contributions in 2021 of £38.172m, being an 18% reduction from 2020;
- Noted the targeted reduction in the 2021 expenditure budgets of Faith Nurture and Faith Impact Forums of £4m.
- Noted the commitment of around £8.0m of General Reserves and the accompanying constraints which are being applied in order to maintain fiscal control throughout 2021.
- Agreed the suspension of the Growth Fund for the time being, but noted the intention for an interim system which would make some element of funding available for local church pilot schemes.
- Agreed to the development of the Faith Action Plan – a single plan to deliver both the Church of Scotland Vision and the changes mandated by the Special Commission/Radical Action Plan.

The Pandemic has brought with it new financial challenges, but every effort has been made to maintain momentum on the 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.

Since the General Assembly in October 2020, work has been unrelenting for everyone and the principal task of the Trustees, together with the Chief Officer and his staff in consultation with the Principal Clerk, has been to hone as accurate as possible an overall picture as to the impact of the Pandemic on the life of our Church, both locally and nationally, so that the Church's human and economic resources can be applied as well as they can be to strengthen local Congregations.

Congregations have been affected in different ways by the Pandemic. Some have been able to mitigate potential losses; their members have kept up or even increased their offerings. Others, however, who depended heavily on funding from sources such as hall lets or café income, have been hit hard. It will be well into 2021 before we have a complete picture of the overall impact but considering the challenges that have had to be faced it has been heart-warming to see the way in which individual Congregations have been generous in trying to share their means with others. Inspiration can be found in how ministers and Congregations have developed new ways to worship, to provide pastoral support and to expand community service activities to keep food banks open and provide support for the most vulnerable.

Two specific areas stand out from 2020:

- In 2020 there was a reduction of about 3% in Ministries and Mission Contributions received compared to the same period in 2019 and we believed that many congregations were using their reserves in order to maintain their contributions. This led to the decision that, for 2021, there should be an overall reduction in aggregate Ministries and Mission contributions of 18% to relieve the pressure locally. The estimates in May 2020 that congregational income might reduce by 20% appear to date to have been a reasonable assumption.
- The pressures on CrossReach have been immense and additional costs together with enforced restrictions on filling vacancies in residential care have led and will continue for some time to lead to losses which can be managed but not immediately reduced.

Substantial progress was made in 2020 on addressing the 20-30% cost savings – with the 30% target reduction in expenditure achieved within the National Offices. This target, baselined against the 2019 budget, was achieved ahead of time, and met the savings targets laid down by the Special Commission. Early in 2020 there were mitigating actions to preserve reserves and cash and when the extent of the Pandemic became apparent further controls were brought in place to ensure all costs were considered. Due to Covid-19 some costs were naturally reduced – such as travel and conference costs. Due to the claims under the Job Retention Scheme income of £1.5 million was received in the year to cover the salary costs of those furloughed.

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 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 (for the group) which also include certain trading operations in Israel, carried out under the aegis of the Faith Impact Forum.

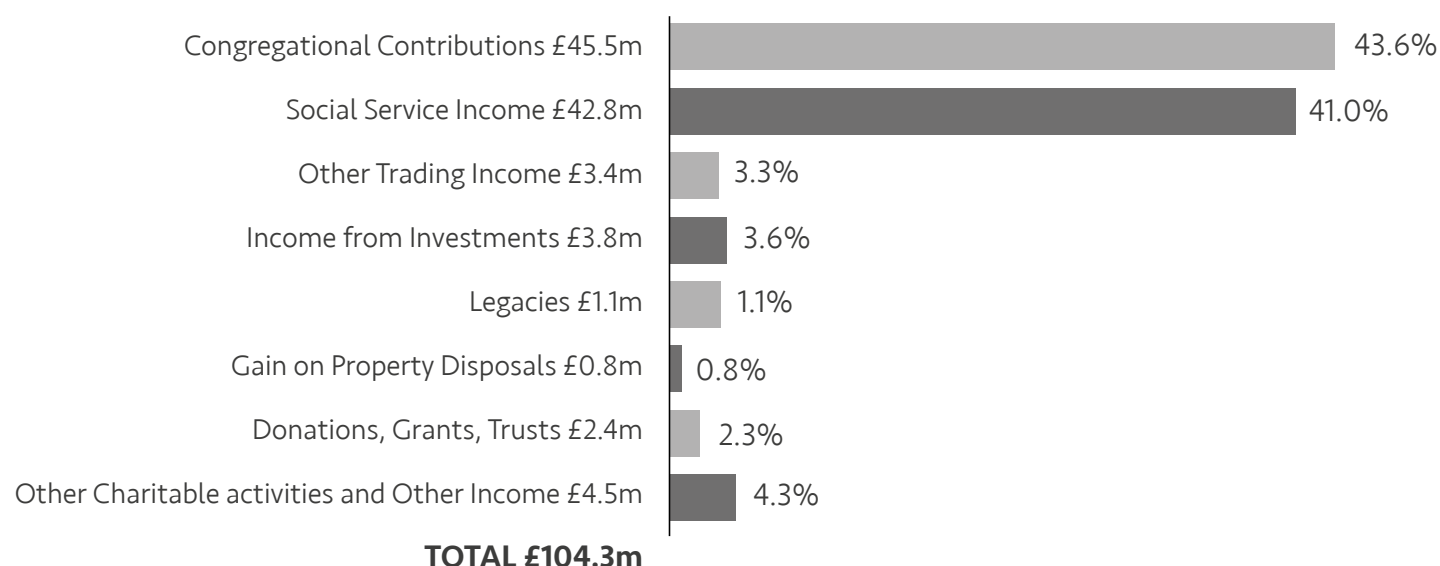
The management of risk and budgetary control across all areas of the Church's work continues to be demanding, even more so in the light of the Pandemic and the financial impact of this on congregational contributions and other income.

Headline results for 2020 were:

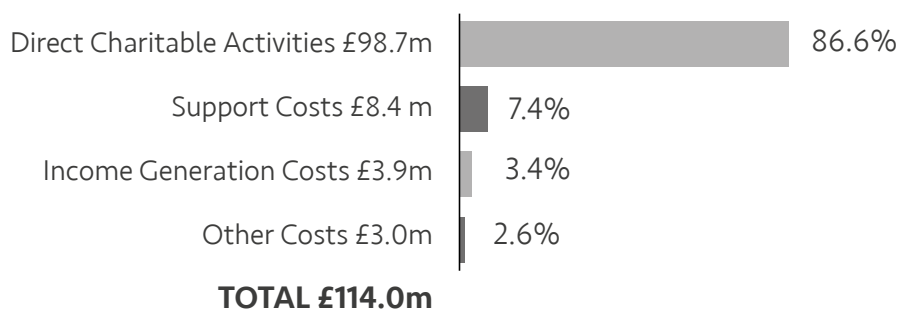
- Income for the Group was £104.3 million and expenditure was £114.0 million, giving a deficit of £9.7 million before investment losses. This compared to income of £114.1 million, expenditure of £118.6 million and a deficit of £4.6million in the previous financial year.
- Expenditure included a charge of £8.5m (2019: £4.0 million) as a result of discretionary increases to Ministries' pensioners in the closed defined benefit scheme.
- CrossReach's operational deficit before losses on investment assets was £3.1 million compared to £2.02 million in the previous financial year.

- The trading results of the Israeli operations showed a worsening position in 2020 with a total operating loss of £0.8 million compared to an operating profit of £0.3 million the previous year.
- A decline in market conditions at the year end resulted in a loss of £4.2 million (2019: gain of £15.5 million) on investment assets.
- The Church's system for allocating budgets to congregations is a key element in ensuring that its ministry and mission can be paid for and income from congregational contributions was £45.5 million in 2020 compared to £47.2 million in 2019, with the decrease being due to the impact of the Pandemic on congregations and their ability to pay. This is reflected in the increased amount of £3.1 million due from congregations at the year end compared to £1.4 million in 2019.
- Legacies received amounted to £1.1 million, of which unrestricted legacies were just under £0.6 million. In 2019 legacies of £2.5 million were received.
- Losses of £4.2 million on investments, net expenditure of £9.7 million and positive pension scheme adjustments of £6.2 million meant that the funds of the Group decreased by £8.3 million to £197.3 million.

How our activities were funded



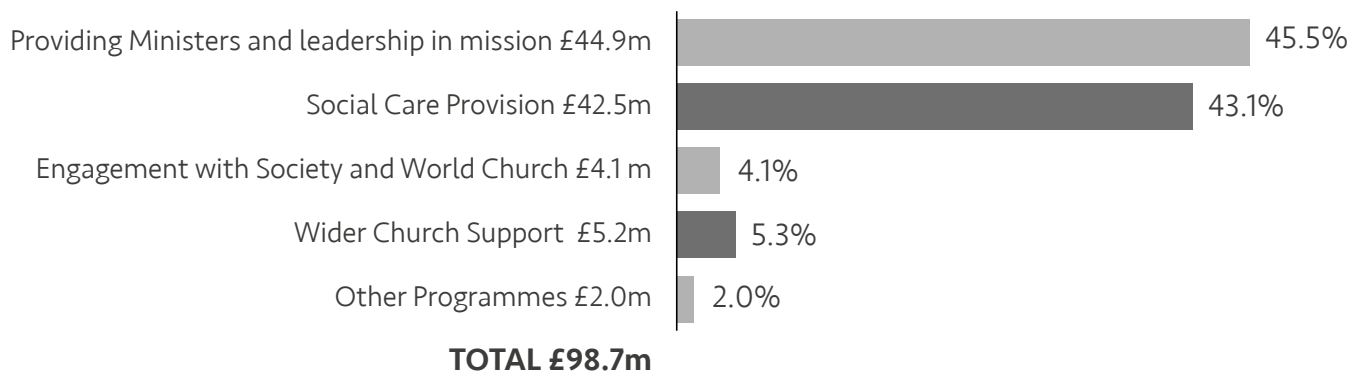
How this was used



- 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.

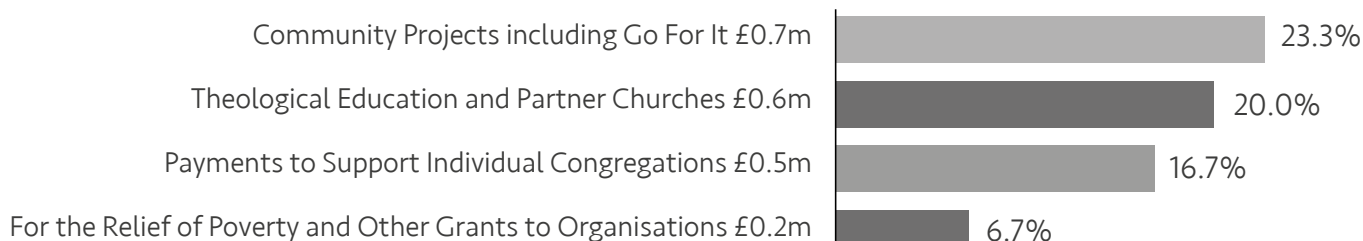
- Social Service Income supports the charitable activities of CrossReach, the Church's Social Care arm, and comes mainly from care contracts with local authorities, as well as self-funding clients.
- Other charitable activities are programmes with charitable aims which also provide the Church with income such as the production of publications such as Life and Work.

