



The Church of Scotland

ANNUAL REPORT AND ACCOUNTS

For the year ended 31 December 2021

The Church of Scotland Unincorporated Entities

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Foreword

Letter from Very Rev Dr John Chalmers: Convener

It has been both a challenge and a privilege to have convened the Assembly Trustees over the past three years.

Even without the advent of the Covid-19 pandemic, life for the Assembly Trustees was going to be complicated. The General Assembly of 2019 had instructed a radical overhaul of every part of the life of the Church of Scotland. It also instructed an end to deficit budgeting and a transfer of resources to grow the local Church. These accounts show the extent to which the Trustees have tightened the purse strings while bending the available resources in the direction of establishing new presbyteries and local Mission Plans designed to place an emphasis on pioneer mission and new expressions of Church life.

These accounts, however, also show the way in which the pandemic has adversely affected the income of the Church to the extent that we have had no choice but to use reserves in order to meet our overall commitments. Some of our plans for the future, including the introduction of a growth fund, were derailed, but as a result of facing these challenges we now have a focus in a single Faith Action Plan and an integrated programme for supporting the vital work which the Church of Scotland is doing across the country.

It has therefore been my privilege to see at first hand the commitment of people across the whole of the Church rising to overcome every complexity that the pandemic threw at them. In parishes across the country ministers and members learned new skills which increased the reach of their worship and service in the community. Our caring services in CrossReach were stretched to the limits but emerged as an exemplar of how to care in Christ's name for those who were amongst the most vulnerable. Across every department people have stretched themselves to the limits and all of these together make up the story which lies behind the figures.

This is the story of a Church of Scotland facing some of the most challenging times in its history but facing these times with deep faith and real hope. The world is crying out for moral leadership and too many people in our own society are being left behind – it is into this space that we must speak the Good News of the Gospel of Jesus Christ.

I encourage you to see past the figures and read the good news stories of a Church which is still making a difference in the lives of people across the world.

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 2021, the Trustees were responsible for expenditure of £112.4 million.

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

The UE support, resource and serve the Church in its work including the promotion and resourcing of worship, prayer and discipleship; the recruitment, support, training and development of ministers and staff; engagement with society, the world church and ecumenical partners; theological reflection and creative thinking; delivery of social care; provision of financial and legal services; church law advice and related judicial procedures; and regulatory compliance, audit and safeguarding services. The Trustees monitor the activities of the UE to ensure that their work provides public benefit and consider that, in particular, this is achieved through the facilitation of the contributions made by thousands of volunteers, the operation of grant-making activities which benefit communities and the outward engagement of our staff. Volunteers are part of every area of the charity and include volunteers from overseas as part of our Young Adult Volunteer Programme; individuals involved with fundraising for the charity as a whole; volunteer members of committees and working groups within the charity; and volunteers within CrossReach, 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 two Agencies responsible for the work of the UE, from 1 January 2020, were the Faith Nurture Forum (a merger of the Ministries Council and the Mission and Discipleship Council) and the Faith Impact Forum (a merger of the Church and Society Council and the World Mission Council). The Trustees, through 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 as an employing agency and for acting as the statutory employer of individuals who are members of the Church of Scotland Pension Scheme for Ministers and Overseas Missionaries or the Church of Scotland Pension Scheme for Ministries Development Staff.

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

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

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

The Faith Nurture Forum, embracing –

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

The Faith Impact Forum, embracing –

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

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

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

The Central Services Committee, responsible for –

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

Other constituent elements are:

- **The Ecumenical Relations Committee**, previously sitting within the departmental structure of the Faith Nurture Forum and from May 2021

transferred within the departmental structure of the Office of General Assembly.

- **The Theological Forum**, previously sitting within the departmental structure of the Faith Nurture Forum and from May 2021 transferred within the departmental structure of the Office of General Assembly.
- **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 cases 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 2021 was £52 million. The Assembly Trustees continue to work with the Housing and Loan Fund Trustees on their Strategic Overview. Working also with the Chief Officer both sets of Trustees seek to identify how, in compliance with the Fund's purposes, assets which currently outstrip the Fund's anticipated obligations can be best applied for the benefit of the Fund's Beneficiaries and the wider benefit of the Church.
- The F G Salvesen Trust was a bequest, the purposes of which, as varied by the Court of Session in 1991, are "for any purposes (including, where appropriate, the rendering of financial assistance to indigenous Churches) which, in the opinion of the [Salvesen trustees] provide or assist in providing the ordinances of religion to Scots in any part of the world outwith the United Kingdom of Great Britain and Northern Ireland." Whilst these trust purposes are separate from those in the Constitution and Remit for the Trustees, the funds are treated as part of the overall assets of the Charity and accordingly the Trustees have a supervisory role. The Salvesen trustees comprise the members of the Faith Impact Forum. The value of the Fund as

at 31 December 2021 was £18 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 SCIO (Scottish Charitable Incorporated Organisation). The SCIO passes grants on to CrossReach under the same

terms and conditions that 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, each being one of the appointed Trustees.

A list of the Trustees during 2021 can be found under Reference and Administrative Details on page 76.

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

Each member is provided with copies of the Constitution and Remit, the Report of the Special Commission on Structural Reform to the General Assembly 2019, the Minutes of recent Trustee meetings, a plan for the anticipated work over the ensuing twelve months with proposed meeting dates, the Code of Conduct for the Trustees, and a link to 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, (b) the Church's Designated Religious Charity status, (c) avoiding and dealing with conflicts of interest, (d) the organisational structure of the Church and the UE, (e) important aspects of the Constitution and (f) the Church's finances.

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

The Trustees have adopted, implemented, and will keep under review a Trustee Appraisal System, facilitated by the Head of HR. Each year, 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 set aside time for a facilitated corporate appraisal of their joint trusteeship. All Trustees are expected to attend the annual induction meetings, the content of which is reviewed each year. In addition, a more detailed focus on individual aspects of the work of the Trustees is arranged for all Trustees during the year.

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

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

The Trustees approve the reports to the General Assembly 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.

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 continued restriction on new expenditure or on the reallocation of authorised expenditure continues to be imposed unless with the authorisation of Heads of Department, the Chief Officer and the General Treasurer as necessary.

2022 is the last year of the current Ministries and Mission scheme. Approval was given at the General Assembly in 2021 to collect £42m in total from congregations in 2022. This is an amount between the reduced contribution requested in 2021 (£38.2m) and the level in the last year before the pandemic (£46.6m). The new Ministries and Mission scheme 'Giving to Grow' was created by an independent panel, convened by the Very Rev. Dr Russell Barr. It was approved at the 2021 General Assembly for implementation in 2023 and addresses various concerns related to the current arrangements, with a view to applying a system that builds and strengthens the local Church. The detailed regulations of the new scheme will be presented to the General Assembly in May 2022. Giving to Grow is based on the actual cost of a Minister of Word and Sacrament and will make it clear to members locally what their congregation will contribute towards the cost of the ministry it is receiving. It includes some provision for transitional funding for those congregations which will have an increase in the level of their contribution.

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 2021, comprises:

- The Chief Officer
- The Interim Head of the Faith Impact Forum (until 30 June 2021)
- The Interim Head of the Faith Nurture Forum (until 30 June 2021)
- The Head of Faith Action Programme (from 1 May 2021)
- The Solicitor of the Church
- The Head of Human Resources
- The General Treasurer
- The Head of Communications
- The Head of Estates
- IT Manager
- The Head of Analysis and Programme Development

All members of the CMT are Key Management Personnel – defined as those members of staff who are the senior management personnel who have delegated significant authority or responsibility in the day to day running of the charity. Management meetings incorporate two specific sets of arrangements to ensure that strategic and operational areas are appropriately addressed.

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

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

Staff pay is based on a comprehensive job evaluation system with staff placed on one of 10 bands. The 2019 Special Commission recommended that this be reviewed. This process commenced in 2021 and is expected to be completed by mid 2022. The review is

considering 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 the Chief Executive Officer 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 are issued to all General Assembly Commissioners and are available publicly.

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

Achievements and Performance

The Assembly Trustees noted in the 2020 Annual Report that it had been an 'extraordinary year' with the onset of the pandemic; 2021 has however proven to be equally challenging as Covid-19 has continued to dominate. The work of the Church of Scotland, in our provision of ministry, care, service and witness, has however continued to strengthen.

Whilst congregations have learnt to worship with the mandatory requirements for mask wearing and social distancing, making at times very limited opportunity for 'face to face' fellowship, our Churches have reopened, worship has been delivered in creative and innovative ways and outreach to the wider worldwide community has never been stronger because of our increased online presence. Throughout this period, the Church has continued to support the increasing social needs within our communities with food banks, outreach support, and, at times, vaccination centres.

Undoubtedly the adoption of technology over the last eighteen months has been one of the biggest changes for the Church. Technology is now used in all aspects of Church life, from worship, to fellowship, to governance practices and for all Courts of the Church, from Kirk Session meetings to the 2021 General Assembly meeting on-line. As the Listening Project, a research project designed to understand how faith has been impacted during the time of the pandemic, reported in 2021, there had been strong feedback that great comfort has been taken by many who had been able to access Church services from their own homes.

Achievements against objectives

Internally within the structures of the Church, the pace of change has been accelerating as we move further into the reform program outlined by the General Assembly of 2019. Considerable work has been ongoing at presbytery level in respect of the presbytery reform and presbytery planning processes. The Church welcomed the second new presbytery, the Presbytery of Fife, in 2021 which, alongside the Presbytery of Clyde, now has a full time Clerk and staff appointed.

Work on the presbytery planning process is supported by the new Presbytery Mission Plan Implementation Group within Faith Nurture, as presbyteries work hard to ensure that the configuration of parish life is at its most effective at a time of dwindling numbers in congregations and of recruitment of candidates for ministry not keeping pace with the numbers of full time ministers taking retirement. The Trustees' plans for 2022 include a determined drive on ministerial recruitment, which

like all other aspects of church life, was significantly impacted by the pandemic.

The work of the Social Care Council and CrossReach has continued against a very challenging backdrop in terms of the conditions presented by the pandemic and financing within the social care sector. Much however has to be celebrated. Prince William, the Lord High Commissioner for 2021, visited Queen's Bay Lodge Care Home in May, shortly after care homes had begun to open up, having been closed to families for over a year other than for essential visits. Staff at CrossReach, during the annual awards ceremony, this year on-line, were thanked for the incredible work that they have delivered in all service areas over the last year with 140 members of staff achieving qualification in social care between 2019 and 2021. CrossReach, in line with other employing agencies of the Church, is particularly focusing on the mental well-being of staff, with 40 Wellbeing Champions launched in April 2021.

COP26 saw the world's focus upon Glasgow with the Church playing an active part in welcoming those from across the world and enabling opportunities for people from congregations and Christian Aid to network and meet people in person after so long. The Moderator, who during this time hosted a reception for the President of Malawi, a country with which the Church of Scotland has long had close links, was involved in a number of events including preaching during the ecumenical service at Glasgow Cathedral and meeting with other faith groups to highlight concern around climate issues. The Faith Impact Forum has been heavily engaged in work around the issues of climate change with a Net Zero Group being launched in January 2021 following the instruction from the General Assembly for the Church of Scotland to use the "Net Zero by 2030" framework to develop plans and activities to work towards meeting this ambition.

Within the National Offices, reform has continued apace. A Head of Faith Action Programme was appointed in May 2021. This is enabling an accelerated progress in bringing the staff within the Faith Impact and Faith Nurture Departments into one staff group, the Faith Action Programme, which will support the work of the associated Forums.

This group has been designed to ensure the achievement of both clarity of priorities and removal of areas of duplication in the work of the Faith Action Plan. The Head of Faith Action has been working in close co-ordination with both Forums and the Trustees. Particular areas of focus, as the work of these groups has developed across the last year, have been on an Integrated Training Programme and on the development of the work of the Equality, Diversity and Inclusion Group.

During 2021, the Trustees addressed two of the 2019 Special Commission's recommendations in relation to the creation of a centralised Analysis and Research function and undertaking a review of the Pay and Grading system in respect of Central Services Committee staff. The latter is due to report back in summer 2022. The work of the Analytical Unit to date has reflected the changes being experienced within the Church and has included the development of a financial model, used to assist with the Faith Action Plan and with future forecasting in respect of financial income and ministerial retirement and recruitment figures.

