

Charity Registration No. 1155158

Company Registration No. 08776679 (England and Wales)

CHURCH OF ENGLAND CENTRAL SERVICES

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

(A COMPANY LIMITED BY GUARANTEE)

Church of England Central Services

Reference and administrative information

Trustees	John Spence (Chairman) Loretta Minghella Jonathan Spencer (until 30 April 2019) Clive Mather (from 1 May 2019) Nikesh Patel (from 13 February 2020) Elizabeth Renshaw (from 27 February 2020) Samantha Rushton (from 13 February 2020)
Charity Number	1155158
Company Number	08776679
Principal Address & Registered Office	Church House Great Smith Street London SW1P 3AZ
Auditors	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
Bankers	Lloyds Bank plc 1 Legg Street Essex CM1 1JS

Church of England Central Services

Trustees' report (incorporating a strategic report)

The trustees present their trustees' report (which is a directors' report and strategic report for company law purposes) together with the Independent Auditors' report, for the year ended 31 December 2019.

The Charity

Church of England Central Services (ChECS) is a company limited by guarantee, incorporated on 15 November 2013 and registered with the Charity Commission on 31 December 2013. The Charity's governing document is its Memorandum and Articles of Association.

The Charity is a jointly controlled entity between the Archbishops' Council (AC), the Church Commissioners for England (CC), and the Church of England Pensions Board (PB) each of which is a member and guarantor. It is one of seven National Church Institutions (NCIs) and started operating shared services on behalf of the NCIs on 1 April 2014.

Governance and structure

The three members of the jointly controlled entity each have the right to appoint two trustees. The trustees (who are also the company directors) who held office during the year were:

- AC: John Spence (Chair of AC's Finance Committee)
- CC: Loretta Minghella (First Church Estates Commissioner)
- PB: Jonathan Spencer (Chair of the PB) until 30 April 2019
- PB: Clive Mather (Chair of the PB) from 1 May 2019

At the date of signing three further appointments had been made:

- AC: Samantha Rushton from 13 February 2020
- CC: Elizabeth Renshaw from 27 February 2020
- PB: Nikesh Patel from 13 February 2020

The trustees meet together regularly with the chief executives in a joint NCIs forum called the Joint Employment and Common Services Board (JECsB), and on the same day the directors also meet together as a ChECS Board to consider the business of ChECS.

In the event of the Charity being wound up, the liability in respect of the guarantee is limited to a sum not exceeding £10 per member of the Charity.

Recruitment and appointment of trustees

The trustees all hold positions in the other NCIs, either as trustees or committee members. Their appointment and training is dependent on the processes in the member NCI. Each member NCI has the power to appoint two trustees to the Board.

Church of England Central Services Trading Ltd

The Charity has a wholly owned trading subsidiary company, Church of England Central Services Trading Ltd (ChECS Trading), which carries out activities that are deemed, for tax purposes, to be trading activities. The company was incorporated on 14 March 2014 and donates any taxable profits to the Archbishops' Council, under a deed of covenant.

Staff Remuneration and Executive Pay

All the staff working for ChECS are covered by a unified pay policy that operates across all the NCIs. The policy is designed to ensure the same level of pay for all staff in posts with work of equal value which is based on a comprehensive job evaluation scheme, with staff being placed in one of eight 'bands'. For certain staff with specialist skills, typically those whose role requires them to hold a professional qualification, a market adjustment may be applied, the value of which is determined by reference to the lower quartile and median of market related salaries and is subject to annual review.

Church of England Central Services

Trustees' report (incorporating a strategic report) (continued)

The NCIs use a range of appropriate external data tools and internal dedicated resources to advise on market rates. Staff pay is reviewed annually and any increases as a result of the annual pay negotiations are awarded with effect from 1 January each year. The NCIs are committed to being a Living Wage employer, and, for those roles based in London, a London Living Wage employer for all staff including apprenticeships, interns and those on training schemes.

Staff Remuneration and Executive Pay (continued)

Certain senior roles sit outside the banding system, as the skill set required to fulfil the role is not readily measured within the NCIs' standard job evaluation system. Salaries for these roles are set individually with reference to the wider market place, typically comparing to the charity and public sector market, and are overseen by the Remuneration Committee comprising senior trustees from each of the main NCIs. In general these staff can expect the same percentage annual uplift for cost of living as the rest of the staff enjoy.

The "key management personnel" for ChECS are the three chief executives of the other NCIs (as well as the six trustees, who are appointed by the other NCIs), therefore none are paid by ChECS.

Pensions

All staff members are eligible to join the Church Administrators Pension Fund – those whose employment commenced before July 2006 accrue pension on a defined benefit basis, and those employed subsequently are part of the defined contribution section with employer contribution rates ranging from 8% to 18% depending on the age of the employee and any personal contribution that they make.