Direct Charitable Activities

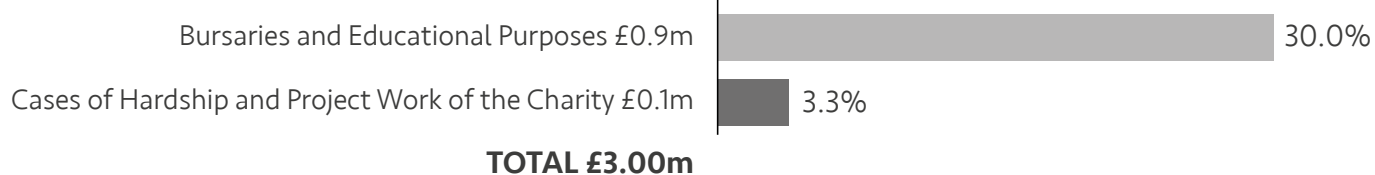


Charitable Grant Making Activities

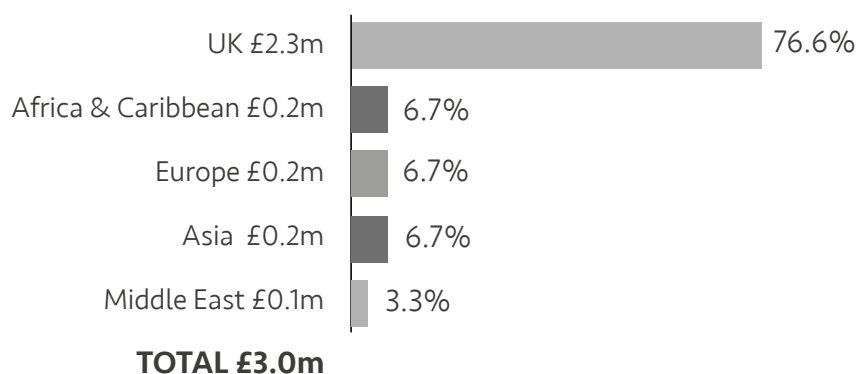
Grants to Institutions:



Grants to Individuals:



Geographical Spread of Grants



Income Overview

Income from all sources in 2020 was £104.3 million, a decrease of £9.8 million on the previous year. Income from Congregations recognised in the accounts was over £1.7 million less than in 2019, at £45.5 million. This represents the impact of the Pandemic on congregations' ability to pay during 2020.

Legacies received were lower than in 2019 at £1.1 million. Other trading income decreased by over £5 million to £3.4 million with the decrease in revenue mainly due to the Israeli subsidiaries.

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

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Income by Type					
Congregational Contributions	45.5	47.2	46.3	46.8	46.8
Social Care	42.8	43.4	43.0	43.4	41.9
Other Charitable Activities	3.1	3.4	4.5	4.0	3.8
Legacies	1.1	2.5	2.3	2.1	3.7
Donations, Trusts, Grants	2.4	2.2	1.8	1.7	2.0
Other Trading Activities	4.5	8.4	7.4	7.3	6.2
Investment & Other	4.9	7.0	6.2	7.4	9.1
Total	104.3	114.1	111.5	112.7	113.5

Trends in Congregational Income

Whilst it remains encouraging that until 2020, despite membership numbers declining year on year aggregate offerings were not reducing at the same rate, the Pandemic in 2020 has had an impact upon both income for congregations and the Church's income from Congregational Contributions. The Church's income from Congregational Contributions is calculated on the basis of offerings as well as other assessable income, such as rental income, and many congregations have previously been successful in increasing this over recent years, making up for some of the reduction in personal giving. However, in 2020 congregations have seen large reductions in income due to church closures and the fact that most other assessable income has been significantly reduced. This has impacted upon congregations' ability to pay their Ministries and Mission contributions, which in turn has impacted upon the Church's national income. It is judged that the losses at congregational level are significantly higher than those that have been seen through the Ministries and Mission contributions. This will be fully quantified on the receipt of the individual congregational accounts, which will enable appropriate action to be taken.

The Trustees recognise the potential implications of the downward trend in offerings for the funding of the Church's work in future years, this has been brought to the forefront in 2020. They also appreciate the current financial pressures facing many congregations and as a result decided to reduce the total amount requested from congregations in 2021 by 18%. However, as the aggregate amount collected is based on actual congregational income, it may not be possible to collect the total required to fully fund the work of the Church in future years and this has implications for the Trustees' approach to financial planning.

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 rate of 5%.

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. Presbyteries can use all or part of their Discretionary Allowance to assist congregations in paying their

contributions. Whilst this has supported the collection of congregational contributions due there has been an increase in the provision required against congregational debts in 2020. 95.2% of the contributions due for 2020 had been received by the 2020 year end. As shown in Note 4 to the financial statements, stipend endowment and glebe rental income totalling £2.8 million was also received from the General Trustees, giving the total congregational income recorded of £45.5 million.

There was a reduction in stipend endowment income received in 2020 due to the decline in market conditions and the income earned by General Trustees which was subsequently transferred to the Unincorporated Entities.

A review of the Ministries and Mission contribution system has been carried out by an independent working group and will be presented to the General Assembly in May 2021.

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.

An on-line donation facility has been set up on the Church's website to allow individuals to continue to provide offerings and donate to specific congregations electronically. During 2020 £0.2 million was donated through this method, of which 84% was given for specific congregations and much of the balance for the general purposes within the Church. These donations are transferred directly to the beneficiary congregation.

Generosity of our Supporters

Our members and supporters have continued to be committed to funding projects of the Church, as reflected in voluntary donations from individuals and congregations remaining at about £1 million over several years. The work of CrossReach, and to some degree other projects of the Church, also attracts significant funding from external trusts. The 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 £0.2 million for its projects in 2020. Given that congregations and individuals have faced their own financial pressures during the challenging economic environment, this is again very encouraging and demonstrates the potential for our projects to enthuse donors. The bigger challenge is to receive unrestricted donations and the Stewardship team is currently working on ways of promoting these.

Legacies Making a Lasting Difference

For many people, leaving a legacy in their will is a significant opportunity to make a real difference to the Church. Legacies gifted to support the UE enable work which might not otherwise be possible. Income from legacies of earlier years is still being put to good use. In 2020, income from legacies was over £1.1 million (2019: £2.5 million). Legacies without restrictions are vital to our work, providing flexibility to be used where most needed. In 2020, unrestricted legacies for any work of the Church were £0.59 million (2019: £0.89 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 2020, CrossReach benefited from total legacy income of £0.18 million and Faith Impact Forum received £0.35 million. Other restricted legacies in the year totalled £0.01 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 £3.4 million comprises trading income from the Israeli entities of £3.2 million (2019: £7.3 million) and fundraising income of £0.2 million (2019: £1.2 million). The Israeli operations were significantly impacted by the Pandemic in 2020 and both St Andrew's Galilee Limited, which operates The Scots Hotel at Tiberias and St Andrew's Scottish Centre, which operates The St Andrew's Guesthouse in Jerusalem have reported significantly lower revenues and as a result deficits in 2020. St Andrew's Galilee Limited recorded a deficit of £0.3 million (2019: surplus £0.2 million) and St Andrew's Scottish Centre recorded a deficit of £0.4 million (2019: surplus £0.2 million).

The Israeli Operations were affected by the Pandemic in 2020 and were closed for long periods of time. St Andrew's Guesthouse in Jerusalem had been closed for refurbishment and could not re-open as planned – the opening has been delayed into 2021. 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 additional financial input from the National Church budget. Neither the Hotel, nor the Guesthouse were able to make rental payments to the Church of Scotland Trust in 2020. The Trust agreed to forgive the £0.3m rent due to the impact of the Pandemic, therefore the Trust was unable to donate the rental income to the Faith Impact Forum.

As a result of reduced operations and income, the Hotel was unable to make all loan repayments in 2020 to the Church of Scotland Trust, which resulted in a loss of income to the Faith Impact Forum of £0.3m. It is expected that loan repayments will be paid in future years and all balances remain fully recoverable.

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 £3.8 million was reduced compared to 2019 (£4.6 million). 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 reduced in 2020.

Other income was from Gains on Disposal of Property of £0.8 million, mainly relating to the Housing and Loan Fund. As a result of the Pandemic, many staff were placed on furlough and the Church submitted claims through the Job Retention Scheme. £1.5 million was received and recorded in Other Income.

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 over 850 (2019: almost 900) (full time equivalent) ministers and Ministries Development Staff, overseas Mission Partners, almost 1,100 (2019: 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.

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Expenditure					
Charitable	98.7	97.6	98.1	97.6	97.5
Support	8.4	8.8	8.4	8.0	7.8
Other	6.9	12.3	14.7	6.3	7.2
Total	114.0	118.7	121.2	111.9	112.5

Charitable Expenditure

Continuing Challenge of Providing, Supporting and Funding 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 future. At the same time membership within congregations is diminishing and with it the ability to fund the cost of Ministries. The Faith Nurture Forum is working on initiatives for the future provision of Ministries including indicating to Presbyteries a reduced number of Ministers and Ministry Development Staff which will be affordable within the next five years. £48.6 million (46%) of the Charitable and support costs shown above relate to expenditure on Ministries.

Priority Areas

The Church of Scotland provided financial support of over £3.3 million (2019: £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 2020 was £46.6 million, representing 44% of the Church's charitable and support costs. 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 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 reductions 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. Due to the impact of the Pandemic, CrossReach have an increased deficit in 2020 of £3.1 million.

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. In 2020, grants awarded reduced to £3.0 million. As a result of the Pandemic and the overall Church's objectives to reduce costs where practical, there was also a reduction in grants paid out during the year. All grants are awarded in accordance with set criteria and evaluation systems which are in place to ensure full accountability. As the work of the new Forums will have to be prioritised within the funds available, grant-making activities will continue to come under review.

Capacity building in local congregations has been facilitated by the payment of grants from the Go for It Fund, which paid £0.66 million of grants in 2020, with many of these attracting matched funding for congregations. The Scheme ended in 2019 and all payments therefore relate to historic awards. The Faith Nurture Forum provided £0.23 million of grant funding to Workplace Chaplaincy Scotland and made £0.11 million of grant aid to Faith in Community Scotland. The Faith Impact Forum spent £0.15 million on Local Development Programmes – this was reduced from previous years due to the impact of the Pandemic on the ability of overseas travel. Faith Impact Forum also invested £0.1 million in Project Funding and Partner work in Europe, £0.1 million in Asia and £0.12 million in Africa and the Caribbean.