Alongside other Church buildings, the Central Offices in George Street have gradually started to open to more staff. The Central Services Committee have developed and consulted upon a hybrid working policy that will come into operation when offices can again fully open. Scottish Government advice on Covid-19 restrictions is followed at all times as the safety of all colleagues remains the highest of priorities for the Chief Officer and Trustees. Throughout the year, essential maintenance work has continued on the George Street buildings.

In May 2021, the Trustees launched the Church of Scotland Small Grants Fund, which offers congregations grants of up to £1,000 to meet an identified purpose. This work is co-ordinated through the recently established Grants Unit, which provides help, support and advice to congregations in respect of grant applications. In 2022, the Trustees will be launching the Pioneer Mission Fund to support work in the area of Pioneering within congregations and the newly formed presbyteries.

Measures of Success

The Task Group format, which the Trustees created, has evolved into a number of established meeting groups. The Finance Group (formally the Economic and Financial Oversight Task Group) has become a standing committee of the Trustees. An IT Programme Board is now established and has drawn

up the IT strategy which will be used as the driver for the IT operational plan. A review of our external communications completed for General Assembly of 2020 has led to the establishment of the Communications Strategy Board which now meets on a monthly basis.

In line with strengthening the governance processes of the Church, the work of the Trustees' Governance Group has now been revised. As part of this and a wider focus on Management Information, all departments within the Church now report operational information to the Chief Officer on a monthly basis, a sub-set of which is presented to the Trustees. This supports the increasing focus on evidence-based decision making. Over the forthcoming year, as outcomes for the Faith Action Programme are established, performance indicators will be created in order for progress to be monitored.

The four Trustees appointed during 2021 brought highly honed skills from a variety of backgrounds and these along with those to be accepted by General Assembly 2022 are providing both continuity and the successors for the Convener, Vice-Convener and Administrative Trustee.

The Covid-19 pandemic has imposed ever-changing financial landscapes for the Trustees as local congregational and investment income dropped. Cost controls continued to be tightened, work programmes prioritised and a limited number of staff continued to be furloughed; all of which have contributed to central cost savings. The 'Donate' button on our Church of Scotland website, which was implemented in 2020, continues to support both local congregations and national efforts and in 2021 attracted donations of £0.2 million. A detailed explanation of the background to our accounts can be found in the Financial Review section of this report.

Fundraising

Given the ongoing exigencies of 2021, the Trustees have also continued to consider the appropriate focus of the Stewardship Team, with an emphasis on generosity in adversity. There is advice on how congregations can maintain income as part of the Covid-19 guidance on the Church's website and the Stewardship Team have also hosted a series of webinars this year on topics such as Enabling Giving in a Digital Age, and Funding and Fundraising.

Investments

The investments of the UE remain with the Church of Scotland Investors Trust and the Trustees meet with

the Chair of the Investors Trust to discuss investment policy. The Special Committee appointed by General Assembly 2021 to consult with the Faith Impact Forum, the Church of Scotland Investors Trust and the Assembly Trustees to consider the best framework for future recommendations about the ethics of investment practice has begun its meetings.

In what continued to be a challenging year, the Trustees are content that the performance of the Investors Trust Funds is within acceptable range.

Plans for the future

The principal focus for the Trustees must be on the use of funds to support the primary aims of the Church as set out in Clauses 17 and 18 of their Constitution and Remit. Given the effects of the pandemic on congregations and the changes in anticipated finances, in 2022 and 2023, the principal goal will be that of better sustaining the local Church. Further information is provided on page 25 - Plans for Future Periods.

This will be achieved by:

- Developing a strategic framework for the Church and development of an operational plan;
- Supporting the presbytery reform process and formation of the new presbyteries;
- Focussing on presbytery planning and achieving the 2025 targets for ministry numbers;
- Recruiting to ministries posts to address the demographic challenge with a focus on identifying inspirational leaders well grounded in theology;
- Seeking to develop a fast-track recruitment programme into ministry;
- Building on the information from existing steps and further research in gathering data to better inform decision-making and
- Developing and implementing, as required by the Constitution and remit, a communications strategy across and for the work of the Church.

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 2021 by Azets and the Church's own Audit and Compliance Officer. The internal auditors produce an annual programme of work based on an assessment of audit risk which seeks to ensure that all of the main areas of activity are periodically reviewed. Audit reports are submitted at the end of each assignment and an annual audit report is made to the Audit Committee expressing an opinion on the systems of internal control in place in the UE based upon the work undertaken in the year to which the audit opinion relates.

Azets conducted four reviews in their 2021 work programme covering Financial Planning and Budgeting, Strategic and Corporate Planning, Workforce Planning (CrossReach), and a Validated Self-Assessment of Trustee Board. 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.

The Audit and Compliance Officer conducted two reviews in 2021 covering Governance and Accountability Reporting and a Financial Control Framework review of the key financial processes within the National Offices. Overall, the Audit and Compliance Officer considers that the Unincorporated Entities of the Church of Scotland generally had an adequate framework of controls over the systems that the Audit and Compliance function examined during the period.

Principal Risks and Uncertainties

The area of Risk Management is now part of the focus of the revised Governance Group. 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 2020 remain.

The ability of the Church to address its challenges is probably the key risk. These exist at national level, at presbytery level and within congregations. The national structure must be a sustainable, affordable organisation that is fit for the future. Work on this has progressed through 2021 with tighter governance arrangements, the bringing together of various staff groups under one programme head and in the use of analytical modelling to provide a firmer understanding of the effect on national finances of different modes of operation at congregational level. Presbytery reform, resulting in reducing the number by about three-quarters, has continued apace with new presbyteries having been formed and these now establishing working practices. Presbytery planning, at the local level, has rapidly advanced through 2021 with the exercise due to conclude by December 2022. Change of this magnitude brings with it risks, but also opportunities, and these structural reforms, all enacted as a result of the General Assembly of 2019 mark a significant point in the continuing development of the Church.

A material risk can be seen in changes to 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 have been exercising greater financial control over expenditure, and determining the best ways of approaching connection with the Under 40s and New Ways of Church as part of the Faith Action Plan.

The Trustees remain ever mindful of the number of congregations who are struggling financially or who simply do not have enough members to function. As part of a strategy to address this, the Trustees established the Congregational Task Force, which, working alongside presbyteries, is able to offer bespoke support on request. Key to the Trustees' objectives in 2022 has to be the recruitment of more to ministry, as the demographics in terms of retirement numbers for ministers remains a key area of concern.

IT provision and Information Security. Whilst considerable work has been ongoing in relation to IT provision over the last year, continued vigilance remains over the issues of IT provision within the Church, particularly due to the reliance that the organisation now has in terms of on-line operations and the increased threats emerging from cyber criminals. The Church is also mindful of potential Information Security issues which may present. Through the establishment of the IT Programme Board and the recent appointment of a new post of Head of Information Technology (as of March 2022), the Trustees' focus remains on moving forwards with the Church's IT provision and on ensuring adequate provision is in place in respect of Information Security arrangements. Email roll out to office holders within congregations has continued through the year, as have improvements and enhancements to our security systems.

Social Care. The key challenge relates to the ongoing difficulties in the recruitment and retention of staff which ultimately impacts all service areas. The ongoing effects of the pandemic continue to impact both the financial and emotional wellbeing within the organisation. 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 with the potential 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. Ongoing discussions with the Scottish Government are likely to result in payment into the Scheme by CrossReach as part of the national collective endeavour to acknowledge the harms of the past.

Whilst Covid-19 presented as a new risk in 2020, the Church's ability to operate alongside the virus has vastly improved over the last twelve months. The impact that the pandemic has had on the work and finances of the Church continues to be monitored. As with all other organisations, the Trustees are increasingly focused on the wellbeing of our ministers, staff and committee members. In the last year significant focus and resources have been and will continue to be made available during this time to support the mental, physical and spiritual health of all as we continue to work under these difficult circumstances.

The Trustees are mindful that GA2020 set a highly ambitious target in instructing the use of the "Net Zero by 2030" framework to develop plans and activities for the Church to work towards meeting this ambition. The Church has an extensive and aging building stock, itself an area of considerable work for congregations and the General Trustees. Work therefore will be commencing in 2022 to establish a road map on following the instruction from the General Assembly.

Financial Review

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.

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

The General Assembly 2021:

- Approved aggregate congregational Ministry and Mission contributions in 2022 of £42 million.
- Noted the 2022 expenditure budgets and acknowledged the necessity of setting a Covid-19 recovery budget for 2022.
- Approved Giving to Grow as the new Ministries and Mission Allocation scheme to replace the current Ministries and Mission scheme from 1 January 2023.
- Noted the aim that presbyteries should seek to implement, by 2025, presbytery plans based around 600 full time equivalent ministries and a target of no more than 60 further charges vacant at any one time.
- Agreed to the establishment, as part of the Faith Action Plan, a Pioneer Mission Fund aimed at supporting local church growth, with particular emphasis on church planting.

The pandemic continues to bring financial challenges, but the need to focus on the urgent and essential has led to enhanced processes in budget planning, approval and controls.

Since the General Assembly in May 2021, an important focus for 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, and to apply the Church's human and economic resources for the strengthening of local congregations.

Congregations have been affected in different ways by the pandemic. Some have been able to avoid potential losses, with members having kept up or even increased their offerings. Others, however, who depended heavily on funding from sources such as hall lets or café income, have been hit hard. Analysis of 2020 congregational accounts revealed that assessable income of congregations decreased by 15% overall. It must be recorded that some individual congregations have been generous in trying to share their means with others.

Two specific areas stand out from 2021:

- In 2021 there was an overall reduction in aggregate Ministries and Mission contributions of 18% to relieve the pressure locally. Assessed congregational contributions for 2021 presented a reduction of 16.7% compared with those in 2020.
- The pressures on CrossReach continued in 2021 with additional costs and enforced restrictions. However, these have been offset in part by increased support through Social Care Sustainability Payments.

The focus on cost reduction continued through 2021 and results returned a much smaller deficit than was budgeted for.

Due to the ongoing restrictions of Covid-19, some costs were naturally reduced – such as travel and conference costs. The Job Retention Scheme continued during 2021 and provided income of £0.3 million to cover the salary costs of those furloughed.

CrossReach received income of £1.9 million in the year from Social Care Sustainability Payments to cover additional costs incurred as a result of Covid-19.

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

Financially, CrossReach accounts for almost half of the Church's income and expenditure due to the range and depth of its activities in Older People's Services, Children and Families and Adult Care and is the single largest category of the Church's expenditure.

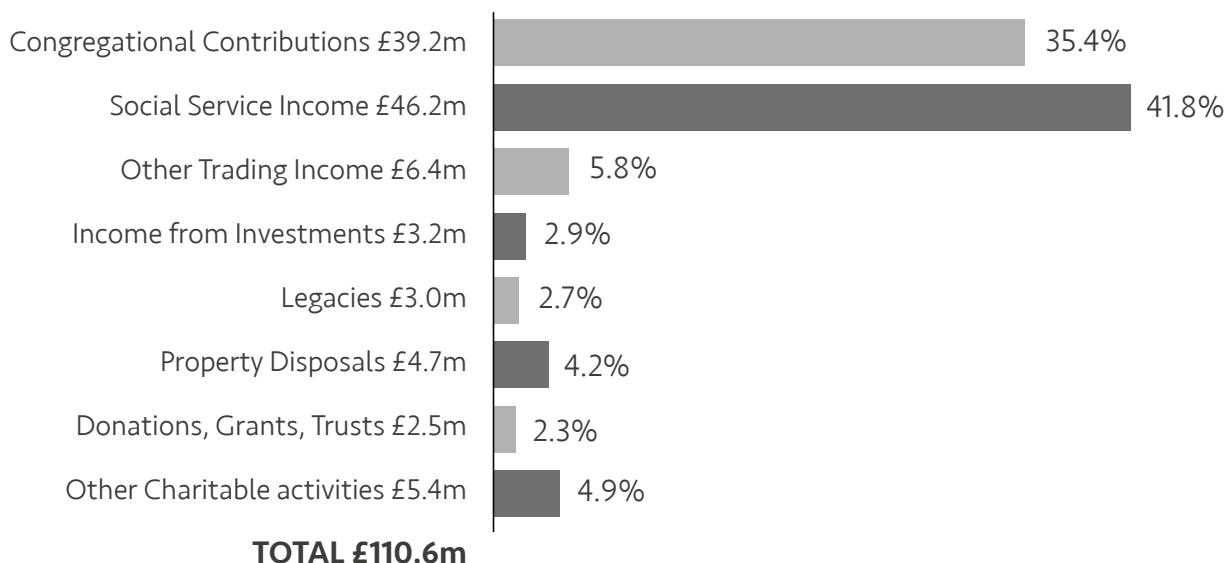
Expenditure on parish ministry costs accounts for the majority of the Church's other expenditure, and should be funded by congregational contributions. During 2021 the accounting for reserves was amended. Funds are now recognised/classified as restricted by their purpose rather than by allocation to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