STRATEGIC REPORT

PUBLIC BENEFIT

In exercising their responsibilities, the trustees have had regard to the Charity Commission's published advice on public benefit, in accordance with the requirements of s17(5) of the Charities Act 2011. ChECS' activities provide public benefit by reducing the support costs of the NCIs, dioceses and other charities with a Church ethos which allows them to better provide their charitable services.

ACTIVITIES AND BUSINESS REVIEW

Activities

The Charity's objects are to enhance the efficiency and effectiveness of the NCIs, dioceses and other charities with a Church ethos by providing cost-effective shared financial, legal and other support services including payroll and also to promote the charitable purposes of the NCIs.

The day to day management of the Charity's departments has been delegated to the three chief executives of the NCIs. Management is shared across the NCIs as follows:

Archbishops' Council managed

- Communications
- Legal

Church Commissioners managed

- IT
- Office Services
- Records Management
- Finance and Resources

Church of England Central Services

Trustees' report (incorporating a strategic report) (continued)

-
- Human Resources

Pensions Board managed

- Internal audit and Risk Management

The NCIs are managed respectively by:

- William Nye (AC – Secretary General)
- Gareth Mostyn (CC – Secretary and Chief Executive)
- John Ball (PB – Chief Executive)

The costs of operating these functions are recovered from those receiving the services according to their proportionate usage of the shared services.

Business Review

In 2019 ChECS continued to provide shared support to the NCIs and, via ChECS Trading, to the wider church through the Parish Buying and the Pathways services.

Following a detailed feasibility and discovery phase, the ChECS Board approved the implementation of a new People System incorporating Master Data Management and HR/Payroll functionality to enable the strategic management of people data across the Church, including but not limited to NCI staff and clergy. The implementation phase started in the July 2019 and the system is expected to go live in early 2021. This project also incorporates the implementation of integration software to enable data to be shared between other key business applications across the Church.

In addition to leading this major project the HR department have also commenced a programme of culture change initiatives entitled 'Belonging & Inclusion', seeking to promote diversity and inclusion across the NCIs.

The work of the Project Management Office has continued to grow during 2019, with work undertaken to develop a project portfolio process in order to more effectively manage, resource and prioritise projects across the NCIs.

The Technology department have undertaken a number of initiatives aiming to improve the resilience of the NCIs' network and infrastructure, including moving all servers to a purpose-built data centre, and implementing a number of cyber security improvements including Multi-factor authentication and Mobile Device Management. A Cyber Essentials Plus accreditation was obtained during the year.

During the year the Finance department took on the provision of a full finance service to one of the other NCIs – The National Society (Church of England and Church in Wales) for the Promotion of Education, successfully completing a project to migrate their financial records onto a shared system and embed new working practices.

2019 was the ninth year in which the Parish Buying service operated and at the end of 2019 it had grown to a level of 17,885 registered users. The scheme gives access to a range of contracts (covering energy, office and cleaning products, IT software, telecoms, safety equipment, furniture and more) to a growing number of parishes, cathedrals and dioceses.

In addition, this was the second full year of ChECS Trading operating the Pathways Recruitment service (established August 2017), which is designed to provide cost-effective recruitment support to both the National Church Institutions (NCIs) and the wider church. At the end of the financial year, the Pathways Service had 32 subscribing organisations.

Church of England Central Services

Trustees' report (incorporating a strategic report) (continued)

FINANCIAL PERFORMANCE

The Charity's results are set out in the Consolidated Statement of Financial Activities (page 14), the Balance Sheets (page 15) and the Consolidated Cash Flow Statement (page 16).

Funds

As all the Charity's resources are spent in pursuit of its primary charitable objects, ChECS' resources are categorised under Unrestricted Funds, with the exception of grant funding relating to the Pathways Service.

Reserves

ChECS does not hold reserves as all of its expenditure is recoverable from those receiving its services in the period in which the service was provided. As such, there is no need for reserves to be held.

Measures of performance

As a provider of shared services to the NCIs and wider church, the main performance indicators for ChECS are an increased use of shared services plus the ability of the charity to recoup its costs. Both objectives were satisfactorily met during 2019.

Funding sources

The majority of the Charity's income is received from the three main National Church Institutions in the form of recharged expenditure. A small proportion of its income comes from other bodies to which it provides services (such as IT services and communications training). The Charity prepares annual budgets and regular re-forecasts, and in addition, in formulating its strategy for future development, considers a longer-term period beyond that for which formal budgets and forecasts are prepared.