Other Expenditure

Other Expenditure shown in the table above relates to £3.0 million grants and £3.9 million for fundraising costs.

Plans for Future Periods

Despite the impact of the Covid-19 Pandemic work has continued on progressing the changes that are necessary for the future sustainability of the Church. In some areas initiatives, including cost reduction targets, have been accelerated as a result of the increased urgency.

Having now achieved all of the central savings instructed by General Assembly 2019 the Trustees have still had to budget to draw £11m from reserves in 2021 to support the work of the Church. A drawdown of that magnitude cannot be repeated on a yearly basis without our using up our unrestricted reserves within five to ten years.

The work ahead must have two main aims. First is, with Presbyteries, to ensure that the local church is supported. Second, is to identify the extent to which congregational income and contributions will recover and whether there are further areas where economies can be made so that the support of the local church is not diluted.

The General Assembly 2021 will be asked to affirm the direction of travel agreed in 2019 and confirm the Church's commitment to pulling the levers of change across every part of our life and work. It is clear that coming out of the Pandemic the financial profile will be quite different, ways of working and ways of engaging socially will have altered and the ways in which we engage, online and in community, in the ministry and mission of the Church will need to change accordingly.

In 2019 the General Assembly called for the creation of 10-12 well resourced Presbyteries. The Trustees understand the vital part that these new Presbyteries must play in the renewal of the Church, so it has become a priority to establish them over the next two to three years.

Presbytery planning and management of future numbers of charges and associated ministry posts are of critical importance to the future of the Church. To be able to respond accurately to the realities that we face as a Church, as highlighted to GA 2020, a financial modelling system has been developed which will enable resource planning to be carried out

With the range of financial predictions available from the modelling system and increasing clarity around Ministerial recruitment and retirement, the Trustees believe that proper planning for a sustainable ministry throughout the country over the next five to ten years is required. In support of this an estimate of the number of all ministry posts which the Church as a whole will be able to afford through its Ministries and Mission contributions will be presented to the 2021 GA. This proposal will take account of what can be provided in terms of recruitment.

The overall plan will be focused on reconfiguring the life of our Church around fewer buildings and fewer Charges and to reshape our life for mission and service.

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 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 an unrestricted 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 Faith Nurture Forum whose work is supported through the Parish Ministries Fund and investment income. This target is currently being met. 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 ongoing effects of the Pandemic will require the continued review of this policy.

Research into the Church's funds, which has been ongoing since 2018 has released over £6 million back to the Mission and Renewal Fund, which had a balance of £9.2 million at the end of 2020 (£1.2 million of which is included in restricted funds). Due to the Pandemic, work was paused on this area as focus was required elsewhere within the Church. Further details of the review are shown below.

The level of funds held to support its activities varies considerably across the Church and further details are given in notes 26 to 29 of the Financial Statements. Within certain headings there may be additional restrictions and, where this is the case, the 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 paused during 2020 due to the impact of the Pandemic and the need to direct resources in other, more critical, directions. 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 2020 reserves for the ongoing work, categorised as being total funds excluding tangible and intangible fixed assets, endowments and programme related investments but including some Restricted Funds, were £117.9 million (2019: £121.7 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 can, under normal circumstances, be reasonably estimated;
- steps have been taken as described below to mitigate the effects of this;
- 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 or Committee 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 £6.7 million is attributable to CrossReach's share of the deficit in two Local Government Pension Schemes (LGPS). Note 32 of the Notes to the Financial Statements gives more information.

As at 31 December 2020, total funds for the UE were £197.3 million, of which £167.7 million was in Restricted Funds and £23.2 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 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 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 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 2020 the total return was -0.61% (2019: +17.05%) against the composite benchmark of +3.06% (2019: +17.02%). The Income Fund's total investment return was +6.90% (2019: +9.20%) compared with the composite benchmark return of +7.20% (2019: +8.20%). The Deposit Fund's average rate of interest paid for 2020 was +0.54% (2019: +0.84%).

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 32 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 2020 there was a net decrease of £13.1 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 2020 the Church's share of the deficits was £6.7 million (2019: £3.8 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 £6.7 million (2019: £3.8 million). Note 32 to the Financial Statements gives full disclosures as required by FRS102 and includes a charge for Past Service Cost in one of the schemes of £8.5 million (2019: £4.0 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 £6.2 million (2019: £4.1 million) on all defined benefit schemes is disclosed under Other Recognised Gains and Losses.

Each year the Church's investments are revalued at the unit price published by the Church of Scotland Investors Trust and the resulting unrealised loss for 2020 was £4.0 million (2019: gain £14.9 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 for the foreseeable future. Cashflow forecasts have been prepared for the twelve months following the date of signing of the accounts, which show that activities budgeted for 2022 can be maintained. Mitigating actions have been taken to control expenditure and maintain income and this will continue during 2021 and into 2022. 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 2023, 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.

There is a risk that congregational contributions will be further reduced due to the ongoing impact of the Pandemic; but our new capability for financial modelling will mean that we can plan for a wide range of economic circumstances. In addition, the Stewardship team will be progressing the broadening of approaches to increasing income through entrepreneurship and novel fund raising; and their plans for a

Thanksgiving Gift Day are among other things which we hope will be moments to think about as we emerge from months of Covid restriction.

At the General Assembly in October 2020 approval was given to reduce aggregate 2021 Congregational contributions by 18% to reflect the impact of the Pandemic on congregations.

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 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
23 April 2021

Auditor's Report

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

Opinion

We have audited the financial statements of The Church of Scotland Unincorporated Entities (the 'parent charity') and its subsidiaries (the 'group') for the year ended 31 December 2020 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 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 2020 and of the group's and parent charity's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or

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

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

Responsibilities of trustees

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

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

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

non-compliance with laws and regulations identified during the audit.

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

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

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

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

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

The most significant laws and regulations that have an indirect impact on the financial statements are Data Protection Act 2018, Disclosure (Scotland) Act 2020,

Social Work (Scotland) Act 1968, Regulation of Care (Scotland) Act 2001, The Social Care and Social Work Improvement Scotland (Requirements for Care Services) Regulations 2011, and all employment related laws and regulations. We performed audit procedures to inquire of management and those charged with governance whether the charity is in compliance with these law and regulations and inspected correspondence with regulatory authorities.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

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

28 April 2021

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 2020

Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2020 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2019 £000
Income from:								
4	999	48,023	-	49,022	952	51,008	-	51,960
5	3,290	66	-	3,356	7,548	895	-	8,443
6	-	3,753	-	3,753	3	3,576	1,058	4,637
7	3,946	41,944	-	45,890	4,264	42,438	-	46,702
8	1,521	760	-	2,281	-	2,463	-	2,463
	9,756	94,546	-	104,302	12,767	100,380	1,058	114,205
Expenditure on:								
9	3,340	559	-	3,899	7,227	533	-	7,760
10	4,607	105,470	-	110,077	4,775	106,227	-	111,002
15	-	40	-	40	-	(2)	-	(2)
	7,947	106,069	-	114,016	12,002	106,758	-	118,760
	Net (Expenditure)/Income before Investment Gains							
	1,809	(11,523)	-	(9,714)	765	(6,378)	1,058	(4,555)
14, 16	-	(3,232)	(922)	(4,154)	-	11,599	3,861	15,460
	Net (Expenditure)/Income before transfers							
	1,809	(14,755)	(922)	(13,868)	765	5,221	4,919	10,905
26, 28 & 29	(1,526)	4,913	(3,387)	-	6,301	(713)	(5,588)	-
	Net (Expenditure)/Income after transfers							
	283	(9,842)	(4,309)	(13,868)	7,066	4,508	(669)	10,905
Other Recognised Gains and Losses								
15	(512)	(53)	-	(565)	405	-	-	405
32	-	6,177	-	6,177	-	4,094	-	4,094
	Total Other Recognised Gains and Losses							
	(512)	6,124	-	5,612	405	4,094	-	4,499
	Net Movement in Funds							
	(229)	(3,718)	(4,309)	(8,256)	7,471	8,602	(669)	15,404
	Fund Balances brought forward at 1 January							
	6,556	171,462	27,572	205,590	(915)	162,860	28,241	190,186
26, 28 & 29	6,327	167,744	23,263	197,334	6,556	171,462	27,572	205,590

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 2020

Note		Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2020 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2019 £000
Income from:									
4	Donations and Legacies	979	48,023	-	49,002	820	51,008	-	51,828
5	Other Trading Activities	144	66	-	210	268	895	-	1,163
6	Investments	-	3,753	-	3,753	3	3,576	1,058	4,637
7	Charitable Activities	1,885	41,944	-	43,829	2,231	42,438	-	44,669
8	Other	1,521	760	-	2,281	-	2,463	-	2,463
	Total Income	4,529	94,546	-	99,075	3,322	100,380	1,058	104,760
Expenditure on:									
9	Raising Funds	-	559	-	559	-	533	-	533
10	Charitable Activities	2,409	105,449	-	107,858	2,494	106,227	-	108,721
15	Realised Loss/(Gain) on Foreign Currency	-	40	-	40	-	(2)	-	(2)
	Total Expenditure	2,409	106,048	-	108,457	2,494	106,758	-	109,252
14, 16	Net Income/(Expenditure) before Investment Gains	2,120	(11,502)	-	(9,382)	828	(6,378)	1,058	(4,492)
	Net (losses)/gains on Investment Assets	-	(3,232)	(922)	(4,154)	-	11,599	3,861	15,460
	Net Income before transfers	2,120	(14,734)	(922)	(13,536)	828	5,221	4,919	10,968
27, 28 & 29	Transfers	(1,526)	4,913	(3,387)	-	6,301	(713)	(5,588)	-
	Net Income/Expenditure after transfers	594	(9,821)	(4,309)	(13,536)	7,129	4,508	(669)	10,968
Other Recognised Gains and Losses									
32	Actuarial Gains on Defined Benefit Pension Schemes	-	6,177	-	6,177	-	4,094	-	4,094
	Total Other Recognised Gains and Losses	-	6,177	-	6,177	-	4,094	-	4,094
	Net Movement in Funds	594	(3,644)	(4,309)	(7,359)	7,129	8,602	(669)	15,062
	Fund Balances brought forward at 1 January	7,866	171,462	27,572	206,900	737	162,860	28,241	191,838
27, 28 & 29	Fund Balances carried forward at 31 December	8,460	167,818	23,263	199,541	7,866	171,462	27,572	206,900