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

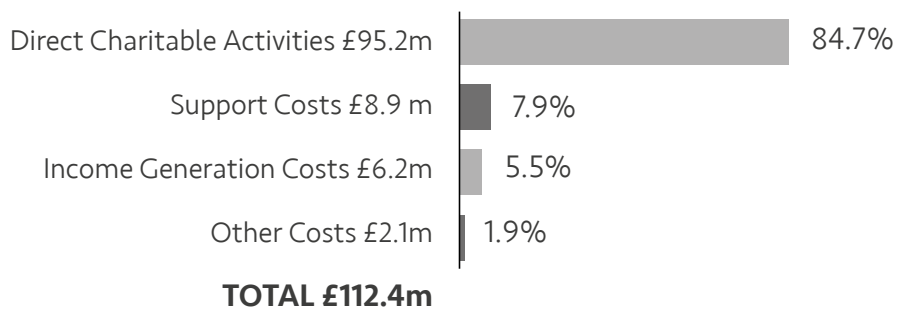
Headline results for 2021 were:

- Income for the Group was £110.6 million and expenditure was £112.4 million, giving a deficit of £1.8 million before investment gains. This compared to income of £104.3 million, expenditure of £114.0 million and a deficit of £9.7million in the previous financial year.
- Expenditure included a charge of £2.4 million (2020: £8.5 million) as a result of discretionary increases to Ministries' pensioners in the closed defined benefit scheme.
- CrossReach's operational surplus before gains on investment assets was £0.1 million compared to an operational deficit of £3.1 million in the previous financial year.
- The trading results of the Israeli operations showed an improved position in 2021 with a total operating profit of £0.4 million compared to an operating profit of £0.3 million the previous year.
- Improved market conditions at the year end resulted in an unrealised gain of £12.7 million (2020: loss of £4.2 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 £39.2 million in 2021 compared to £45.5 million in 2020, with the decrease being due to the overall reduction in aggregate Ministries and Mission contributions for 2021.
- Legacies received amounted to £3.0 million, of which unrestricted legacies were just over £1.2 million. In 2020 legacies of £1.1 million were received.
- Gains of £12.7 million on investments, net expenditure of £1.8 million and positive pension scheme adjustments of £7.5 million meant that the funds of the Group increased by £18.4 million to £215.7 million.

How our activities were funded

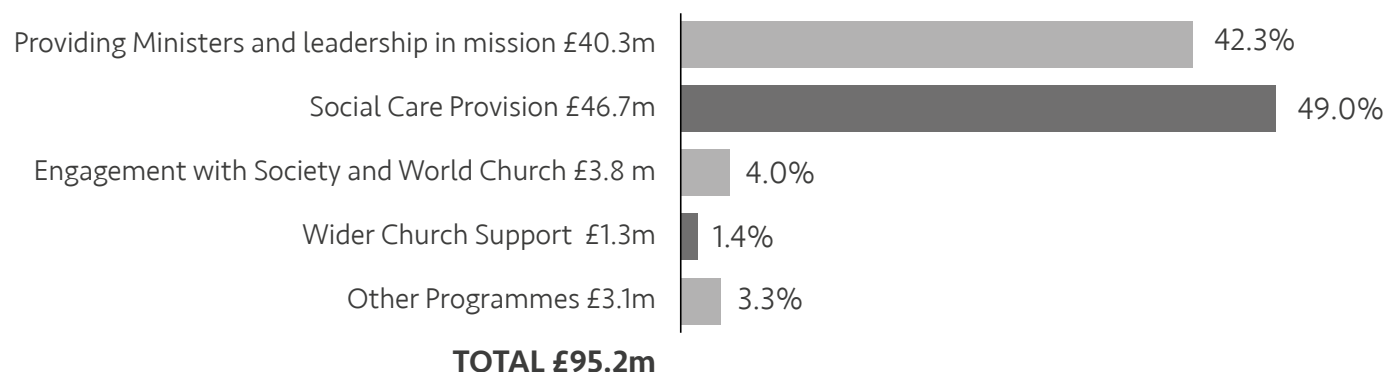


How this was used



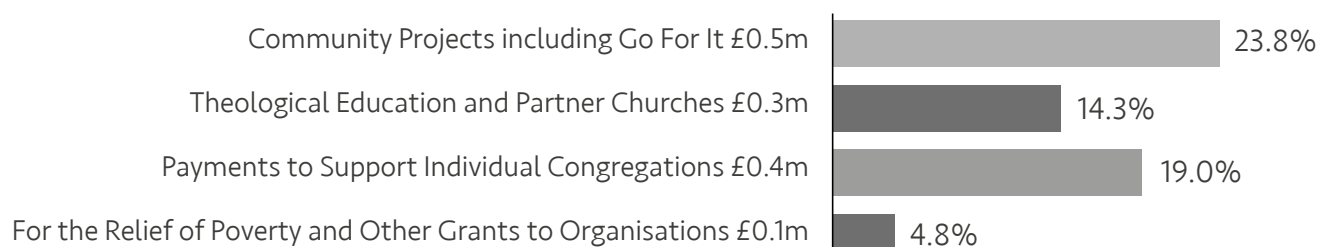
- Congregational Contributions are amounts receivable from all Church of Scotland congregations based on their average assessable income over three years using a scale to calculate an amount of Ministries and Mission contribution for each congregation. Most of this funds the provision of ministers and 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

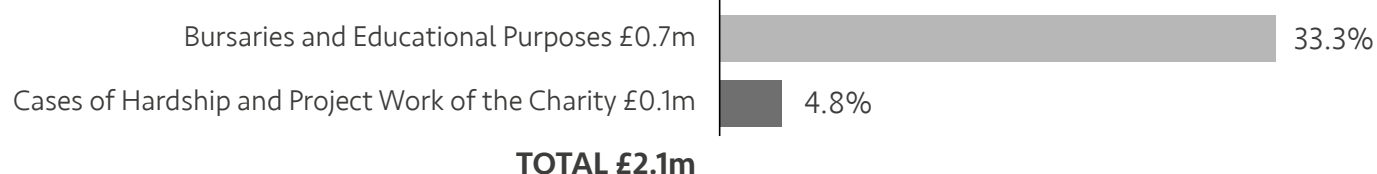


Charitable Grant Making Activities

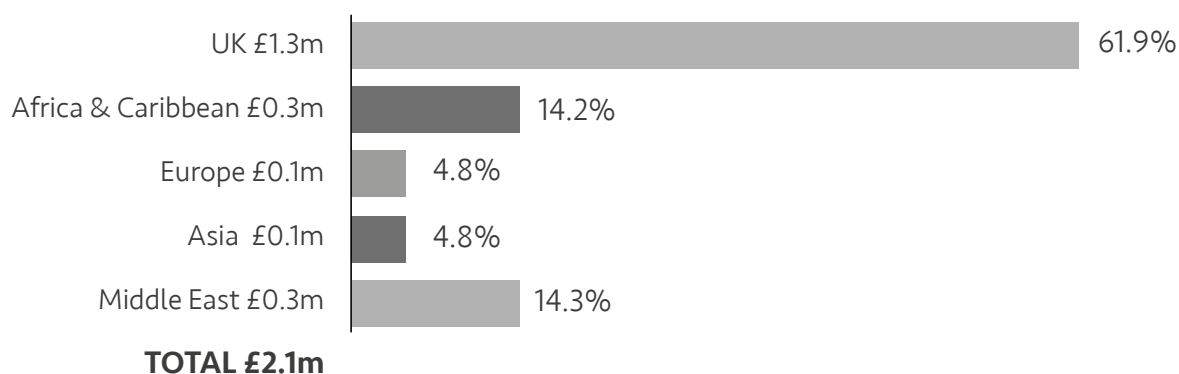
Grants to Institutions:



Grants to Individuals:



Geographical Spread of Grants



Income Overview

Income from all sources in 2021 was £110.6 million, an increase of £6.3 million on the previous year. Income from congregations recognised in the accounts was £6.3 million less than in 2020, at £39.2 million. This represents the overall reduction in aggregate Ministries and Mission contributions by 18% during 2021.

Legacies received were higher than in 2020 at £3.0 million. Other trading income increased by over £3.0 million to £6.4 million with the increase in revenue due to the Israeli subsidiaries.

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

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Income by Type					
Congregational Contributions	39.2	45.5	47.2	46.3	46.8
Social Care	46.2	42.8	43.4	43.0	43.4
Other Charitable Activities	5.4	3.1	3.4	4.5	4.0
Legacies	3.0	1.1	2.5	2.3	2.1
Donations, Trusts, Grants	2.5	2.4	2.2	1.8	1.7
Other Trading Activities	6.4	4.5	8.4	7.4	7.3
Investment & Other	7.9	4.9	7.0	6.2	7.4
Total	110.6	104.3	114.1	111.5	112.7

Trends in Congregational Income

The General Assembly 2020 approved the 18% reduction in aggregate congregational Ministry and Mission contributions in 2021 to relieve the pressure on congregations, experienced as a result of Covid-19. This has led to the reduction in congregational income received in the year. The General Assembly of 2021 agreed to lift the moratorium on increasing Ministries and Mission contributions imposed by the General Assembly of 2019. The congregations have continued to pay their contributions due and it is encouraging that amounts still receivable from congregations at the year end in 2021 have significantly reduced from the previous year as shown in Note 18 (£2.0 million compared to £3.1 million in 2020).

The Trustees recognise the continued effect of the Covid-19 restrictions on congregational finances and understand the variability across congregations in their ability to contribute to Ministries and Mission. Some may not have returned to a sustainable position. Others may have made savings and maintained or even increased giving, meaning that their reserves have not been impacted as badly as they might have been. Against this financial backdrop, £42 million is the total amount requested from congregations for 2022 which is an amount somewhere between the reduced contribution requested in 2021 of £38.2 million and the level in the last pre Covid-19 year, of £46.6 million.

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. 97.8% of the contributions due for 2021 had been received by the 2021 year end. As shown in Note 4 to the financial statements, stipend endowment and glebe rental income totalling £3.6 million was also received from the General Trustees, giving the total congregational income recorded of £39.2 million.

There was an increase in stipend endowment income received in 2021 due to the maintenance of endowment income for 2021 by the General Trustees.

A review of the Ministries and Mission contribution system has been carried out by an independent working group and was presented to the General Assembly in May 2021. The Ministries and Mission scheme will be replaced by the new Giving to Grow scheme in 2023.

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 continues to provide guidance to congregations on setting up and maintaining 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 reserves whilst at the same time facing uncertainty on the time frame for a return to normal operations.

An online donation facility continues to be available on the Church's website to allow individuals to provide offerings and donate to specific congregations electronically. During 2021 £0.2 million was donated through this method, of which the majority 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 donations received are spread over many separate projects within the Church. Given that congregations and individuals have faced their own financial pressures during the challenging economic environment, this is again very encouraging and demonstrates the potential for our projects to enthuse donors. The bigger challenge is to receive unrestricted donations and the Stewardship team is currently working on ways of promoting these.

Legacies Making a Lasting Difference

For many people, leaving a legacy in their will is a significant opportunity to make a real difference to the Church. Legacies gifted to support the UE enable work which might not otherwise be possible. Income from legacies of earlier years is still being put to good use. In 2021, income from legacies was over £3.0 million (2020: £1.1 million). Legacies without restrictions are vital to our work, providing flexibility to be used where most needed. In 2021, unrestricted legacies for any work of the Church were £1.2 million (2020: £0.59 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 General Fund (previously the Mission and Renewal Fund), the only fund the Church has available for wider application. In 2021, CrossReach benefited from total legacy income of £1.4 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 £6.2 million (2020: £3.1 million) and fundraising income of £0.2 million (2020: £0.2 million). The Israeli operations were significantly impacted by the pandemic in 2020 and 2021. 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 improved revenues for the year.

St Andrew's Galilee Limited recorded a surplus of £0.6 million (2020: deficit £0.3 million) and St Andrew's Scottish Centre recorded a deficit of £0.02 million (2020: deficit £0.4 million).