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 2020

Note		Group		Charity	
		2020 £000	2019 £000	2020 £000	2019 £000
	Fixed Assets				
12	Intangible Assets	187	257	187	257
13	Tangible Assets	46,332	46,320	35,988	36,573
14	Investments	134,475	140,616	136,021	142,079
16a	Mixed Motive Investments	6,967	7,080	6,967	7,080
16b	Programme Related Investments	9,612	9,685	9,612	9,685
	Total Fixed Assets	197,573	203,958	188,775	195,674
	Current Assets				
17	Mixed Motive Investments	136	141	760	384
	Stocks and Work in Progress	79	92	42	27
18	Debtors: Amounts receivable within one year	8,530	7,290	7,654	6,285
19	Short Term Deposits	11,877	12,503	11,877	12,503
	Cash at Bank and in Hand	9,614	7,676	8,584	5,612
	Total Current Assets	30,236	27,702	28,917	24,811
20	Creditors: Amounts falling due within one year	(12,934)	(20,725)	(10,899)	(9,148)
	Net Current Assets	17,302	6,977	18,018	15,663
	Total Assets less Current Liabilities	214,875	210,935	206,793	211,337
21	Creditors: Amounts falling due after one year	(9,726)	(215)	(37)	(215)
22	Provision for Liabilities and Charges	(1,068)	(1,376)	(468)	(468)
		(10,794)	(1,591)	(505)	(683)
	Net Assets excluding Pension Liability	204,081	209,344	206,288	210,654
32	Defined Benefit Pension Liability	(6,747)	(3,754)	(6,747)	(3,754)
24 & 25	Net Assets including Pension Liability	197,334	205,590	199,541	206,900
	The Funds of the Group and Charity:				
29	Endowment Funds	23,263	27,572	23,263	27,572
26 & 27	Unrestricted Income Funds	6,327	6,556	8,460	7,866
28	Restricted Funds:				
	Pension Reserve	(6,747)	(3,754)	(6,747)	(3,754)
	Restricted Income Funds	174,491	175,216	174,565	175,216
	Total Restricted Funds	167,744	171,462	167,818	171,462
	Total Funds of the Group and Charity	197,334	205,590	199,541	206,900

The Financial Statements were approved and authorised by the Assembly Trustees on 23 April 2021 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 37 to 73 form part of these Financial Statements

Statements of Cash Flows for the year ended 31 December 2020

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Cash Flows from operating activities:				
Net cash provided by/(used in) operating activities	734	6,058	3,857	(3,788)
Cash flows from investing activities				
Dividends, and rents from investments	3,789	4,575	3,789	4,575
Interest received	92	62	92	62
Proceeds from sale of property, plant and equipment	2,626	4,124	2,626	4,124
Purchase of property, plant and equipment	(7,576)	(2,825)	(2,052)	(2,065)
Loans granted	(313)	(269)	(694)	(388)
Loans repaid	498	579	498	579
Proceeds from sale of investments	4,192	6,163	4,192	6,163
Purchase of investments	(2,205)	(2,221)	(2,288)	(3,180)
Net cash provided by investing activities	1,103	10,188	6,163	9,870
Change in cash and cash equivalents in the reporting year	1,837	16,246	2,306	6,082
Cash and cash equivalents at the beginning of the reporting year	20,179	3,526	18,115	12,031
Change in cash equivalents due to exchange rate movements	(525)	407	40	2
Cash and cash equivalents at the end of the reporting year	21,491	20,179	20,461	18,115
Reconciliation of net income/(expenditure) to net cash flow for the reporting year				
Net income/(expenditure) for the year per the Statement of Financial Activities	(13,868)	10,905	(13,536)	10,968
Adjustments for:				
Depreciation charges (net of foreign currency adjustments) and impairment	5,775	1,412	848	1,092
Dividends interest and rents from investments (including pension schemes)	(3,753)	(4,498)	(3,753)	(4,498)
Profit on sale of fixed assets	(761)	(2,463)	(761)	(2,463)
Realised gains on foreign currency	(40)	(2)	(40)	(2)
Net (gains)/losses on investment assets	4,154	(15,460)	4,154	(15,460)
Decrease/(Increase) in stock	13	24	(15)	10
Decrease/(Increase) in debtors receivable within one year	(1,240)	1,407	(1,369)	1,600
Increase/(decrease) in creditors	(7,791)	10,063	1,751	426
Increase/(decrease) in provisions	(308)	131	-	-
Increase/(decrease) in long term liabilities	9,511	37	(178)	37
Increase in pension deficit	9,042	4,502	9,042	4,502
Net cash provided by/(used in) operating activities	734	6,058	3,857	(3,788)

Statements of Cash Flows for the year ended 31 December 2020 (continued)

Analysis of changes in net cash				
Group	Balance 1 Jan 2020 £000	Movements £000	Balance 31 Dec 2020 £000	
Short term deposits	12,503	(626)	11,877	
Cash at Bank and in Hand	7,676	1,938	9,614	
Bank Overdraft	-	-	-	
	20,179	1,312	21,491	
Charity				
Short term deposits	12,503	(626)	11,877	
Cash at Bank and in Hand	5,612	2,972	8,584	
	18,115	2,346	20,461	
Analysis of changes in net cash				
Group	Balance 1 Jan 2020 £000	Cash flows £000	Other non- cash changes £000	Balance 31 Dec 2020 £000
Cash and cash equivalents				
Short term deposits	12,503	(626)	-	11,877
Cash at Bank and in Hand	7,676	1,938	-	9,614
Bank Overdraft	-	-	-	-
	20,179	1,312	-	21,491
Borrowings				
Debt due within one year	9,622	(13)	(9,609)	-
Debt due after year	-	-	9,689	9,689
	9,622	(13)	80	9,689
Total	10,557	1,325	(80)	11,802
Charity				
Cash and cash equivalents				
Short term deposits	12,503	(626)	-	11,877
Cash at Bank and in Hand	5,612	2,972	-	8,584
	18,115	2,346	-	20,461
Borrowings				
Debt due within one year	-	-	-	-
Debt due after year	-	-	-	-
	-	-	-	-
Total	18,115	2,346	-	20,461

Notes to the Financial Statements for the year ended 31 December 2020

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') effective 1 January 2019, 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.

The financial statements have been prepared on a going concern basis. The impact of Covid-19 is set out on page 11 of the Trustees' Report. The Trustees have considered the impact of Covid-19 on the group and 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 group and the charity have 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 32.

Impairment of non-financial assets

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

Useful lives and residual values

The Trustees 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 net realisable value at the end of the assets expected economic useful life.

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

Basis of Consolidation and Subsidiary Undertakings

The consolidated statement of financial activities (SOFA) and balance sheet include the activities of the charity's two trading subsidiaries and its school in Israel, the activities of which have been consolidated on a line by line basis for each year in accordance with FRS 102. Intra-Group transactions are eliminated on consolidation. There may be local reasons in Israel for departing from these policies and where these are identified they are adjusted for the purposes of the consolidated results. The consolidated financial statements exclude the trading activities of the trading 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 30 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 funds.

> 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.

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

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

Other income includes claims made for Coronavirus Job Retention Scheme. Any unpaid claims are included within debtors.

Expenditure

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

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

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

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

Where a grant is payable over more than one year, a liability is recognised for the full amount of the constructive obligation unless conditions apply to payments falling after the Balance Sheet date. Where conditions remain within the control of UE, a liability is not recognised. Where a condition falls outside the control of UE, 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 31 to the financial statements as a Capital Commitment.

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

Recognition of Liabilities

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

Contingent Liabilities

A contingent liability is identified and disclosed where it results from a possible obligation which will only be confirmed by the

occurrence of one or more uncertain future events not wholly within the Trustees' control.

Operating Leases

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

Value Added Tax

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

Investments

Unlisted investments are initially recognised at cost and are subsequently stated at fair value at the Balance Sheet date. The changes in fair value are recognised in the SOFA. In the case of unlisted investments, the valuation basis is the unit price as advised by The Church of Scotland Investors Trust. The underlying assets held in these unlisted 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 on recognition 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
Leasehold Property Improvements	10 years
Motor Vehicles	4 years
Equipment and Furniture:	
Computer Equipment	3-5 years
Office Equipment and Plant and Machinery	5 years
Furniture and Fittings	10 years

Assets under construction are not depreciated.

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

Programme Related Investments

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

Mixed Motive Investments

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

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

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

- Standard loans are subject to a minimum and a maximum loan amount which at 31 December 2020 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 2020 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 discount offered. Prepayments are valued at the amount prepaid net of any 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 credit method and discounted using reference to market yields at the reporting date on high quality corporate bonds.

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

The Scheme for Ministers and Overseas Missionaries (for employees of the 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. Both the Contributors' and the Widows' and Orphans' Funds are at least 100% funded. Due to the nature of the funds they are guaranteed to always be in surplus and that surplus will always be due to the members.

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

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

Taxation

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

The UK subsidiary undertaking is a non-charitable subsidiary and is subject to taxation, but it does not usually pay UK Corporation Tax as its policy is to pay taxable profits as Gift Aid to the charity. 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 (2019: £110,000) to the Investors Trust for management services provided by staff in the Stewardship and Finance Department. At 31 December 2020 the Unincorporated Entities had a net creditor balance due of £1,086,000 (2019: net creditor £612,000) (see note 20). As the Church of Scotland Investors Trust does not hold a bank account in their own name, the creditor balance represents the bank account operated by the UE on behalf of the Church of Scotland Investors Trust. All transactions through the internal banking system are transactions undertaken in the usual course of business for the Church of Scotland Investors Trust and not transactions undertaken directly with the Unincorporated Entities. The remaining movement on the creditor balance of £586,000 represents the net position of all other day to day transactions undertaken by the Church of Scotland Investors Trust throughout the year within this internal account.

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 £50,000 (2019: £42,000) to the Church of Scotland Trust. The Church of Scotland Trust paid £44,000 to the Unincorporated Entities in respect of finance and legal services (2019: £43,000) and repaid £13,000 of the loan due (2019: £41,000), and there was a £60,000 accounting adjustment to reflect the change to the repayment schedule. At 31 December 2020 the Unincorporated Entities had a programme related investment balance due outwith one year of £9,612,000 (2019: £9,685,000) (see Note 16b) and a debtor balance due within one year of £4,000 (2019: £6,000). During the year The Church of Scotland Trust made a donation of £380,000 (2019: £270,000) to the Unincorporated Entities. At the year end loan repayments not transferred and accrued interest of £323,000 (2019: £400,000) from the Church of Scotland Trust are included in accrued income (note 18). During the year St Andrew's

Galilee Limited paid £13,000 in relation to the loan held and there was a £60,000 accounting adjustment to reflect the change to the repayment schedule, resulting in a loan balance of £9,612,000 (2019: £9,685,000) at the year end. Payments made to The Church of Scotland Trust in the year were loan interest of £127,000. No rent payments were made in the year and, The Church of Scotland Trust agreed to forgive the £280,000 rent due to the impact of the Pandemic. The remaining movement on the intercompany account of £3,000 represents the net position of all other day to day transactions undertaken by the Church of Scotland Trust throughout the year within the internal account.

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 2020 The General Trustees paid over to the Ministry Funds stipend endowment income and glebe rents income of £2,834,000 (2019: £3,556,000). In 2020 no levy income (2019: £119,000) was paid to the Faith Nurture Forum's Go For It Fund. 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 £15,000 in 2020 (2019: £30,000). As at 31 December 2020, the Unincorporated Entities had a debtor balance of £314,000 (2019: creditor £15,000) in respect of monies held in the church's internal banking system (see note 18). £713,000 was paid to Support & Services (2019: £1,509,000) in respect of legal, IT, HR and financial services. During the year the Unincorporated Entities made a grant of £283,000 (2019: £nil) to the General Trustees.

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

The Church of Scotland Pension Scheme for Ministers and Overseas Missionaries

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

The Church of Scotland Pension Scheme for Staff

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

paid £569,000 (2019: £973,000) to the Pension Trustees for employer pension contributions. The Pension Trustees paid £14,522,000 (2019: £15,036,000) in the year to the Unincorporated Entities in respect of pensions paid, and £500,000 (2019: £493,000) in respect of management fees. At 31 December 2020, the Unincorporated Entities had a creditor balance of £14,000 (2019: £3,000) (see note 20).

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

St. Andrew's Galilee Limited was incorporated in Israel in 1993. The share capital is held in total by The Church of Scotland Trust on behalf of the Faith Impact Forum. During the year £7,000 was paid by St Andrew's Galilee Limited to the Faith Impact Forum as a contribution to the Regional Director's costs. The investment made by the Unincorporated Entities into the subsidiary of £504,000 (2019: £504,000) is included as investments (note 14). Within creditors (note 20) there was a balance of £8,000 (2019: £71,000) due to St Andrew's Galilee Limited.

St Andrew's Scottish Centre Limited was incorporated in Israel in 1993. The share capital is held in total by The Church of Scotland Trust on behalf of the Faith Impact Forum. During the year £7,000 was paid to the Faith Impact Forum by St Andrew's Galilee Limited as a contribution to the Regional Director's costs. The investment made by the Unincorporated Entities into the subsidiary of £1,042,000 (2019: £959,000) is included as investments (note 14). A loan of £624,000 (2019: 243,000) was made from the Unincorporated Entities to St Andrew's Scottish Centre Limited, repayments have not yet begun. It is included within Mixed Motive Investments (note 17). Within debtors (note 18) there was a balance of £21,000 due from St Andrew's Scottish Centre Limited to Faith Impact Forum (2019: £19,000).

The Tabeetha School in Jaffa was registered as an Amuta, an Israeli not for profit association, in 2008 and commenced operations under the new arrangement in 2009. The school has operated under the supervision of the Faith Impact Forum. Accordingly it is considered that the Church of Scotland has control of the entity. During the year £7,000 was paid to the Faith Impact Forum from the Tabeetha School as a contribution to the Regional Director's costs. Within debtors (note 18) there was a balance of £21,000 due from Tabeetha School to Faith Impact Forum (2019: £44,000).

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

CrossReach Trading limited is a private company limited by shares incorporated in Scotland to sell CrossReach branded calendars and cards. CrossReach Trading Limited has a policy of paying a gift aid amount up to the taxable profits each year to CrossReach. In 2020 the gift aided amount was £5,000 (2019 - £11,000).

CrossReach Community Connections was formed under the Charities and Trustee Investment (Scotland) Act 2005. The SCIO passes grants on to CrossReach under the same terms and conditions as apply to the initial award to the SCIO. In 2020 there was £37,000 of grant money awarded and passed to CrossReach (2019 - £nil). The SCIO was dormant during 2019.

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 and 11.

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 £3.9 million for agency staff (2019: £4.1 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	2020 Total £000	2019 Total £000
Staff Costs						
Salaries and Stipends	28,096	31,979	6,286	274	66,635	66,851
Social Security Costs	2,623	2,091	594	26	5,334	5,285
Pension Costs – Defined Contribution	4,654	1,602	1,056	2	7,314	7,128
Pension Costs – Defined Benefit	9,039	766	131	-	9,936	5,805
Total	44,412	36,438	8,067	302	89,219	85,069

Severance costs included in the above were £686,000 (2019: £248,000). These related to closed services in the Social Care Council and other termination costs in the year. During the year all CSC staff were offered a Voluntary Exit Scheme (VES). 19 employees took the scheme and the resulting costs were £306,000 (2019: nil), which are included within total severance costs..

Ex-gratia payments included in the above were £360,000 (2019: £nil). These were one off payments made to staff in the Social Care Council to recognise employees who had worked under unprecedented circumstances caused by the Covid-19 Pandemic.

	Ministries No.	Social Care No.	CSC No.	World Mission No.	2020 Total No.	2019 Total No.
Average Staff Numbers						
Monthly Average						
Full Time	810	462	156	10	1,438	1,491
Part Time	80	1,265	68	-	1,413	1,423
Total	890	1,727	224	10	2,851	2,914
Full Time Equivalents	851	1,093	199	10	2,153	2,212

There were 22 employees whose employee benefits (excluding employer pension contributions) exceeded £60,000 in 2020 (2019: 17 employees). A greater number of employees are included within the salary bandings in 2020, compared to 2019, due to standard annual incremental increases being applied for the year and some of those who took advantage of the Voluntary Exit Scheme in the year had increased benefits in 2020.

	Social Care No.	CSC No.	2020 Total No.	2019 Total No.
Salary Bands				
£60,001 - £70,000	3	11	14	14
£70,001 - £80,000	5	2	7	2
£90,001 - £100,000	-	-	-	1
£100,001 - £110,000	1	-	1	-

During 2020, there were 11 (2019: 15) individuals who served as members of the Core Management Team. The total remuneration (salary, benefits, employer pension contributions and employer national insurance contributions) for the Core Management Team for 2020 was £900,000 (2019: £1,215,000).

Subsidiary Companies and Tabeetha School

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

bonuses and use of a vehicle, all of which are taxable benefits.

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

	2020 No.	2019 No.
£90,001 - £100,000	2	-
£100,001 - £140,000	1	-
£150,001 - £160,000	-	1
£160,001 - £170,000	-	-
£190,001 - £200,000	-	1

	2020 £000	2019 £000
Staff Costs		
Salaries	2,692	4,048
Social Security Costs	235	293
Pension Costs	325	367
Total	3,252	4,708

	2020 No.	2019 No.
Average Staff Numbers		
Monthly Average	118	161
Full Time Equivalents	79	133

4. Donations and Legacies

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Assessed Congregational Contributions	42,648	43,675	42,648	43,675
Stipend Endowment Income	2,834	3,556	2,834	3,556
Total Congregational Income	45,482	47,231	45,482	47,231
Donations, Grants, Trusts	2,056	1,931	2,036	1,799
Legacies	1,104	2,528	1,104	2,528
Donations from The Church of Scotland Trust	380	270	380	270
	49,022	51,960	49,002	51,828

Donations, Grants, Trusts includes £16,000 (2019 £48,000) in respect of government grants for specific projects carried out by Faith Impact Forum.

5. Other trading activities

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Fundraising	210	1,163	210	1,163
Israeli Trading Subsidiaries	3,146	7,280	-	-
	3,356	8,443	210	1,163

6. Income from Investments

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Dividends from Unitised Investments	3,661	4,575	3,661	4,575
Deposit and Bank Account Interest	92	62	92	62
	3,753	4,637	3,753	4,637

7. Income from Charitable Activities

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Social Service Provision	42,806	43,358	40,745	41,325
Rental of Accommodation and Premises	658	687	658	687
Publications and Royalties	481	643	481	643
Income from Events	53	279	53	279
Guild Memberships and Other Fees	194	207	194	207
Reimbursement of Legal, Accounting and Other Support by Wider Network of Church Organisations	1,290	1,250	1,290	1,250
Other	408	278	408	278
	45,890	46,702	43,829	44,669

8. Other Income

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Gain on Disposal of Fixed Assets	761	2,463	761	2,463
Coronavirus Job Retention Scheme	1,520	-	1,520	-
	2,281	2,463	2,281	2,463

During the year the Church of Scotland received support from the government under the Coronavirus Job Retention Scheme of £1,520,000 (2019: £nil). The scheme provides for the reimbursement of wages for employees who were placed on furlough leave.

Under the scheme the Church of Scotland applied for the reimbursement of up to 80% of employees' wage costs up to £2,500 per month for wages payable from 1 March 2020. The scheme was accessed by designating affected employees as furloughed or retained on paid leave of absence, notifying employees of these changes, submitting information about these employees and their earnings to HMRC.

9. Expenditure on Raising Funds

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Fundraising Activities (including Trading Subsidiaries in Israel)	3,340	7,227	-	-
Costs of Generating Voluntary Income	559	533	559	533
	3,899	7,760	559	533

10. Expenditure on Charitable Activities

	Group and Charity			
	Direct Costs £000	Grants £000	Support Costs £000	Total 2020 £000
Social Care Council	42,474	41	4,082	46,597
Faith Nurture Forum	44,993	1,757	3,570	50,320
Faith Impact Forum	1,865	720	148	2,733
Support and Services Departments	5,170	-	410	5,580
Other Funds	1,999	471	158	2,628
Charity Total	96,501	2,989	8,368	107,858
Faith Impact Forum - Israeli Subsidiaries	2,219	-	-	2,219
Group Total	98,720	2,989	8,368	110,077

	Group and Charity			
	Direct Costs £000	Grants £000	Support Costs £000	Total 2019 £000
Social Care Council	42,608	41	4,667	47,316
Faith Nurture Forum (formerly Ministries Council)	40,926	2,966	3,210	47,102
Faith Impact Forum (formerly World Mission Council)	1,969	855	154	2,978
Faith Nurture Forum (formerly Mission and Discipleship Council)	1,900	82	149	2,131
Support and Services Departments	6,046	6	497	6,549
Faith Impact Forum (formerly Church and Society Council)	634	41	50	725
Other Funds	1,152	678	90	1,920
Charity Total	95,235	4,669	8,817	108,721
Faith Impact Forum (formerly World Mission) - Tabeetha School	2,281	-	-	2,281
Group Total	97,516	4,669	8,817	111,002

10. Expenditure on Charitable Activities (continued)

Group and Charity		
	2020 £000	2019 £000
Grants		
Grants to Individuals:		
Bursaries and Educational Purposes	868	713
Cases of Hardship	102	117
Project Work of the Charity	13	22
	983	852
Grants to Organisations for the Advancement of Religion:		
Through Theological Education and Partner Churches	660	574
Through Community Projects including 'Go For It'	660	1,891
By Payments to Support Individual Congregations	505	864
For the Relief of Poverty	181	485
For Heritage and the Environment	-	3
	2,006	3,817
Total Grants	2,989	4,669

Group and Charity		
	2020 £000	2019 £000
Support Costs		
Finance, Payroll, Information Technology and Estates	3,004	3,005
Human Resources and Training	1,126	1,323
Central Premises	730	831
Regional Offices and Senior Operational Management	1,497	1,923
Legal	247	263
Safeguarding of Children and Vulnerable Adults	314	337
Media Relations and Website	776	801
FRS102 Defined Benefit Pension Scheme Costs	674	334
	8,368	8,817