The Israeli Operations continued to be affected by the pandemic in 2021 and were closed during the start of 2021. St Andrew's Guesthouse in Jerusalem had been closed for refurbishment and could not re-open as planned; eventually opening in May 2021. With cost reductions in the entities, Cash Flow forecasts by the Scots Hotel and St Andrew's Guesthouse demonstrated that its operations could be maintained without any additional financial input from the National Church budget. Neither the Hotel, nor the Guesthouse were able to make rental payments to the Church of Scotland Trust in 2021. The Trust agreed to forgive the £0.4 million rent in 2021 due to the impact of the pandemic, therefore the Trust was unable to donate the rental income to the Faith Impact Forum.

Investment Income Funding the Church's Work

Investments provide a source of income for the Agencies as well as safeguarding the future of the Church. Reflecting the broader external environment, investment income of £3.2 million was reduced compared to 2020 (£3.8 million). The Agencies 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 and continued at the reduced rate through 2021.

Other income was from Gains on Disposal of Property of £4.7 million, mainly relating to the Housing and Loan Fund. As a result of the pandemic, some staff remained on furlough and the Church submitted claims through the Job Retention Scheme. £0.3 million was received and recorded in Other Income. Also recorded in Other Income is £1.9 million received by CrossReach for Social Care Sustainability Payments to cover additional reasonable costs as a result of Covid-19.

Expenditure overview

Supporting our activities

The Church's most valuable earthly resource is its people, members and leaders, and these must be financed. Over 71% of our spending is on stipend and salary costs. This includes almost 830 (2020: over 850) (full time equivalent) ministers and Ministries Development Staff, overseas Mission Partners, almost 1,100 (2020: almost 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.

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Expenditure					
Charitable	95.2	98.7	97.6	98.1	97.6
Support	8.9	8.4	8.8	8.4	8.0
Grants	2.1	3.0	4.7	4.2	4.8
Fundraising Costs	6.2	3.9	7.6	10.5	1.5
Total	112.4	114.0	118.7	121.2	111.9

Charitable Expenditure

Continuing Challenge of Providing, Supporting and Funding Ministries

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

Priority Areas

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

Social Care

CrossReach's total expenditure in 2021 was £50.8 million, representing 48% 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.

During the restrictions imposed by the pandemic, CrossReach have taken the appropriate actions for its care homes and other residential and community services. The ongoing restrictions have resulted in continual increased costs and reduced income, but support has been received through Social Care Sustainability Payments which amounted to £1.9 million in 2021.

Grant Making Activities

Pursuit of the Church's objectives has always included the making of external grants. The overall level of grants made in 2020 and 2021 has been reduced and in 2021 amounted to £2.1 million.

All grants are awarded in accordance with set criteria and evaluation systems which are in place to ensure full accountability. As the work of the Forums and Faith Action Plan 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 £0.4 million of grants in 2021, with many of these attracting matched funding for congregations. The Scheme ended in 2019 and all payments therefore relate to historic awards.

The Small Grants Fund was created in 2021 - it provided grants for short term projects (less than 12 months) and could be claimed by congregations and presbyteries. £0.04 million of grants were awarded in 2021 from this scheme. The Faith Nurture Forum provided £0.41 million of grant funding to Funded Partners in 2021, including Workplace Chaplaincy Scotland and Faith in Community Scotland. The Faith Impact Forum spent £0.14m on Local Development Programmes – this was reduced from previous years due to the impact of the pandemic on the possibility of overseas travel. Faith Impact Forum also invested £0.1 million in Project Funding and Partner work in Europe, Asia, Africa and the Caribbean.

Plans for Future Periods

Despite the ongoing impact of the Covid-19 pandemic, work has continued on progressing the changes that are necessary for the future sustainability of the Church. During 2020 and 2021 initiatives have continued, and in some instances have been accelerated, in order to support the strategic direction of the Church. Cost reduction targets in 2020 and 2021 have been achieved and supporting new presbyteries as they form continues.

Work has commenced on the implementation plans for the new Giving to Grow scheme, and on a funding strategy for the new presbyteries. Faced with these changes and continued financial uncertainty the operations and strategy of the Church must ensure an appropriate level of reserves are maintained.

The Special Commission asked for the elimination of deficit budgeting, however the Church is in a transition period which, along with the Covid-19 pandemic, means there will be deficit budgets for at least the next two to three years. The transition funding for the new Giving to Grow scheme will be drawn down from reserves during this time to allow presbyteries and congregations time and resources to adapt to the new ways of working.

Whilst the National Budget for 2021 returned a much smaller deficit than was budgeted, it still remains a deficit at operational level (before gains). The budget for 2022 shows a deficit of £6.4 million and there needs to be careful control to ensure this is maintained, and an improved position achieved in the year.

Reserves

Historically, most reserves have been held almost entirely at Agency level. As instructed by General Assembly in 2018, the accounting for reserves has been reviewed and amended. Previously funds had been internally allocated by the Trustees to a specific agency and therefore classified as restricted to that agency. These funds, however, were not restricted in the legal sense/for a particular purpose as stipulated by a donor, and therefore should have been shown as unrestricted. This treatment has been amended in the year. Funds are now recognised/classified as restricted by their purpose rather than by allocation to a specific Agency, and all unrestricted funds have been transferred to the General Fund in the year. The purpose of a fund is no longer tied to a specific Agency, and all funds are directly controlled by the Trustees.

This has released over £46 million back into the unrestricted General Fund which had a balance of £67.2 million at the end of 2021.

Research into the restricted funds began in 2018 and over the period actions have included removing what had been thought to be permanent endowment status and reclassifying from formally restricted by the settlor to merely designated by the Church (and therefore able to be used more generally). A number of funds have also been reorganised through application to the Scottish Charities Regulator ("OSCR"). The specific research work has slowed down somewhat, partly due to the impact of the pandemic, but also due to prioritising the work in 2021 to clarify the accounting for reserves.

The Trustees have set a target to maintain free reserves representing approximately three month's expenditure of the UE of £26 million (2020: £27 million); and this target is currently being met and free reserves currently represent over six month's expenditure of the UE.

As at 31 December 2021 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 £134 million (2020: £117.9 million). This equates to over 12 months of expenditure.

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

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

As at 31 December 2021, total funds for the UE were £215.7 million, of which £116.9 million was in Restricted Funds, £3.0 million in the Pension Reserve Deficit, £25.9 million in Endowment Funds and £75.9 million in Unrestricted Funds.

Investment Policy – Unlisted Investments

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

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

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

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

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

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

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

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

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

Investment Performance – Unlisted Investments

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 2021 the total return was +14.9% (2020: -0.61%) against the composite benchmark of +16.2% (2020: +3.06%). The Income Fund's total investment return was +0.88% (2020: +6.90%) compared with the composite benchmark return of -3.55% (2020: +7.20%). The Deposit Fund's average rate of interest paid for 2021 was +0.08% (2020: +0.54%).

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 31 December 2013 (1 August 2013 for CrossReach) and in its place, ministers and staff are now able to join a defined contribution group personal pension plan with Legal and General. CrossReach had already operated a defined contribution plan for new staff since 2003. The CrossReach defined benefit scheme reached surplus position and deficit payments ceased early in 2021.

In addition to a triennial valuation, the Scheme Actuary carries out a separate annual valuation in line with the requirements of Financial Reporting Standard (FRS102), which, through the application of differing assumptions, may result in a different funding position for financial reporting purposes. In 2021 there was a net increase of £14.6 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 2021 the Church's share of the deficits was £3.0 million (2020: £6.7 million). As the other defined benefit schemes are in surplus to varying levels (although the surpluses are not recognised as assets), the combined defined benefit pension scheme deficit shown on the balance sheet is therefore £3.0 million (2020: £6.7 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 £2.4 million (2020: £8.5 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 £7.5 million (2020: £6.2 million) on all defined benefit schemes is disclosed under Other Recognised Gains and Losses.

Each year the Church's investments are revalued at the unit price published by the Church of Scotland Investors Trust and the resulting unrealised gain for 2021 was £12.8 million (2020: loss £4.0 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 2023 can be maintained. Mitigating actions have been taken to control expenditure and maintain income and this will continue during 2022 and into 2023. 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.

Apart from the works of CrossReach, congregational contributions are by far the major income to the national budget. The proposed new Ministries and Mission Contribution system (Giving to Grow), will be effective from 2023 and will include a review process to mitigate the effects of any major changes, subject to General Assembly Approval.

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.

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
28 April 2022

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 2021 which comprise the Consolidated Statement of Financial Activities, the Charity Statement of Financial Activities, the Group and Parent Charity Balance Sheets, the Consolidated and Parent Charity Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charity's affairs as at 31 December 2021 and of the group's and parent charity's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of Trustees

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

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 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 and group are in compliance with these law and regulations.

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

3 May 2022

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 2021

Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2021 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2020 £000
Income from:								
4	41,877	2,816	-	44,693	999	48,023	-	49,022
5	6,378	3	-	6,381	3,290	66	-	3,356
6	1,190	2,056	-	3,246	-	3,753	-	3,753
7	3,536	45,872	-	49,408	3,946	41,944	-	45,890
8	962	5,953	-	6,915	1,521	760	-	2,281
	53,943	56,700	-	110,643	9,756	94,546	-	104,302
Expenditure on:								
9	5,852	316	-	6,168	3,340	559	-	3,899
10	49,882	56,402	-	106,284	4,607	105,470	-	110,077
15	(8)	-	-	(8)	-	40	-	40
	55,726	56,718	-	112,444	7,947	106,069	-	114,016
	(1,783)	(18)	-	(1,801)	1,809	(11,523)	-	(9,714)
14, 16	4,631	5,348	2,753	12,732	-	(3,232)	(922)	(4,154)
	2,848	5,330	2,753	10,931	1,809	(14,755)	(922)	(13,868)
27, 28 & 29	66,726	(66,655)	(71)	-	(1,526)	4,913	(3,387)	-
	69,574	(61,325)	2,682	10,931	283	(9,842)	(4,309)	(13,868)
Other Recognised Gains and Losses								
15	6	-	-	6	(512)	(53)	-	(565)
32	-	7,476	-	7,476	-	6,177	-	6,177
	6	7,476	-	7,482	(512)	6,124	-	5,612
	69,580	(53,849)	2,682	18,413	(229)	(3,718)	(4,309)	(8,256)
	6,327	167,744	23,263	197,334	6,556	171,462	27,572	205,590
27, 28 & 29	75,907	113,895	25,945	215,747	6,327	167,744	23,263	197,334

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 2021

Note		Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2021 £000	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2020 £000
	Income from:								
4	Donations and Legacies	41,105	2,816	-	43,921	979	48,023	-	49,002
5	Other Trading Activities	160	3	-	163	144	66	-	210
6	Investments	1,190	2,056	-	3,246	-	3,753	-	3,753
7	Charitable Activities	2,199	45,872	-	48,071	1,885	41,944	-	43,829
8	Other	962	5,953	-	6,915	1,521	760	-	2,281
	Total Income	45,616	56,700	-	102,316	4,529	94,546	-	99,075
	Expenditure on:								
9	Raising Funds	183	316	-	499	-	559	-	559
10	Charitable Activities	47,669	56,402	-	104,071	2,409	105,449	-	107,858
15	Realised (Gain)/Loss on Foreign Currency	(8)	-	-	(8)	-	40	-	40
	Total Expenditure	47,844	56,718	-	104,562	2,409	106,048	-	108,457
	Net (Expenditure)/Income before Investment Gains	(2,228)	(18)	-	(2,246)	2,120	(11,502)	-	(9,382)
14, 16	Net gains/(losses) on Investment Assets	4,631	5,348	2,753	12,732	-	(3,232)	(922)	(4,154)
	Net Income before transfers	2,403	5,330	2,753	10,486	2,120	(14,734)	(922)	(13,536)
27, 28 & 29	Transfers	66,800	(66,729)	(71)	-	(1,526)	4,913	(3,387)	-
	Net Income/(Expenditure) after transfers	69,203	(61,399)	2,682	10,486	594	(9,821)	(4,309)	(13,536)
	Other Recognised Gains and Losses								
	(Losses)/Gains on Revaluation of Foreign Assets	(18)	-	-	(18)	-	-	-	-
32	Actuarial Gains on Defined Benefit Pension Schemes	-	7,476	-	7,476	-	6,177	-	6,177
	Total Other Recognised Gains and Losses	(18)	7,476	-	7,458	-	6,177	-	6,177
	Net Movement in Funds	69,185	(54,923)	2,682	17,944	594	(3,644)	(4,309)	(7,359)
	Fund Balances brought forward at 1 January	8,460	167,818	23,263	199,541	7,866	171,462	27,572	206,900
27, 28 & 29	Fund Balances carried forward at 31 December	77,645	113,895	25,945	217,485	8,460	167,818	23,263	199,541