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

Group and Charity		
	2020 £000	2019 £000
Governance costs included in Expenditure on Charitable Activities	946	1,470
Support costs are apportioned to charitable activities and individual Forums on the basis of direct expenditure.		
Leasing costs charged to the SOFA		
Property	1,141	1,117
Other	502	455
Total Leasing Charges	1,643	1,572
Fees paid to the external auditors are as follows;		
Audit of UE - RSM UK	104	55
Audit of subsidiary undertakings - PWC	13	17
Total audit fees	117	72
Tax advice- RSM UK	19	6
Total non-audit fees	19	6
Total Fees	136	78

Reallocation of previous year's figures

In 2019 costs relating to the Defined Benefit Pension Schemes (note 33) were shown separately on the SOFA as Other Expenditure and net interest was netted against Income from Investments (note 6). Following guidance in the SORP these costs should not be shown as separate costs, but allocated in the same way as other costs. In 2019 the relevant costs shown separately were:

	2019 £000
Income from Investments (note 6):	
Net interest on Defined Benefit Pension Schemes	139
Other Expenditure:	
Current Cost	303
Past Service Cost	4,020
Administration Costs	1,343
Employer Contributions	(1,164)
	4,641

In the 2020 financial statements the 2019 costs have been reallocated to Expenditure on Charitable Activities and have therefore increased this expenditure by £4,641,000 to £108,721,000 (previously £104,080,000). As a result Income from Investments has increased by £139,000 and Other Expenditure has decreased by £4,502,000

11. Trustees' Remuneration and Expenses

Trustees are not remunerated for their services as Assembly Trustees. During 2020 there were fifteen Assembly Trustees. Two of the fifteen voting members who served during 2020 (2019: nine of seventeen) 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 two Trustees as parish ministers was £74,000 (2019: nine trustees, £133,000). Expenses of £1,000 (2019: £4,000) were reimbursed to Trustees in respect of travel to Assembly Trustee meetings and overnight accommodation where required. Additionally, £nil (2019: £4,000) of expenses

were reimbursed to Trustees for attending meetings of, or on behalf of, other councils and committees. In total, six Trustees received expenses during 2020 (2019: fourteen Trustees). Expenses of £nil (2019: £6,000) were foregone by Trustees. During the year one Trustee, Aniko Schutz Bradwell, in their role as parish minister, had a car loan under the standard terms and conditions with the UE, with an outstanding balance of £1,000 at 31 December 2020 (2019: £1,000). One Trustee, John Chalmers, received a standard payment of £1,000 for their contribution to articles within the Life and Works publication. The list of all Trustees who served during 2020 is given at the end of the Annual Report.

12. Intangible Assets

	Website Costs £000	Computer Software £000	Total £000
Group and Charity			
Cost			
At 1 January 2020	78	207	285
Additions	-	10	10
At 31 December 2020	78	217	295
Accumulated Amortisation			
At 1 January 2020	11	17	28
Charge for year	8	72	80
At 31 December 2020	19	89	108
Net Book Value			
At 31 December 2020	59	128	187

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

Group and Charity			
Cost			
At 1 January 2019	63	160	223
Additions	15	47	62
At 31 December 2019	78	207	285
Accumulated Amortisation			
At 1 January and 31 December 2019	4	-	4
Charge for year	7	17	24
At 31 December 2019	11	17	28
Net Book Value			
At 31 December 2019	67	190	257

13. Tangible Assets

	Heritable & Other Properties £000	Motor Vehicles £000	Equipment & Furniture £000	Capital Work in Progress £000	Total £000
Group					
Cost					
At 1 January 2020	79,573	276	5,867	547	86,263
Additions	5,764	18	1,071	713	7,566
Disposals	(3,195)	-	(239)	-	(3,434)
Foreign Currency Exchange Adjustments	922	1	221	28	1,172
At 31 December 2020	83,064	295	6,920	1,288	91,567
Accumulated Depreciation					
At 1 January 2020	35,475	258	4,210	-	39,943
Disposals	(1,381)	-	(188)	-	(1,569)
Charge for Year	5,315	15	844	-	6,174
Foreign Currency Exchange Adjustments	515	1	171	-	687
At 31 December 2020	39,924	274	5,037	-	45,235
Net Book Value					
At 31 December 2020	43,140	21	1,883	1,288	46,332
Charity					
Cost					
At 1 January 2020	65,440	271	2,331	-	68,042
Additions	1,880	13	149	-	2,042
Disposals	(3,195)	-	(239)	-	(3,434)
At 31 December 2020	64,125	284	2,241	-	66,650
Accumulated Depreciation					
At 1 January 2020	29,886	253	1,330	-	31,469
Disposals	(1,381)	-	(188)	-	(1,569)
Charge for Year	470	10	282	-	762
At 31 December 2020	28,975	263	1,424	-	30,662
Net Book Value					
At 31 December 2020	35,150	21	817	-	35,988

13. Tangible Assets (continued)

	Heritable & Other Properties £000	Motor Vehicles £000	Equipment & Furniture £000	Capital Work in Progress £000	Total £000
Group					
Cost					
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)
At 31 December 2019	79,573	276	5,867	547	86,263
Accumulated Depreciation					
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)
At 31 December 2019	35,475	258	4,210	-	39,943
Net Book Value					
At 31 December 2019	44,098	18	1,657	547	46,320
Charity					
Cost					
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)
At 31 December 2019	65,440	271	2,331	-	68,042
Accumulated Depreciation					
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
At 31 December 2019	29,886	253	1,330	-	31,469
Net Book Value					
At 31 December 2019	35,554	18	1,001	-	36,573

14. Investments

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Unlisted Investments - Growth Fund	113,730	119,879	113,730	119,879
Unlisted Investments - Income Fund	20,530	20,610	20,530	20,610
Unlisted Investments - Investment in Oiko Credit Co-operative	204	116	204	116
Deposit Fund - Bank Deposit Accounts	11	11	11	11
	134,475	140,616	134,475	140,616
Investment in Subsidiary Entities	-	-	1,546	1,463
Fair Value/Cost	134,475	140,616	136,021	142,079
Historic Cost	70,732	69,937	72,278	71,400

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	
	2020 £000	2019 £000	2020 £000	2019 £000
Fair Value at 1 January	140,616	129,098	142,079	129,602
Disposals at Opening Fair Value	(4,311)	(5,641)	(4,311)	(5,641)
Acquisitions at Cost	2,205	2,221	2,288	3,180
Net (Losses)/Gains on Revaluation at 31 December	(4,035)	14,938	(4,035)	14,938
Fair Value at 31 December	134,475	140,616	136,021	142,079

Net (Losses)/Gains on Disposal of Investments

Sale Proceeds	4,192	6,163	4,192	6,163
Fair Value at 1 January	(4,311)	(5,641)	(4,311)	(5,641)
Net Realised (Losses)/Gains on disposal in Year	(119)	522	(119)	522

Amount charged to the Statement of Financial Activities

Net (Losses)/Gains on Revaluation of Investments	(4,035)	14,938	(4,035)	14,938
Net Realised (Losses)/Gains on Disposal of Investments	(119)	522	(119)	522
Net (Losses)/Gains on Investment Assets	(4,154)	15,460	(4,154)	15,460

15. Foreign Currency

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Realised Gains and Losses recognised in:				
Income				
On Bank Deposits not denominated in sterling	(60)	2	(60)	2
Unrealised Gains and Losses recognised in:				
Expenditure				
On Bank Deposits not denominated in sterling	20	-	20	-
Other Recognised Gains and Losses				
Gains/(Losses) on Net Assets of Subsidiary Companies on Consolidation	565	405	-	-

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

16a. Mixed Motive Investments - Fixed Assets

	Group and Charity	
	2020 £000	2019 £000
Housing Loans (heritably secured) at amortised cost	6,267	6,380
Property held as mixed motive investment	700	700
	6,967	7,080

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 value of concessionary loans was £6,047,000 (2019: £6,137,000). At 31 December 2020, future Housing Loans which were committed but not taken up were £950,000 (2019: £844,000).

	Group and Charity	
	2020 £000	2019 £000
Movement in Property held as Mixed Motive Investment		
Valuation at 1 January	700	700
Unrealised loss on revaluation	-	-
Valuation at 31 December	700	700

16b. Programme Related Investments

	Group and Charity	
	2020 £000	2019 £000
The Church of Scotland Trust		
At 1 January	9,685	9,726
Loan advanced	-	-
Loan repaid	(73)	(41)
At 31 December	9,612	9,685

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.

17. Mixed Motive Investments - Current Assets

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Car Loans	74	120	74	120
Loan to Subsidiary Company	-	-	624	243
Other Loans	62	21	62	21
	136	141	760	384

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

18. Debtors

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Amounts receivable within one year				
Trade Debtors	2,471	2,985	1,738	2,368
Amounts Owed by: Congregations	3,103	1,380	3,103	1,380
Church of Scotland General Trustees	314	-	314	-
Church of Scotland Trust	4	6	4	6
Sundry Debtors	192	365	56	42
Prepayments	721	839	700	819
Accrued Income	1,725	1,715	1,739	1,670
	8,530	7,290	7,654	6,285

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

19. Short Term Deposits

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Deposit Fund with Church of Scotland Investors Trust	11,877	12,503	11,877	12,503
	11,877	12,503	11,877	12,503

20. Creditors: Amounts Falling Due within One Year

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade Creditors	592	1,089	479	898
Amounts Owed to: Church of Scotland Investors Trust	1,086	612	1,086	612
Church of Scotland Pension Trustees	14	3	14	3
Church of Scotland General Trustees	-	15	-	15
Church of Scotland Trust	-	9,622	-	-
Other Creditors Including Tax and Social Security	2,729	1,666	2,498	1,638
Sundry Creditors	2,321	2,555	1,995	1,997
Accruals	3,900	3,868	3,667	3,141
Deferred Income	2,292	1,295	1,160	844
	12,934	20,725	10,899	9,148

Deferred Income relates to payments received in advance of services being provided by the Social Care Council (£1,160,000), and advance payments from customers received by the Israeli trading subsidiaries (£1,132,000). The balances reported have all been deferred in the current year and will be released to income in the following year.

Deferred Income

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Balance brought forward at 1 January	1,295	1,281	844	857
Income deferred in the year	2,555	1,019	1,012	672
Amounts released from previous periods	(1,558)	(1,005)	(696)	(685)
Balance carried forward at 31 December	2,292	1,295	1,160	844

21. Creditors: Amounts Falling Due after One Year

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Grants	32	210	32	210
Loan from Church of Scotland Trust to St Andrew's Galilee Limited	9,689	-	-	-
Loan from Nan Stevenson Trust to Housing & Loan Fund	5	5	5	5
	9,726	215	37	215

22. Provision for Liabilities and Charges

Charity		
	Onerous Lease £000	Total £000
Balance brought forward at 1 January 2020	468	468
Utilised in the year	-	-
Additional provision in the year	-	-
Reversed in year	-	-
Balance carried forward at 31 December 2020	468	468

Group				
	Onerous Lease £000	Statutory Severance £000	Deferred Taxation £000	Total £000
Balance brought forward at 1 January 2020	468	559	349	1,376
Utilised in the year	-	(74)	-	(74)
Additional provision in the year	-	115	-	115
Reversed in year	-	-	(349)	(349)
Balance carried forward at 31 December 2020	468	600	-	1,068

Charity		
	Onerous Lease £000	Total £000
Balance brought forward at 1 January 2019	468	468
Utilised in the year	-	-
Additional provision in the year	-	-
Reversed in year	-	-
Balance carried forward at 31 December 2019	468	468

Group				
	Onerous Lease £000	Statutory Severance £000	Deferred Taxation £000	Total £000
Balance brought forward at 1 January 2019	468	428	349	1,245
Utilised in the year	-	-	-	-
Additional provision in the year	-	131	-	131
Reversed in year	-	-	-	-
Balance carried forward at 31 December 2019	468	559	349	1,376

The onerous lease provision for dilapidations relates to a property formerly leased and then vacated in 2015 and the provision is for an ongoing dispute concerning dilapidation costs on the property. There are arbitration proceedings which are currently ongoing. The timing of the release of the other provisions is inherently uncertain as these are calculated by reference to the length of service of employees in Israel.

23. Financial Instruments

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

	Group		Charity	
	2020 £000	2019 £000	2020 £000	2019 £000
Financial assets at fair value through the Statement of Financial Activities				
Unlisted investments	134,464	140,605	136,010	142,068

24. Analysis of Net Assets among Funds - Group

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2020 £000
Tangible and Intangible Fixed Assets	9,355	37,164	-	46,519
Investments	-	111,212	23,263	134,475
Mixed Motive Investments	-	6,967	-	6,967
Programme Related Investments	-	9,612	-	9,612
Total Fixed Assets	9,355	164,955	23,263	197,573
Net Current Assets	7,261	10,041	-	17,302
Creditors: Amounts falling due after more than one year and Provisions for Liabilities and Charges	(10,289)	(505)	-	(10,794)
Pension Scheme Liability	-	(6,747)	-	(6,747)
Net Assets at 31 December 2020	6,327	167,744	23,263	197,334

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2019 £000
Tangible Fixed Assets	8,788	37,789	-	46,577
Investments	-	113,044	27,572	140,616
Mixed Motive Investments	-	7,080	-	7,080
Programme Related Investments	-	9,685	-	9,685
Total Fixed Assets	8,788	167,856	27,572	204,216
Net Current (Liabilities)/Assets	(1,324)	8,301	-	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)
Net Assets at 31 December 2019	6,556	171,462	27,572	205,590

25. Analysis of Net Assets among Funds - Charity

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2020 £000
Tangible and Intangible Fixed Assets	-	36,175	-	36,175
Investments	504	112,254	23,263	136,021
Mixed Motive Investments	-	6,967	-	6,967
Programme Related Investments	-	9,612	-	9,612
Total Fixed Assets	504	165,008	23,263	188,775
Net Current Assets	7,956	10,062	-	18,018
Creditors: Amounts falling due after more than one year and Provisions for Liabilities and Charges	-	(505)	-	(505)
Pension Scheme Liability	-	(6,747)	-	(6,747)
Net Assets at 31 December 2020	8,460	167,818	23,263	199,541

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2019 £000
Tangible 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
Total Fixed Assets	504	167,598	27,572	195,674
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)
Net Assets at 31 December 2019	7,866	171,462	27,572	206,900

26. Unrestricted Funds - Group

	At 1 Jan 2020 £000	Income £000	Expenditure £000	Fund Transfers £000	Other Recognised Gains and Losses £000	At 31 Dec 2020 £000
Social Care Council	-	178	-	(178)	-	-
Faith Nurture Forum	4	1,365	(604)	(765)	-	-
Faith Impact Forum	(806)	5,859	(5,970)	(200)	(512)	(1,629)
Support & Services	-	1,701	(1,373)	(328)	-	-
Other Funds	7,358	653	-	(55)	-	7,956
	6,556	9,756	(7,947)	(1,526)	(512)	6,327

	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	4	1,011	(1,011)	-	-	4
Faith Impact Forum	(1,148)	9,445	(9,508)	-	405	(806)
Support & Services	-	1,483	(1,483)	-	-	-
Other Funds	229	828	-	6,301	-	7,358
	(915)	12,767	(12,002)	6,301	405	6,556

Other than unrestricted legacies and donations received, all funds are designated for the work of individual Forums and Other Funds. In 2020 there was a foreign currency translation loss of £512,000 upon consolidation of the net assets of the Israeli Subsidiaries as disclosed in Note 30 (2019: gain £405,000).

Research into the Church's funds has been ongoing since 2018 and will continue beyond 2020 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 2020, the approved reorganisation has taken effect and any necessary changes have been made to reflect these changes in the funds. Where the reorganisations required a change of fund classification these have been effected through fund transfers in the year, as was also the case in 2019.

27. Unrestricted Funds - Charity

	At 1 Jan 2020 £000	Income £000	Expenditure £000	Fund Transfers £000	At 31 Dec 2020 £000
Social care Council	-	178	-	(178)	-
Faith Nurture Forum	4	1,365	(604)	(765)	-
Faith Impact Forum	504	632	(432)	(200)	504
Support & Services	-	1,701	(1,373)	(328)	-
Other Funds	7,358	653	-	(55)	7,956
	7,866	4,529	(2,409)	(1,526)	8,460

	At 1 Jan 2019 £000	Income £000	Expenditure £000	Fund Transfers £000	At 31 Dec 2019 £000
Faith Nurture Forum	4	1,011	(1,011)	-	4
Faith Impact Forum	504	-	-	-	504
Support & Services	-	1,483	(1,483)	-	-
Other Funds	229	828	-	6,301	7,358
	737	3,322	(2,494)	6,301	7,866

28. Restricted Funds - Group and Charity

Group

	Balance 1 Jan 2020 £000	Income £000	Expenditure £000	Net Gains on Investment Assets £000	Fund Transfers £000	Actuarial Gains £000	Balance 31 Dec 2020 £000
Social Care Council	22,732	42,092	(46,904)	(292)	1,744	-	19,372
Faith Nurture Forum	53,005	38,772	(40,577)	(1,431)	4,446	-	54,215
Faith Impact Forum	46,223	1,422	(2,410)	(938)	926	-	45,223
Support & Services	391	(4)	(4,439)	-	4,217	-	165
Other Funds	52,865	12,264	(2,622)	(571)	(6,420)	-	55,516
	175,216	94,546	96,952	(3,232)	4,913	-	174,491
Pensions Reserve	(3,754)	-	(9,170)	-	-	6,177	(6,747)
	171,462	94,546	106,122	(3,232)	4,913	6,177	167,744

Charity

	Balance 1 Jan 2020 £000	Income £000	Expenditure £000	Net Gains on Investment Assets £000	Fund Transfers £000	Actuarial Gains £000	Balance 31 Dec 2020 £000
Social Care Council	22,732	42,092	(46,904)	(292)	1,744	-	19,372
Faith Nurture Forum	53,005	38,772	(40,577)	(1,431)	4,446	-	54,215
Faith Impact Forum	46,223	1,422	(2,336)	(938)	926	-	45,297
Support & Services	391	(4)	(4,439)	-	4,217	-	165
Other Funds	52,865	12,264	(2,622)	(571)	(6,420)	-	55,516
	175,216	94,546	(96,878)	(3,232)	4,913	-	174,565
Pensions Reserve	(3,754)	-	(9,170)	-	-	6,177	(6,747)
	171,462	94,546	(106,048)	(3,232)	4,913	6,177	167,818

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	51,101	40,608	(43,465)	4,768	(7)	-	53,005
Faith Impact Forum	41,314	3,209	(3,698)	3,350	2,048	-	46,223
Support & Services	419	44	(5,586)	11	5,503	-	391
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)
	162,860	100,243	(106,621)	11,599	(713)	4,094	171,462

Three funds made up 92% of the Other Funds, namely the Housing and Loan Fund (£44,504,000), accumulated unrealised gains (£5,384,000) and the Mission and Renewal Fund (£1,246,000). Transfers in the charity include £6,976,000 transferred to Forums to cover expenditure in the year from the Mission and Renewal Fund which receives incoming resources from Ministry and Mission contributions from congregations. In addition to this, £1,000,000 was transferred from the Mission and Renewal Fund during the year to support the work of Forums, the Support and Services Departments and the Social Care Council. 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 £4,083,000 (2019: £4,195,000) is included within the Faith Impact Forum at cost value. Across restricted and unrestricted funds the total value of funds for the F G Salvesen Trust is £17,024,000 (2019: £17,742,000). Fund transfers include reclassification of funds through approved reorganisations in the year as described in note 26. Also included in fund transfers is the transfer of £1,520,000 for Coronavirus Job Retention Scheme income from unrestricted funds into restricted funds, where the related expenditure was incurred.

29. Endowment Funds - Group and Charity

	Balance 1 Jan 2020 £000	Income £000	Investment Gains £000	Fund Transfers £000	Balance 31 Dec 2020 £000
Social Care Council	350	-	-	(31)	319
Faith Nurture Forum	4,449	-	(88)	(2,557)	1,804
Faith Impact Forum	5,688	-	(213)	8	5,483
Support & Services	149	-	-	(149)	-
Other Funds	16,936	-	(621)	(658)	15,657
	27,572	-	(922)	(3,387)	23,263

	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	5,270	325	839	(1,985)	4,449
Faith Impact Forum	5,115	181	825	(433)	5,688
Support & Services	131	5	18	(5)	149
Other Funds	17,373	541	2,171	(3,149)	16,936
	28,241	1,058	3,861	(5,588)	27,572

Total Endowment Funds at 31 December 2020 of £23,263,000 are made up of £22,715,000 Permanent Endowment and £548,000 Expendable Endowment (2019: Permanent Endowment £26,330,000 and Expendable Endowment £1,242,000). 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 include reclassification of funds through approved reorganisations in the year as described in note 26.

Two funds made up 79% of the Other Funds, namely accumulated unrealised gains (£10,225,000) and the Augusta Lamont fund (£2,157,000).

30. 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.