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 2021

Note	Group		Charity		
	2021 £000	2020 £000	2021 £000	2020 £000	
Fixed Assets					
12	Intangible Assets	117	187	117	187
13	Tangible Assets	46,190	46,332	35,937	35,988
14	Investments	149,394	134,475	150,922	136,021
16a	Mixed Motive Investments	6,725	6,967	6,725	6,967
16b	Programme Related Investments	9,539	9,612	9,539	9,612
	Total Fixed Assets	211,965	197,573	203,240	188,775
Current Assets					
17	Mixed Motive Investments	102	136	754	760
	Stocks and Work in Progress	101	79	37	42
18	Debtors: Amounts receivable within one year	11,621	8,530	10,169	7,654
19	Short Term Deposits	11,868	11,877	11,868	11,877
	Cash at Bank and in Hand	7,851	9,614	6,881	8,584
	Total Current Assets	31,543	30,236	29,709	28,917
20	Creditors: Amounts falling due within one year	(12,472)	(12,305)	(10,309)	(10,270)
	Net Current Assets	19,071	17,931	19,400	18,647
	Total Assets less Current Liabilities	231,036	215,504	222,640	207,422
21	Creditors: Amounts falling due after one year	(9,558)	(9,726)	(85)	(37)
22	Provision for Liabilities and Charges	(2,775)	(1,697)	(2,114)	(1,097)
		(12,333)	(11,423)	(2,199)	(1,134)
	Net Assets excluding Pension Liability	218,703	204,081	220,441	206,288
32	Defined Benefit Pension Liability	(2,956)	(6,747)	(2,956)	(6,747)
24 & 25	Net Assets including Pension Liability	215,747	197,334	217,485	199,541
The Funds of the Group and Charity:					
29	Endowment Funds	25,945	23,263	25,945	23,263
27	Unrestricted Income Funds	75,907	6,327	77,645	8,460
28	Restricted Funds:				
	Pension Reserve	(2,956)	(6,747)	(2,956)	(6,747)
	Restricted Income Funds	116,851	174,491	116,851	174,565
	Total Restricted Funds	113,895	167,744	113,895	167,818
	Total Funds of the Group and Charity	215,747	197,334	217,485	199,541

The Financial Statements were approved and authorised by the Assembly Trustees on 28 April 2022 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 38 to 75 form part of these Financial Statements

Statements of Cash Flows for the year ended 31 December 2021

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Cash Flows from operating activities:				
Net cash (used in)/provided by operating activities	(6,239)	734	(6,790)	(3,857)
Cash flows from investing activities				
Dividends, and rents from investments	3,232	3,789	3,232	3,789
Interest received	14	92	14	92
Proceeds from sale of property, plant and equipment	6,073	2,626	6,073	2,626
Purchase of property, plant and equipment	(2,677)	(7,576)	(2,347)	(2,052)
Loans granted	(84)	(313)	(112)	(694)
Loans repaid	433	498	433	498
Proceeds from sale of investments	8,861	4,192	8,861	4,192
Purchase of investments	(11,058)	(2,205)	(11,058)	(2,288)
Net cash provided by investing activities	4,794	1,103	5,096	6,163
Change in cash and cash equivalents in the reporting year	(1,445)	1,837	(1,694)	2,306
Cash and cash equivalents at the beginning of the reporting year	21,491	20,179	20,461	18,115
Change in cash equivalents due to exchange rate movements	(327)	(525)	(18)	40
Cash and cash equivalents at the end of the reporting year	19,719	21,491	18,749	20,461
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	10,931	(13,868)	10,486	(13,536)
Adjustments for:				
Depreciation charges (net of foreign currency adjustments) and impairment	1,860	5,775	1,124	848
Dividends interest and rents from investments (including pension schemes)	(3,232)	(3,753)	(3,232)	(3,753)
Profit on sale of fixed assets	(4,718)	(761)	(4,718)	(761)
Realised gains on foreign currency	(14)	(40)	(14)	(40)
Net (gains)/losses on investment assets	(12,715)	4,154	(12,715)	4,154
(Increase)/decrease in stock	(22)	13	5	(15)
(Increase)/decrease in debtors receivable within one year	(3,091)	(1,240)	(2,515)	(1,369)
Increase/(decrease) in creditors	167	(7,791)	39	1,751
Increase/(decrease) in provisions	1,078	(308)	1,017	-
(Decrease)/increase in long term liabilities	(168)	9,511	48	(178)
Increase in pension deficit	3,685	9,042	3,685	9,042
Net cash (used in)/provided by operating activities	(6,239)	734	(6,790)	(3,857)

Statements of Cash Flows for the year ended 31 December 2021 (continued)

Analysis of changes in net cash and cash equivalents	Balance 1 Jan 2021 £000	Movements £000	Balance 31 Dec 2021 £000
Group			
Short term deposits	11,877	(9)	11,868
Cash at Bank and in Hand	9,614	(1,763)	7,851
	21,491	(1,772)	19,719
Charity			
Short term deposits	11,877	(9)	11,868
Cash at Bank and in Hand	8,584	(1,703)	6,881
	20,461	(1,712)	18,749

Analysis of changes in net debt	Balance 1 Jan 2021 £000	Cash flows £000	Other non-cash changes £000	Balance 31 Dec 2021 £000
Group				
Cash and cash equivalents				
Short term deposits	11,877	(9)	-	11,868
Cash at Bank and in Hand	9,614	(1,763)	-	7,851
	21,491	(1,772)	-	19,719
Borrowings				
Debt due within one year	-	-	49	49
Debt due after one year	9,689	(167)	(49)	9,473
	9,689	(167)	-	9,522
Total	11,802	(1,605)	-	10,197
Charity				
Cash and cash equivalents				
Short term deposits	11,877	(9)	-	11,868
Cash at Bank and in Hand	8,584	(1,685)	(18)	6,881
	20,461	(1,694)	(18)	18,749
Borrowings				
Debt due within one year	-	-	-	-
Debt due after year	-	-	-	-
	-	-	-	-
Total	20,461	(1,694)	(18)	18,749

Notes to the Financial Statements for the year ended 31 December 2021

1. Accounting Policies

Legal Status

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

The Principal Office of the charity is 121 George Street, Edinburgh EH2 4YN. The principal activities of the charity are as described in the Trustees' Report. These financial statements are presented in £000 Sterling.

Basis of Preparation

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

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

These financial statements have been prepared on a going concern basis. The impact of Covid-19 is set out on page 28 of the Trustees' Report. The Trustees have considered the impact of Covid-19 on the charity's current and future financial position and have revisited the budgets and cashflow forecasts to take account of this. Based on the budgets and cashflow forecasts, which cover a period of more than 12 months, the Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

Judgements and Estimates

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

Pensions

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity

of the valuations, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in Note 32.

Impairment of non-financial assets

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

Useful lives and residual values

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

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

Basis of Consolidation and Subsidiary Undertakings

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

Funds

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

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

i Unrestricted Funds

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

> Designated Funds

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

ii Restricted Funds

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

> Permanent Endowment Funds

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

> Expendable Endowment Funds

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

Income

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

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.

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

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

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

Expenditure

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

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

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

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

Where a grant is payable over more than one year, a liability is recognised for the full amount of the constructive obligation unless conditions apply to payments falling after the Balance Sheet date. Where conditions remain within the control of UE, a liability is not recognised. Where a condition falls outside the control of UE, 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 recorded at cost and written off over ten years on a straight line basis from the date at which it is available for use.

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

Tangible Fixed Assets

Heritable and Other Properties

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

All costs incurred on acquiring, improving or adding to properties (including residential properties) are capitalised. Other overseas

properties are included at cost or a reasonable approximation of cost. Certain overseas properties were donated or constructed in the 19th century and costs have been estimated by comparing these to similar overseas properties whose costs were reliably documented. The values are not considered to be material relative to either cost or depreciated cost.

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

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

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

Other Tangible Fixed Assets

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

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

Depreciation

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

Heritable and Other Properties	
Residential Properties, Churches and Manses	50 years
Operational Constructed Properties – traditional	50 years
Operational Constructed Properties – prefabricated	20 years
Operational Refurbished Properties	25 years
Limited Lifespan Properties	15 years
Motor Vehicles	4 years
Leasehold Property Improvements	10 years
Equipment and Furniture:	
Computer Equipment	3-5 years
Office Equipment and Plant and Machinery	5 years
Furniture and Fittings	10 years

Assets under construction are not depreciated.

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

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 the loan provided to the Church of Scotland Trust net of any repayments made to date.

Mixed Motive Investments

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

purposes is sufficient on its own to justify the investment decision.

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

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

a) Standard loans are subject to a minimum and a maximum loan amount which at 31 December 2021 was £5,000 and £25,000 respectively. The interest rate on such loans is currently two percent for ministers and one per cent for widows, widowers or bereaved civil partners of ministers. The amount which the borrower is due to repay does not change, regardless of whether the property appreciates or falls in value over the term of the loan.

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

or

b) Shared Appreciation loans, which may be granted for up to seventy per cent of a house purchase price, subject to a minimum loan amount (currently £25,000) and a maximum loan amount which at 31 December 2021 was £128,000. The interest rate on such loans is currently one and a half per cent for ministers and three quarters per cent for widows, widowers or bereaved civil partners of ministers.

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

Shared Appreciation loans are accounted for as concessionary loans and are recognised at cost with the carrying amount adjusted in subsequent years to reflect repayments and any accrued interest and are adjusted as necessary for any impairment.

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

Stocks

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

Debtors

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

Cash and Liquid Resources

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

Overseas Operations/Foreign Currencies

Transactions in foreign currencies are translated at rates prevailing at the date of the transaction. Monetary assets of the Charity which are denominated in foreign currencies are translated at the year end rate of exchange. The consolidation of the assets and liabilities of the subsidiaries in Israel has been incorporated at the year end rate of exchange. The income and expenditure has been translated at

an average rate for the year. Exchange gains and losses are treated as unrestricted except where restricted by contract and are taken to the SOFA.

Creditors

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

Provisions

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

Pensions

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

Defined benefit pension assets are measured at fair value.

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

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

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

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

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

Taxation

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

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

2. Related Parties

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

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

Related party	Group entity	Nature of transactions	Value of transactions during year		Nature of balance	Amounts owed from/(to) at year	
			2021 £000	2020 £000		2021 £000	2020 £000
The Church of Scotland Investors Trust	The Church of Scotland	Management charges received	110	110	Creditor (note 20)	(2,943)	(1,086)
The Church of Scotland Trust	The Church of Scotland	Donation received	374	380	Programme related investment (note 16b)	9,539	9,612
		Grant paid	(53)	(50)	Debtor (note 18)	5	4
		Finance and legal service charges received	47	44	Accrued income - loan repayments and interest (note 18)	-	323
		Loan recovered	73	13			
		Loan repayment adjustment	-	60			
The Church of Scotland Trust	St Andrew's Galilee Limited	Loan payment	(73)	(13)	Loan balance (notes 20, 21)	9,522	(9,612)
		Loan repayment adjustment	-	(60)			
		Loan interest paid	(627)	(127)			
		Rent paid	-	-			
		Rent balance forgiven	377	280			
The Church of Scotland General Trustees	The Church of Scotland	Stipend endowment income and glebe rents	3,609	2,834	Debtor (note 18)	2,166	314
		Grant received	-	15			
		Finance, legal and other support service charges received	671	713			
		Grant paid	-	(283)			
The Church of Scotland Pension Trustees	The Church of Scotland	Employer contributions	-	(569)	Creditor (note 20)	5	14
		Pensions paid	16,381	14,522			
		Management fees received	434	500			
St Andrew's Galilee Limited	The Church of Scotland	Regional Director's costs	7	7	Investment (note 14)	504	504
					Creditor (note 20)	(69)	(8)
St Andrew's Scottish Centre Limited	The Church of Scotland	Regional Director's costs	7	7	Investment (note 14)	1,024	1,042
					Mixed motive investment (note 17)	652	624
					Debtor (note 18)	-	21
Tabeetha School in Jaffa	The Church of Scotland	Regional Director's costs	7	7	Debtor (note 18)	14	21
CrossReach Trading Limited	The Church of Scotland	Gift aid received	-	5			
CrossReach Community Connections	The Church of Scotland	Grants received	41	37			

The Church of Scotland Investors Trust

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

The Church of Scotland Trust

The Church of Scotland Trust was incorporated by the Church of Scotland Trust Order Confirmation Act 1932. The Church of Scotland Trust holds the titles to the properties 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.