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

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

Their financial results were as follows:

	St. Andrew's Galilee Limited		St. Andrew's Scottish Centre Limited		Tabeeetha School	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Income	3,029	6,497	117	783	2,081	2,165
Expenditure	(3,026)	(6,476)	(314)	(751)	(2,198)	(2,281)
Net Profit/(Loss)	3	21	(197)	32	(117)	(116)
Unrealised Gains/(Losses) on Foreign Currency transactions	(306)	190	(204)	209	(2)	6
	(303)	211	(401)	241	(119)	(110)
Gross Assets	9,213	10,339	1,639	1,666	1,484	1,347
Gross Liabilities	(10,642)	(11,391)	(785)	(1,445)	(1,571)	(1,263)
Total Net (Liabilities)/Assets	(1,429)	(1,052)	854	221	(87)	84

31. Commitments

	Group and Charity	
	2020 £000	2019 £000

Capital Expenditure

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

Central Services Committee	-	-
Social Care Council	121	59
	121	59

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

Social Care Council	433	170
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Operating Leases where the Group is Lessee

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

	Group		2020 Total £000	2019 Total £000
	Property £000	Other £000		
Within 1 year	874	417	1,291	1,337
After 1 and before 5 years	1,143	509	1,652	2,154
	2,017	926	2,943	3,491

	Charity		2020 Total £000	2019 Total £000
	Property £000	Other £000		
Within 1 year	874	417	1,291	1,295
After 1 and before 5 years	1,143	509	1,652	2,112
	2,017	926	2,943	3,407

Operating Leases where the Group is Lessor

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

	Group and Charity	
	2020 £000	2019 £000
Within 1 year	20	100
After 1 and before 5 years	-	4
	20	104

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

32. Pension Schemes

Details of Schemes

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

Defined Contribution Schemes

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

From 1 October 2013 two further defined contribution schemes were provided by Legal and General, one for employees of the 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 17 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 2018 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 2020. 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 valuations for the Local Government Pension Schemes (LGPS) were 31 March 2020. The LGPS represent the two schemes which CrossReach is part of - Strathclyde Pension Fund and Falkirk Council Pension Fund. The contributions paid by the Employer are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2020), or at any other time as instructed to do so by the Administering Authority. The contributions payable over the period to 31 March 2021 are set out in the Rate and Adjustments certificate.

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2020 £000	2019 £000
Defined Benefit Obligation							
Opening Defined Benefit Obligations	242,161	14,780	55,952	34,706	22,172	369,771	343,326
Current Service Cost	-	-	-	-	361	361	303
Administration Costs	454	81	330	130	-	995	1,343
Interest Cost	4,647	283	1,070	663	442	7,105	9,440
Contributions by Scheme Participants	-	-	-	-	53	53	53
Actuarial (Gains)/Losses	22,952	1,867	5,935	4,258	3,177	38,189	29,432
Past Service Cost	8,452	-	-	-	-	8,452	4,020
Benefits and Expenses paid	(13,314)	(575)	(2,597)	(1,520)	(549)	(18,555)	(18,146)
Closing Defined Benefit Obligations	265,352	16,436	60,690	38,237	25,656	406,371	369,771
	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2020 £000	2019 £000
Fair Value of Scheme Assets							
Opening Fair Value of Scheme Assets	338,876	18,736	65,298	43,323	18,418	484,651	456,880
Interest Income	6,482	359	1,254	830	365	9,290	12,570
Contributions by Scheme Participants	-	-	-	-	53	53	53
Contributions by the Employer	6	-	569	-	190	765	1,164
Actual return on assets excluding amounts included in net interest	18,079	2,020	6,418	4,367	431	31,315	32,130
Benefits and Expenses paid	(13,314)	(575)	(2,597)	(1,520)	(548)	18,554	(18,146)
Closing Fair Value of Scheme Assets	350,129	20,540	70,942	47,000	18,909	507,520	484,651
Irrecoverable surplus brought forward	(96,715)	(3,956)	(9,346)	(8,617)	-	(118,634)	(116,761)
Impact of irrecoverable surplus on interest income	(1,886)	(77)	(182)	(168)	-	(2,313)	(3,269)
(Increase)/decrease in irrecoverable surplus from experience	13,824	(71)	(724)	22	-	13,051	1,396
Irrecoverable surplus at end of year	(84,777)	(4,104)	(10,252)	(8,763)	-	(107,896)	(118,634)
Closing Fair Value of Scheme Assets recognised on the Balance Sheet	265,352	16,436	60,690	38,237	18,909	399,624	366,017
Closing Net Defined Benefit Obligation	-	-	-	-	6,747	6,747	3,754
Opening Net Defined Benefit Obligation	-	-	-	-	3,754	3,754	6,082

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2020 £000	2019 £000
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Analysis of Amount Charged to Operating (Deficit)/Surplus

Current & Past Service Cost	8,452	-	-	-	361	8,813	4,323
Administration Costs	454	81	330	130	-	995	1,343
Total Operating Charge	8,906	81	330	130	361	9,808	5,666

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2020 £000	2019 £000
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Analysis of Amount Credited to Other Finance Income

Interest Income on Scheme Assets	6,482	359	1,254	830	365	9,290	12,570
Impact of Asset Ceiling on Net Interest	(1,886)	(77)	(182)	(168)	-	(2,313)	(3,269)
Interest on Scheme Liabilities	(4,647)	(283)	(1,070)	(663)	(442)	(7,105)	(9,440)
Net Interest on Net Defined Benefit Liability	(51)	(1)	2	(1)	(77)	(128)	(139)

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2020 £000	2019 £000
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Total Amount Charged to Statement of Financial Activities

Total Operating Charge less Net Interest	8,957	82	328	131	438	9,936	5,805
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	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2020 £000	2019 £000
Analysis of Amount recognised in Other Recognised Gains and Losses							
Actual return on Assets excluding amounts included in net interest	18,079	2,020	6,418	4,367	431	31,315	32,130
Actuarial gains/(losses) on Scheme obligations	(22,952)	(1,867)	(5,935)	(4,258)	(3,177)	(38,189)	(29,432)
(Increase)/decrease in irrecoverable surplus from membership fall and other factors	13,824	(71)	(724)	22	-	13,051	1,396
Remeasurement gain/(loss) recognised in Other Recognised Gains and Losses	8,951	82	(241)	131	(2,746)	6,177	4,094

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2020 £000	2019 £000
Fair Value of Scheme Assets:							
UK Equities	-	-	-	59	11,988	12,047	11,967
Overseas Equities	-	-	-	1,282	-	1,282	4,112
Diversified Growth Fund	-	590	-	-	-	590	-
Adept Strategy Fund	21,103	-	5,975	-	-	27,078	-
UK Managed Funds	-	735	2,239	1,681	-	4,655	11,430
Overseas Managed Funds	-	673	710	1,539	-	2,922	4,462
UK Government Index-linked Bonds	160,079	13,700	37,734	24,122	5,143	240,778	221,451
UK Government Fixed-interest Bonds	140,779	4,411	16,764	17,072	-	179,026	197,319
Property	-	-	-	-	1,387	1,387	1,533
Cash/Net Current Assets	28,168	431	7,520	1,245	391	37,755	32,377
Total Value of Assets	350,129	20,540	70,942	47,000	18,909	507,520	484,651
Actuarial Value of Liabilities	(265,352)	(16,436)	(60,690)	(38,237)	(25,656)	(406,371)	(369,771)
Surplus/(Deficit) of Funded Scheme Liabilities	84,777	4,104	10,252	8,763	6,747	101,149	114,880
Irrecoverable Surplus	(84,777)	(4,104)	(10,252)	(8,763)	-	(107,896)	(118,634)
Net Pension Liability	-	-	-	-	6,747	6,747	(3,754)

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
Deficit Repair Payments			
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 2020 and 2019 are as follows:

	2020 %	2019 %
Financial Assumptions		
Retail Price inflation	3.05	3.25
Consumer Price inflation	2.45 - 2.50	2.20 - 2.40
Discount rate	1.25 - 1.30	1.95 - 2.00
Pension Increase Rate	2.45 - 2.50	1.85 - 2.40
Salary increase rate (LGP Schemes only)	3.20	2.70 - 3.40

The assumptions made for life expectancy are as follows:

	2020 %	2019 %
Life Expectancy Assumptions		
Age 65	22.4	22.8

33. Contingencies

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

CrossReach is a core participant in the Scottish Child Abuse Inquiry. Separately, the Scottish Parliament has recently passed The Redress for Survivors (Historical Child Abuse in Care) (Scotland) Bill that is intended to deliver reparation for the survivors of historical abuse. CrossReach may have a liability in respect of compensation payments to survivors of childhood abuse in care pursuing a civil action. We continue to work with our insurer to establish what, if any, uninsured liability exists. The Trustees have considered this likelihood and the potential amounts of any such claims and do not consider a provision in the accounts is required in this regard.

The Trustees are also assessing under what conditions we can participate in the Redress scheme which will allow anyone harmed in a childcare setting to seek reparation including financial redress. The provision of waiver, within the scheme, will mean that recipients of a Redress payment cannot then pursue a civil claim. We are still in discussion with the Scottish Government and are, as yet, unable to quantify the timing or amount of any financial contribution to that scheme.

CrossReach provides social care services to people of all ages. Older people have been at greater risk from Covid-19 since the start of the pandemic but are not exclusively affected. CrossReach has adhered strictly to Scottish Government guidance, as it was issued, to create as safe an environment as possible for all service users and staff. Nevertheless, there is a risk of potential claims arising from application of that guidance, as there is from illness or death occurring in services as a result of coronavirus. The Trustees have considered this likelihood and the potential amounts of any such claims and do not consider a provision in the accounts is required in this regard.

Reference and Administrative Details

Assembly Trustees

- **Beth Ashcroft** (from June 2019)
- **Alan Campbell** (from June 2019)
- **Sandra Carter** (from June 2019; term ended May 2020)
- **John Chalmers** (from June 2019)
- **Jamie Lockhart**, (from June 2019; resigned September 2020)
- **Gary Macfarlane** (from June 2019; term ended May 2020)
- **Donald McCorkindale**, ex officio Convener of Assembly Business Committee (from December 2019)
- **James McNeill** (from June 2019)
- **Norma Rolls** (from June 2019)
- **Anikó Schütz Bradwell** (from June 2019)
- **Iain Torrance** (from June 2019; term ended May 2020)
- **David Watt** (from June 2019; term ended May 2020)
- **Raymond Young** ex officio Chair of General Trustees (from June 2019)
- **Jean Couper** (from June 2020)
- **David Harrison** (from June 2020)
- **Linda Irvine** (from June 2020)
- **Geoff Miller** (from June 2020)
- **Ann Nelson** (from June 2020)
- **Philip Ziegler** (from December 2020)

Key Management Personnel

- **Ian Alexander**, Interim Head of Faith Impact Forum
- **Viv Dickenson**, Chief Executive Officer CrossReach
- **Liam Fennell**, Head of Estates, Procurement and Health and Safety
- **Dave Kendall**, Chief Officer
- **Anne Macintosh**, General Treasurer
- **Mary Macleod**, Solicitor of the Church
- **Ruth Macleod**, Head of Communications
- **David Malcolm**, Head of Information Technology
- **Angus Mathieson**, Interim Head of Faith Nurture Forum
- **Elaine McCloghry**, Head of Human Resources
- **Catherine Skinner**, Head of Organisational Programmes

Scottish Charity Number

SC011353

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EH2 4YN

Professional Advisors

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
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