The Church of Scotland General Trustees

The Church of Scotland General Trustees was incorporated by the Church of Scotland (General Trustees) Order Confirmation Act 1921. The General Trustees holds the titles to the properties in Scotland of the Unincorporated Entities. As at 31 December 2021, the Unincorporated Entities had a debtor balance in respect of monies held in the church's internal banking system.

The Church of Scotland Pension Trustees

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

The Church of Scotland Pension Scheme for Ministers and Overseas Missionaries

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

The Church of Scotland Pension Scheme for Staff

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

St. Andrew's Galilee Limited

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

St. Andrew's Scottish Centre Limited

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

Tabeetha School in Jaffa

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

CrossReach Trading Limited

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

CrossReach Community Connections

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

3. Staff Costs and Numbers

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

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

The Social Care Council's staff costs include £4.0 million for agency staff (2020: £3.9 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	2021 Total £000	2020 Total £000
Staff Costs						
Salaries and Stipends	27,528	33,048	6,089	253	66,918	66,635
Social Security Costs	2,693	2,474	628	18	5,813	5,334
Pension Costs – Defined Contribution	4,328	1,118	970	41	6,457	7,314
Pension Costs – Defined Benefit	-	257	-	-	257	9,936
Total	34,549	36,897	7,687	312	79,445	89,219

Severance costs included in the above were £245,000 (2020: £686,000). These related to closed services in the Social Care Council and other termination costs in the year.

Ex-gratia payments included in the above were £nil (2020: £360,000). In 2020 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.	2021 Total No.	2020 Total No.
Average Staff Numbers						
Monthly Average						
Full Time	782	463	144	10	1,399	1,438
Part Time	86	1,233	63	-	1,382	1,413
Total	868	1,696	207	10	2,781	2,851
Full Time Equivalents	826	1,083	186	10	2,106	2,153

There were 18 employees whose employee benefits (excluding employer pension contributions) exceeded £60,000 in 2021 (2020: 22 employees).

	Social Care No.	CSC No.	2021 Total No.	2020 Total No.
Salary Bands				
£60,001 - £70,000	2	9	11	14
£70,001 - £80,000	2	1	3	7
£80,001 - £90,000	3	-	3	-
£90,001 - £100,000	-	-	-	-
£100,001 - £110,000	1	-	1	1

During 2021, there were 12 (2020: 11) individuals who served as members of the Key Management Personnel. The total remuneration (salary, benefits, employer pension contributions and employer national insurance contributions) for the Key Management Personnel for 2021 was £859,000 (2020: £900,000).

Subsidiary Companies and Tabeetha School

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

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

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

	2021 No.	2020 No.
£60,001 - £70,000	1	-
£70,001 - £80,000	2	-
£90,001 - £100,000	-	2
£100,001 - £110,000	-	1
£120,001 - £130,000	1	-
£190,001 - £200,000	1	-

	2021 £000	2020 £000
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Staff Costs

Salaries	3,413	2,692
Social Security Costs	275	235
Pension Costs	345	325
Total	4,033	3,252

	2021 No.	2020 No.
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Average Staff Numbers

Monthly Average	152	118
Full Time Equivalents	104	79

4. Donations and Legacies

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Assessed Congregational Contributions	35,563	42,648	35,563	42,648
Stipend Endowment Income	3,609	2,834	3,609	2,834
Total Congregational Income	39,172	45,482	39,172	45,482
Donations, Grants, Trusts	2,136	2,056	1,364	2,036
Legacies	3,011	1,104	3,011	1,104
Donations from The Church of Scotland Trust	374	380	374	380
	44,693	49,022	43,921	49,002

Donations, Grants, Trusts includes £nil (2020: £16,000) in respect of government grants for specific projects carried out by Faith Impact Forum.

5. Other trading activities

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Fundraising	163	210	163	210
Israeli Trading Subsidiaries	6,218	3,146	-	-
	6,381	3,356	163	210

6. Income from Investments

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Dividends from Unitised Investments	3,232	3,661	3,232	3,661
Deposit and Bank Account Interest	14	92	14	92
	3,246	3,753	3,246	3,753

7. Income from Charitable Activities

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Social Service Provision	46,159	42,806	44,822	40,745
Rental of Accommodation and Premises	640	658	640	658
Publications and Royalties	462	481	462	481
Income from Events	111	53	111	53
Guild Memberships and Other Fees	88	194	88	194
Reimbursement of Legal, Accounting and Other Support by Wider Network of Church Organisations	1,270	1,290	1,270	1,290
Other	678	408	678	408
	49,408	45,890	48,071	43,829

8. Other Income

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Gain on Disposal of Fixed Assets	4,685	761	4,685	761
Coronavirus Job Retention Scheme	305	1,520	305	1,520
Social Care Sustainability Payments	1,925	-	1,925	-
	6,915	2,281	6,915	2,281

During the year the Church of Scotland received support from the government under the Coronavirus Job Retention Scheme of £305,000 (2020: £1,520,000). 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.

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

9. Expenditure on Raising Funds

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Fundraising Activities (including Trading Subsidiaries in Israel)	5,669	3,340	-	-
Costs of Generating Voluntary Income	499	559	499	559
	6,168	3,899	499	559

10. Expenditure on Charitable Activities

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

Group and Charity 2020				
	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

10. Expenditure on Charitable Activities (continued)

	Group and Charity	
	2021 £000	2020 £000
Grants		
Grants to Individuals:		
Bursaries and Educational Purposes	731	868
Cases of Hardship	63	102
Project Work of the Charity	7	13
	801	983
Grants to Organisations for the Advancement of Religion:		
Through Theological Education and Partner Churches	265	660
Through Community Projects including 'Go For It'	505	660
By Payments to Support Individual Congregations	381	505
For the Relief of Poverty	135	181
For Heritage and the Environment	4	-
	1,290	2,006
Total Grants	2,091	2,989

	Group and Charity	
	2021 £000	2020 £000
Support Costs		
Finance, Payroll, Information Technology and Estates	3,152	3,004
Human Resources and Training	1,181	1,126
Central Premises	748	730
Regional Offices and Senior Operational Management	2,219	1,497
Legal	142	247
Safeguarding of Children and Vulnerable Adults	355	314
Media Relations and Website	835	776
FRS102 Defined Benefit Pension Scheme Costs	317	674
	8,949	8,368

10. Expenditure on Charitable Activities (continued)

	Group and Charity	
	2021 £000	2020 £000
Governance costs included in Expenditure on Charitable Activities	1,384	946
Support costs are apportioned to charitable activities and individual Forums on the basis of direct expenditure.		
Leasing costs charged to the SOFA		
Property	1,153	1,141
Other	335	502
Total Leasing Charges	1,488	1,643
Fees paid to the external auditors are as follows;		
Audit of UE - RSM UK	94	104
Audit of subsidiary undertakings - PWC (2020: PWC)	13	13
Total audit fees	107	117
Tax advice- RSM UK	2	19
Total non-audit fees	2	19
Total Fees	109	136
Impairment losses included in Expenditure on Charitable Activities	319	-

11. Trustees' Remuneration and Expenses

Trustees are not remunerated for their services as Assembly Trustees. During 2021 there were 18 Assembly Trustees. Four of the eighteen voting members who served during 2021 (2020: two of fifteen) 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 four Trustees as parish ministers was £172,000 (2020: £74,000). Expenses of £1,000 (2020: £1,000) were reimbursed to Trustees in respect of travel to Assembly Trustee meetings and

overnight accommodation where required. In total, two Trustees received expenses during 2021 (2020: six Trustees). During the year one Trustee, Anikó Schütz 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 £nil at 31 December 2021 (2020: £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 2021 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 2021	78	217	295
Additions	-	11	11
At 31 December 2021	78	228	306
Accumulated Amortisation			
At 1 January 2021	19	89	108
Charge for year	8	73	81
At 31 December 2021	27	162	189
Net Book Value			
At 31 December 2021	51	66	117
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.

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 2021	83,064	295	6,920	1,288	91,567
Additions	2,068	156	349	104	2,677
Transfers	1,404	-	33	(1,437)	-
Disposals	(7,295)	(38)	(31)	-	(7,364)
Foreign Currency Exchange Adjustments	659	-	162	45	866
At 31 December 2021	79,900	413	7,433	-	87,746
Accumulated Depreciation					
At 1 January 2021	39,924	274	5,037	-	45,235
Disposals	(5,944)	(38)	(29)	-	(6,011)
Impairment Charge	319	-	-	-	319
Charge for Year	1,034	24	402	-	1,460
Foreign Currency Exchange Adjustments	416	-	137	-	553
At 31 December 2021	35,749	260	5,547	-	41,556
Net Book Value					
At 31 December 2021	44,151	153	1,888	-	46,192
At 31 December 2020	43,140	21	1,883	1,288	46,332
Charity					
Cost					
At 1 January 2021	64,125	284	2,241	-	66,650
Additions	1,960	156	231	-	2,347
Disposals	(7,295)	(38)	(31)	-	(7,364)
At 31 December 2021	58,790	402	2,441	-	61,633
Accumulated Depreciation					
At 1 January 2021	28,975	263	1,424	-	30,662
Disposals	(5,944)	(38)	(27)	-	(6,009)
Impairment Charge	319	-	-	-	319
Charge for Year	448	24	252	-	724
At 31 December 2021	23,798	249	1,649	-	25,696
Net Book Value					
At 31 December 2021	34,992	153	792	-	35,937
At 31 December 2020	35,150	21	817	-	35,988

14. Investments

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Unlisted Investments - Growth Fund	119,988	113,730	119,988	113,730
Unlisted Investments - Income Fund	29,202	20,530	29,202	20,530
Unlisted Investments - Investment in Oiko Credit Co-operative	204	204	204	204
Deposit Fund - Bank Deposit Accounts	-	11	-	11
	149,394	134,475	149,394	134,475
Investment in Subsidiary Entities	-	-	1,528	1,546
Fair Value/Cost	149,394	134,475	150,922	136,021
Historic Cost	79,469	70,732	81,015	72,278

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
	2021 £000	2021 £000
Fair Value at 1 January	134,475	136,021
Disposals at Opening Fair Value	(8,939)	(8,939)
Reclassification to Short Term Deposits	(11)	(11)
Acquisitions at Cost	11,058	11,058
Losses on Revaluation of Foreign Assets	-	(18)
Net Gains on Revaluation at 31 December	12,811	12,811
Market Value at 31 December	149,394	150,922
Net (Losses)/Gains on Disposal of Investments		
Sale Proceeds	8,861	8,861
Fair Value at 1 January	(8,939)	(8,939)
Net Realised (Losses)/Gains on disposal in Year	(78)	(78)
Amount charged to the Statement of Financial Activities		
Net Gains on Revaluation of Investments	12,811	12,811
Net Realised Losses on Disposal of Investments	(78)	(78)
Losses on Revaluation of Foreign Assets	-	(18)
Net (Losses)/Gains on Investment Assets	12,733	12,715

15. Foreign Currency

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Realised Gains and Losses recognised in:				
Income				
On Bank Deposits not denominated in sterling	9	(60)	9	(60)
Unrealised Gains and Losses recognised in:				
Expenditure				
On Bank Deposits not denominated in sterling	(1)	20	(1)	20
Other Recognised Gains and Losses				
Gains/(Losses) on Net Assets of Subsidiary Companies on Consolidation	6	565	(18)	-

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

16a. Mixed Motive Investments - Fixed Assets

	Group and Charity	
	2021 £000	2020 £000
Housing Loans (heritably secured) at amortised cost	6,025	6,267
Property held as mixed motive investment	700	700
	6,725	6,967

The Housing Loans are repayable when the properties relating to the loans are sold, and attract interest at rates between 0.75% and 2%. The carrying value of concessionary loans was £6,000,000 (2020: £6,047,000). At 31 December 2021, future Housing Loans which were committed but not taken up were £563,000 (2020: £950,000).

	Group and Charity	
	2021 £000	2020 £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	
	2021 £000	2020 £000
The Church of Scotland Trust		
At 1 January	9,612	9,685
Loan advanced	-	-
Loan repaid	(73)	(73)
At 31 December	9,539	9,612

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	
	2021 £000	2020 £000	2021 £000	2020 £000
Car Loans	46	74	46	74
Loan to Subsidiary Company	-	-	652	624
Other Loans	56	62	56	62
	102	136	754	760

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	
	2021 £000	2020 £000	2021 £000	2020 £000
Amounts receivable within one year				
Trade Debtors	3,821	2,471	2,411	1,738
Amounts Owed by: Congregations	1,952	3,103	1,952	3,103
Church of Scotland General Trustees	2,166	314	2,166	314
Church of Scotland Trust	5	4	5	4
Sundry Debtors	47	192	56	56
Prepayments	885	721	834	700
Accrued Income	2,745	1,725	2,745	1,739
	11,621	8,530	10,169	7,654

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

19. Short Term Deposits

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Deposit Fund with Church of Scotland Investors Trust	11,868	11,877	11,868	11,877
	11,868	11,877	11,868	11,877

20. Creditors: Amounts Falling Due within One Year

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Trade Creditors	830	592	480	479
Amounts Owed to: Church of Scotland Investors Trust	2,943	1,086	2,943	1,086
Church of Scotland Pension Trustees	5	14	5	14
Congregations	321	-	321	-
Loan from Church of Scotland Trust to St Andrew's Galilee Limited	49	-	-	-
Other Creditors Including Tax and Social Security	3,147	2,664	2,736	2,433
Sundry Creditors	623	2,321	517	1,995
Accruals	2,505	3,336	2,411	3,103
Deferred Income	2,049	2,292	896	1,160
	12,472	12,305	10,309	10,270

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

Deferred Income

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Balance brought forward at 1 January	2,292	1,295	1,160	844
Income deferred in the year	1,293	2,555	221	1,012
Amounts released from previous periods	(1,536)	(1,558)	(485)	(696)
Balance carried forward at 31 December	2,049	2,292	896	1,160

21. Creditors: Amounts Falling Due after One Year

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Grants	80	32	80	32
Loan from Church of Scotland Trust to St Andrew's Galilee Limited	9,473	9,689	-	-
Loan from Nan Stevenson Trust to Housing & Loan Fund	5	5	5	5
	9,588	9,726	85	37

A loan agreement exists between St Andrew's Galilee Limited and the Church of Scotland Trust for the loan detailed in notes 20 and 21. Payments are made from St Andrew's Galilee Limited to the Church of Scotland Trust in line with the loan agreement. Interest is charged at 3.9% and the full term of the loan is 39 years. £49,000 is due to be repaid within 1 year as shown in Note 20.

22. Provision for Liabilities and Charges

	Group			
	Other £000	Onerous Lease £000	Statutory Severance £000	Total £000
Balance brought forward at 1 January 2021	629	468	600	1,697
Utilised in the year	(159)	-	(148)	(307)
Additional provision in the year	1,364	-	209	1,573
Reversed in year	(188)	-	-	(188)
Balance carried forward at 31 December 2021	1,646	468	661	2,775

	Charity		
	Other £000	Onerous Lease £000	Total £000
Balance brought forward at 1 January 2021	629	468	1,097
Utilised in the year	(159)	-	(159)
Additional provision in the year	1,364	-	1,364
Reversed in year	(188)	-	(188)
Balance carried forward at 31 December 2021	1,646	468	2,114

The onerous lease provision for dilapidations relates to a property formerly leased and then vacated in 2015 and the provision is for an ongoing dispute concerning dilapidation costs on the property. There are arbitration proceedings which are currently ongoing. The timing of the release of the severance pay provision is inherently uncertain as these are calculated by reference to the length of service of employees in Israel. Other provisions include a range of provisions covering dilapidations, redundancy costs and claims and compensation under the historic child abuse enquiry.

23. Financial Instruments

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

	Group		Charity	
	2021 £000	2020 £000	2021 £000	2020 £000
Financial assets at fair value through the Statement of Financial Activities				
Unlisted investments	149,394	134,464	150,922	136,040

24. Analysis of Net Assets among Funds - Group

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2021 £000
Tangible and Intangible Fixed Assets	10,701	35,606	-	46,307
Investments	53,566	69,883	25,945	149,394
Mixed Motive Investments	25	6,700	-	6,725
Programme Related Investments	9,539	-	-	9,539
Total Fixed Assets	73,831	112,189	25,945	211,965
Net Current Assets	13,654	5,417	-	19,071
Creditors: Amounts falling due after more than one year and Provisions for Liabilities and Charges	(11,578)	(755)	-	(12,333)
Pension Scheme Liability	-	(2,956)	-	(2,956)
Net Assets	75,907	113,895	25,945	215,747

	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	10,670	-	17,931
Creditors: Amounts falling due after more than one year and Provisions for Liabilities and Charges	(10,289)	(1,134)	-	11,423
Pension Scheme Liability	-	(6,747)	-	(6,747)
Net Assets	6,327	167,744	23,263	197,334

25. Analysis of Net Assets among Funds - Charity

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

	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	10,691	-	18,647
Creditors: Amounts falling due after more than one year and Provisions for Liabilities and Charges	-	(1,134)	-	(1,134)
Pension Scheme Liability	-	(6,747)	-	(6,747)
Net Assets at 31 December 2020	8,460	167,818	23,263	199,541

26. Analysis of Fund Transfers - Group

	Clarification and amendment of opening fund balances				Transfers during the year			
	To Unrestricted £000	To Restricted £000	To Endowment £000	Realloca- tions and Splits £000	Reallo- cation of Agency Funds £000	Reclassifi- cation of Funds £000	Other Transfers £000	Group Total Transfers £000
Unrestricted Funds								
Social Care Council	-	-	-	-	-	-	-	-
Faith Nurture Forum	29,297	-	-	16,172	(45,469)	-	-	-
Faith Impact Forum	17,560	-	-	1,343	(19,407)	2,133	-	1,629
Support & Services	165	-	-	1,571	(1,736)	-	-	-
General Fund	2,161	-	-	(234)	66,612	(10,539)	(1,085)	56,915
Priority Areas Properties	-	-	-	-	-	1,594	-	1,594
Ministries Candidates Bursaries	-	-	-	-	-	1,387	-	1,387
Study Leave Fund	-	-	-	-	-	1,419	-	1,419
New College Funds	-	-	-	-	-	1,030	-	1,030
St Colm's Fund	-	-	-	-	-	919	-	919
Other Funds	-	-	-	-	-	1,833	-	1,833
	49,183	-	-	18,852	-	(224)	(1,085)	66,726
Restricted Funds								
Social Care Council	-	-	-	-	-	1	1,085	1,086
Faith Nurture Forum	(29,099)	6	-	(16,728)	(7,180)	-	-	(53,001)
Faith Impact Forum	(17,560)	58	-	(1,175)	(9,656)	74	-	(28,259)
Support & Services	(165)	-	-	(1,322)	1,322	-	-	(165)
Housing & Loan	-	-	-	-	-	-	-	-
F G Salvesen Trust	-	-	-	-	-	(14)	-	(14)
Ministries Benevolence	-	-	-	556	-	2	-	558
Faith Impact Fund	-	-	-	-	-	1,985	-	1,985
Faith Nurture Fund	-	-	-	-	-	1,483	-	1,483
Other Funds	(2,161)	4	(295)	-	15,514	(3,390)	-	9,672
	(48,985)	68	(295)	(18,669)	-	141	1,085	(66,655)
Endowment Funds								
Social Care Council	-	-	-	-	-	(1)	-	(1)
Faith Nurture Forum	(198)	(6)	-	-	(1,600)	-	-	(1,804)
Faith Impact Forum	-	(58)	-	(168)	(5,257)	-	-	(5,483)
Support & Services	-	-	-	(249)	249	-	-	-
Augusta Lamont Bequest	-	-	-	3,333	-	-	-	3,333
Craigfoodie Endowment	-	-	-	969	-	-	-	969
Erskine Cunningham Hill Trust	-	-	-	1,372	-	-	-	1,372
Other Funds	-	(4)	295	(5,440)	6,608	84	-	1,543
	(198)	(68)	295	(183)	-	83	-	(71)
	-	-	-	-	-	-	-	-

26. Analysis of Fund Transfers - Charity

	Clarification and amendment of opening fund balances				Transfers during the year			
	To Unrestricted £000	To Restricted £000	To Endowment £000	Realloca- tions and Splits £000	Reallo- cation of Agency Funds £000	Reclassifi- cation of Funds £000	Other Transfers £000	Charity Total Transfers £000
Unrestricted Funds								
Social Care Council	-	-	-	-	-	-	-	-
Faith Nurture Forum	29,297	-	-	16,172	(45,469)	-	-	-
Faith Impact Forum	17,560	-	-	1,343	(19,407)	-	-	(504)
Support & Services	165	-	-	1,571	(1,736)	-	-	-
General Fund	2,161	-	-	(234)	66,612	(8,332)	(1,085)	59,122
Priority Areas Properties	-	-	-	-	-	1,594	-	1,594
Ministries Candidates Bursaries	-	-	-	-	-	1,387	-	1,387
Study Leave Fund	-	-	-	-	-	1,419	-	1,419
New College Funds	-	-	-	-	-	1,030	-	1,030
St Colm's Fund	-	-	-	-	-	919	-	919
Other Funds	-	-	-	-	-	1,833	-	1,833
	49,183	-	-	18,852	-	(150)	(1,085)	66,800
Restricted Funds								
Social Care Council	-	-	-	-	-	1	1,085	1,086
Faith Nurture Forum	(29,099)	6	-	(16,728)	(7,180)	-	-	(53,001)
Faith Impact Forum	(17,560)	58	-	(1,175)	(9,656)	-	-	(28,333)
Support & Services	(165)	-	-	(1,322)	1,322	-	-	(165)
Housing & Loan	-	-	-	-	-	-	-	-
F G Salvesen Trust	-	-	-	-	-	(14)	-	(14)
Ministries Benevolence	-	-	-	556	-	2	-	558
Faith Impact Fund	-	-	-	-	-	1,985	-	1,985
Faith Nurture Fund	-	-	-	-	-	1,483	-	1,483
Other Funds	(2,161)	4	(295)	-	15,514	(3,390)	-	9,672
	(48,985)	68	(295)	(18,669)	-	67	1,085	(66,729)
Endowment Funds								
Social Care Council	-	-	-	-	-	(1)	-	(1)
Faith Nurture Forum	(198)	(6)	-	-	(1,600)	-	-	(1,804)
Faith Impact Forum	-	(58)	-	(168)	(5,257)	-	-	(5,483)
Support & Services	-	-	-	(249)	249	-	-	-
Augusta Lamont Bequest	-	-	-	3,333	-	-	-	3,333
Craigfoodie Endowment	-	-	-	969	-	-	-	969
Erskine Cunnigham Hill Trust	-	-	-	1,372	-	-	-	1,372
Other Funds	-	(4)	295	(5,440)	6,608	84	-	1,543
	(198)	(68)	295	(183)	-	83	-	(71)
	-	-	-	-	-	-	-	-

26. Analysis of Fund Transfers (cont)

The accounting for funds was reviewed and amended in 2021. Previously funds had been internally allocated by the Trustees to a specific agency and therefore classified as restricted to that agency. These funds, however, were not restricted in the legal sense/for a particular purpose as stipulated by a donor, and therefore should have been shown as unrestricted. This treatment has been amended in the year. Funds are now recognised/classified as restricted by their purpose rather than by allocation to a specific agency, and all unrestricted funds have been transferred to the General Fund in the year. The purpose of a fund is no longer tied to a specific Agency, and all funds are directly controlled by the Trustees. This amendment resulted in the majority of transfers in the year as the classification of funds was changed.

In 2020 some funds, including unrealised investment gains/losses were grouped together. Under the reclassification exercise these have now been split and reallocated to the specific funds to which they relate – this has resulted in the transfers under reallocations and splits.

Transfers outwith the above amendments relate to reclassifications in the year including the recognition of certain designated and restricted funds to classify funds by purpose, which had previously been included in the funds allocated by Agency. Other transfers includes the transfer of funds from the General Fund to CrossReach made during the year.

27. Unrestricted Funds - Group and Charity

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

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

27. Unrestricted Funds - Group and Charity (cont)

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

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

In 2021 there was a foreign currency translation gain of £24,000 upon consolidation of the net assets of the Israeli Subsidiaries as disclosed in Note 30 (2020: loss £512,000).

The purpose of the five main designated funds at 31 December 2021 which make up over 80% of the total designated funds and are disclosed in the note above are as follows:

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

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

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

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

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

Transfers in the year are detailed in note 26.

28. Restricted Funds - Group and Charity

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

Charity

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

28. Restricted Funds - Group and Charity (cont)

Group							
	Balance 1 Jan 2020 £000	Income £000	Expenditure £000	Net Gains on Investment Assets £000	Fund Transfers £000	Other recognised Gains and Losses £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)	(4,386)	-	4,217	(53)	165
Other Funds	52,865	12,264	(2,622)	(571)	(6,420)	-	55,516
	175,216	94,546	(96,899)	(3,232)	4,913	(53)	174,491
Pensions Reserve	(3,754)	-	(9,170)	-	-	6,177	(6,747)
	171,462	94,546	(106,069)	(3,232)	4,913	6,124	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

Material funds have been shown separately in this note.

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

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

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

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

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

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

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

Fund transfers are detailed in Note 26.

29. Endowment Funds - Group and Charity

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

	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

Total Endowment Funds at 31 December 2021 of £25,945,000 are made up of £25,235,000 Permanent Endowment and £710,000 Expendable Endowment (2020: Permanent Endowment £22,715,000 and Expendable Endowment £548,000). Transfers of investment income were made to relevant restricted funds for expending on the charitable activities. Income from endowment funds is for restricted purposes. Fund transfers are detailed in note 26.

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

Augusta Lamont Bequest – the income generated by the fund is used to assist schemes in operation in Cowal.

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

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

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.

Tabeetha 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		Scottish Centre Limited		Tabeetha School	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Income	5,792	3,029	426	117	2,109	2,081
Expenditure	(5,182)	(3,026)	(487)	(314)	(2,213)	(2,198)
Net Profit/(Loss)	610	3	(61)	(197)	(104)	(117)
Unrealised Gains/(Losses) on Foreign Currency transactions	(12)	(306)	45	(204)	(9)	(2)
	598	(303)	(16)	(401)	(113)	(119)
Gross Assets	9,723	9,213	1,710	1,639	1,476	1,484
Gross Liabilities	(10,553)	(10,642)	(890)	(785)	(1,676)	(1,571)
Total Net (Liabilities)/Assets	(830)	(1,429)	820	854	(200)	(87)

31. Commitments

	Group and Charity	
	2021 £000	2020 £000

Capital Expenditure

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

Central Services Committee	-	-
Social Care Council	288	121
	288	121

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

Social Care Council	120	433
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Operating Leases where the Group is Lessee

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

	Group and Charity			
	Property £000	Other £000	2021 Total £000	2020 Total £000
Within one year	650	283	933	1,291
After one and before five years	494	229	723	1,652
	1,144	512	1,656	2,943

Operating Leases where the Group is Lessor

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

	Group and Charity	
	2021 £000	2020 £000
Within one year	55	20
After one and before five years	-	-
	55	20

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

32. Pension Schemes

Details of Schemes

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

Defined Contribution Schemes

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

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

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

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 2021. They were not available at the time for the Group's actuaries, Hymans Robertson LLP, to assess the assets and liabilities of the schemes at 31 December 2021, therefore the previous actuarial valuation from 31 December 2018 was used. The Actuary determines contribution rates for funding past service each year, and these will be funded from the General Funds.

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

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2021 £000
Defined Benefit Obligation						
Opening Defined Benefit Obligations	265,352	16,436	60,690	38,237	25,656	406,371
Current Service Cost	-	-	-	-	436	436
Administration Cost	434	119	277	140	-	970
Interest Cost	3,233	203	747	470	333	4,986
Contributions by Scheme Participants	-	-	-	-	50	50
Actuarial Losses/(Gains)	(8,736)	(431)	(1,127)	(1,344)	(1,421)	(13,059)
Past Service Cost	2,370	-	-	-	14	2,384
Benefits and Expenses paid	(13,962)	(613)	(2,185)	(1,345)	(533)	(18,638)
Closing Defined Benefit Obligations	248,691	15,714	58,402	36,158	24,535	383,500
Fair Value of Scheme Assets						
Opening Fair Value of Scheme Assets	350,129	20,540	70,942	47,000	18,909	507,520
Interest Income	4,286	253	876	580	244	6,239
Contributions by Scheme Participants	-	-	-	-	50	50
Contributions by the Employer	14	-	-	-	184	198
Actual return on assets excluding amounts included in net interest	(3,956)	(320)	(797)	(1,451)	2,725	(3,799)
Benefits and Expenses paid	(13,962)	(613)	(2,185)	(1,345)	(533)	(18,638)
Closing Fair Value of Scheme Assets	336,511	19,860	68,836	44,784	21,579	491,570
Irrecoverable surplus brought forward	(84,777)	(4,104)	(10,252)	(8,763)	-	(107,896)
Impact of irrecoverable surplus on interest income	(1,059)	(51)	(128)	(108)	-	(1,346)
Decrease/(Increase) in irrecoverable surplus from experience	(1,984)	9	(54)	245	-	(1,784)
Irrecoverable surplus at end of year	(87,820)	(4,146)	(10,434)	(8,626)	-	(111,026)
Closing Fair Value of Scheme Assets	248,691	15,714	58,402	36,158	21,579	380,534
Closing Net Defined Benefit Obligation	-	-	-	-	2,956	2,956
Opening Net Defined Benefit Obligation	-	-	-	-	6,747	6,747

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2021 £000	2020 £000
Analysis of Amount Charged to Operating (Deficit)/Surplus							
Current & Past Service Cost	2,370	-	-	-	450	2,820	8,813
Administration Costs	434	119	277	140	-	970	995
Total Operating Charge	2,804	119	277	140	450	3,790	9,808

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2021 £000	2020 £000
Analysis of Amount Credited to Other Finance Income							
Interest Income on Scheme Assets	4,286	253	876	580	244	6,239	9,290
Impact of Asset Ceiling on Net Interest	(1,059)	(51)	(128)	(108)	-	(1,346)	(2,313)
Interest on Scheme Liabilities	(3,233)	(203)	(747)	(470)	(333)	(4,986)	(7,105)
Net Interest on Net Defined Benefit Liability	(6)	(1)	1	2	(89)	(93)	(128)

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2021 £000	2020 £000
Total Amount Charged to Statement of Financial Activities							
Total Operating Charge less Net Interest	2,810	120	276	138	539	3,883	9,936

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2021 £000	2020 £000
Analysis of Amount recognised in Other Recognised Gains and Losses							
Actual return on Assets excluding amounts included in net interest	(3,956)	(320)	(797)	(1,451)	2,725	(3,799)	31,315
Actuarial (losses)/gains on Scheme obligations	8,736	431	1,127	1,344	1,421	13,059	(38,189)
Decrease/(Increase) in irrecoverable surplus from membership fall and other factors	(1,984)	9	(54)	245	-	(1,784)	13,051
Remeasurement gain/(loss) recognised in Other Recognised Gains and Losses	2,796	120	276	138	4,146	7,476	6,177

	Ministers £000	MDS £000	Social Care £000	CSC £000	LGP Schemes £000	2021 £000	2020 £000
Fair Value of Scheme Assets:							
UK Equities	-	-	-	-	13,778	13,778	12,047
Overseas Equities	-	-	-	-	-	-	1,282
Diversified Growth Fund	7,156	417	1,596	951	-	10,120	590
Adept Strategy Fund	26,063	1,498	5,225	3,408	-	36,194	27,078
UK Managed Funds	3,555	204	820	464	-	5,043	4,655
Overseas Managed Funds	3,256	187	751	425	-	4,619	2,922
Buy & Maintain Bond Fund	25,836	1,472	5,180	3,348	-	35,836	-
UK Government Index-linked Bonds	118,117	11,905	37,584	18,753	5,427	191,786	240,778
UK Government Fixed-interest Bonds	116,963	3,771	15,518	15,815	-	152,067	179,026
Property	-	-	-	-	1,478	1,478	1,387
Cash/Net Current Assets	35,565	406	2,162	1,620	896	40,649	37,755
Total Value of Assets	336,511	19,860	68,836	44,784	21,579	491,570	507,520
Actuarial Value of Liabilities	(248,691)	(15,714)	(58,402)	(36,158)	(24,535)	(383,500)	(406,371)
Surplus/(Deficit) of Funded Scheme Liabilities	87,820	4,146	10,434	8,626	(2,956)	108,070	507,519
Irrecoverable Surplus	(87,820)	(4,146)	(10,434)	(8,626)	-	(111,026)	(107,896)
Net Pension Liability	-	-	-	-	(2,956)	(2,956)	(6,747)

The actual return on plan assets was £30.9 million (2020: (£6.5 million)).

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 may require that the Charity makes total deficit repair payments. As of February 2021 the Pension Trustees agreed to cease the contributions, but if trigger points on the funding levels are met they would resume again in accordance with the following amounts:

	£000
Deficit Repair Payments	
2022	603
2023	621
2024	640
2025	165

The main financial assumptions used in preparing the defined benefit schemes figures above as at 31 December 2021 and 2020 are as follows:

	2021 %	2020 %
Financial Assumptions		
Retail Price inflation	3.55	3.05
Consumer Price inflation	3.00	2.45 - 2.50
Discount rate	1.85 - 1.90	1.25 - 1.30
Pension Increase Rate	2.10 - 2.95	2.45 - 2.50
Salary increase rate (LGP Schemes only)	3.50 - 3.60	3.20

The assumptions made for life expectancy are as follows:

	2021 %	2020 %
Life Expectancy Assumptions		
Age 65	22.8	22.4

33. Contingencies

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

The Scottish Parliament has passed The Redress for Survivors (Historical Child Abuse in Care) (Scotland) Act that is intended to deliver reparation for the survivors of historical abuse. It is anticipated that CrossReach will be making a contribution to the Scottish Government Redress Scheme in respect of compensation payments to survivors of childhood abuse in care. Negotiations are ongoing with the Scottish Government to formally agree the level of contribution which will be made and the cap applied to such payment. The contingency will be the difference between the formally agreed core contribution and the formally agreed cap. 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 the cap applied to the financial contribution to the 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, term ended May 2021)
- **David Cameron** (from June 2021)
- **Alan Campbell** (from June 2019, term ended May 2021)
- **John Chalmers** (from June 2019)
- **Jean Couper**, (from June 2020)
- **David Harrison** (from June 2020)
- **Barry Hughes** (from June 2021)
- **Linda Irvine** (from June 2020)
- **Donald McCorkindale**, ex officio Convener of Assembly Business Committee (from December 2019)
- **Peter McEnhill** (from June 2021)
- **James McNeill** (from June 2019)
- **Geoff Miller** (from June 2020)
- **Ann Nelson** (from June 2020)
- **Norma Rolls** (from June 2019, term ended May 2021)
- **Anikó Schütz Bradwell** (from June 2019)
- **Ian Townsend** ex officio Chair of General Trustees (from May 2021, resigned March 2022)
- **Raymond Young** ex officio Chair of General Trustees (from June 2019, term ended May 2021)
- **Philip Ziegler** (from December 2020)

Key Management Personnel

- **Ian Alexander**, Interim Head of Faith Impact Forum (until 30 June 2021)
- **Viv Dickenson**, Chief Executive Officer CrossReach
- **Liam Fennell**, Head of Estates
- **Dave Kendall**, Chief Officer
- **Anne Macintosh**, General Treasurer
- **Mary Macleod**, Solicitor of the Church
- **Ruth MacLeod**, Head of Communications
- **David Malcolm**, IT Manager (until 30 September 2021)
- **Angus Mathieson**, Interim Head of Faith Nurture Forum (until 30 June 2021)
- **Elaine McCloghry**, Head of Human Resources
- **Scott Shackleton**, Head of Faith Action Programme (from 1 May 2021)
- **Catherine Skinner**, Head of Analysis and Programme Development

Scottish Charity Number

SC011353

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EH2 4YN

Professional Advisors

Auditors

RSM UK Audit LLP
(Group Auditors)
Chartered Accountants
and Statutory Auditor
Third Floor
2 Semple Street
Edinburgh
EH3 8BL

PricewaterhouseCoopers

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

Bankers

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Edinburgh
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The Bank of Scotland

The Mound
Edinburgh
EH1 1YZ

Bank Hapoalim

45 Hamelach Street
Netanya 42505
Israel

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Scottish Charity Number: SC011353

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