The trustees have assessed the key risks and uncertainties which impact upon immediate liquidity and longer-term solvency. The trustees have specifically considered the likely impact of the COVID-19 pandemic on the charity's primary income streams and have reviewed the material cash flows, and the availability of mitigating actions which could be taken to reduce expenditure. The trustees have assessed the continued demand for the Charity's services from the three main NCIs, which depend upon the Charity to provide key support services to enable them to deliver their charitable activities. They have considered the relative financial strength of the three main NCIs, including cash reserves and the availability of liquid resources, and consider that planned expenditure remains recoverable from them. The trustees have also considered how activities could be reprioritised if further mitigating action becomes necessary to reduce expenditure.

Having due regard to the above, the trustees have a reasonable expectation that ChECS has adequate resources and cash flows to meet spending commitments for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

Plans for future periods

The Charity's plans for 2020 are described below. These were set prior to the COVID-19 outbreak and social distancing measures announced in March 2020, which has necessitated the transition to a remote working model. The Charity will continue to work to achieve its strategic goals for 2020, but is mindful that the effects of COVID-19 and the demands that this places may mean that some activities will be re-prioritised.

Church of England Central Services

Trustees' report (incorporating a strategic report) (continued)

The aims of the Charity going forward are to continue to provide, and to expand, cost-effective shared-services to the National Church Institutions and the wider Church. Future objectives for ChECS include:-

- Continuing to deliver a programme of work focused on People & Data which will incorporate the design and implementation of a HR/Payroll system, and the development of a Master Data Management strategy to manage key People data across the Church, including but not limited to NCI staff and clergy.
- Supporting key technology initiatives undertaken by the NCIs, including the implementation of an integration strategy to support effective data sharing and transaction processing between new and existing business systems.
- Facilitating effective staff engagement and promoting diversity and inclusion across the NCIs
- Continuing to develop the Project Management Office, including providing specialist project management services to key NCI projects.
- Continuing to expand the use of digital technology to optimise internal and external communication to new and existing audiences.
- Continuing to expand the use of the centrally managed Pathways service that has been rolled out across some dioceses and NCIs (through ChECS Trading).
- Continuing to improve the use and content of financial health indicators for dioceses and other key church bodies.
- Development of customer service commitments to help define service scope and expected performance, including key performance indicators.
- Further expansion of the Parish Buying programme to assist parishes and other Church organisations in more cost effective procurement of services including utilities, consumables and insurance.

ChECS Trading

ChECS Trading's objective remains to provide (and grow the use of) procurement and recruitment activities on behalf of the Church of England.

FUNDRAISING

ChECS does not undertake any fundraising from the general public, and neither does it employ any person on its behalf to do so. Grants may be awarded occasionally from the other NCIs in order to further the effectiveness of ChECS' shared activities.

Neither ChECS nor any person acting on its behalf was subject to an undertaking to be bound by any voluntary standard of fundraising, and no complaints have been received by ChECS or a person acting on its behalf in respect of its activities.

PRINCIPAL RISKS AND UNCERTAINTIES

The ChECS risk management process assists management by facilitating the identification and assessment of significant risks to the achievement of objectives. The process follows the NCIs' risk management policies, which outlines the roles and responsibilities of directors, trustees, management and staff.

The ChECS Board reviews the risk register and risk management arrangements at least annually. The Board is supported by the NCIs' Audit & Risk Committees, which regularly review the risk registers and seek assurance over the adequacy of arrangements in place to manage the risks.

Individual departments and identified risk owners are responsible for the identification, assessment and review of risks which fall in their area of responsibility. Risks are prioritised using an agreed

Church of England Central Services

Trustees' report (incorporating a strategic report) (continued)

scoring methodology and are assessed at an inherent and residual level. The risk management process is facilitated and monitored by the Risk Management and Internal Audit Department. The management of key risks is subject to independent review and assurance through the internal audit process, which reports to the Audit & Risk Committees of the NCIs.

The Board has agreed that the below represent the principal inherent risks to the achievement of the objectives of ChECS. The issues identified are subject to ongoing mitigation and management action to reduce the residual risk to a tolerable level.

Principal Risk Area	Key Management Actions and Plans
Central services are not sufficiently resourced, valued or utilised effectively, undermining service delivery and/or ongoing rationale for ChECS.	<ul style="list-style-type: none"> Performance management of departmental senior management and oversight by ChECS Board and other Trustee bodies and sub committees. Central services provide advice and guidance in areas such as HR, IT, Legal, Data Management and Risk Management. Technology Steering Group to coordinate and guide technology development and expenditure.
Inadequate cost control of ChECS such that it is not efficient and effective in its delivery of core services to the NCIs	<ul style="list-style-type: none"> Budget setting and regular cost monitoring processes. Performance monitoring of individual departments and senior management by the Board and NCIs.
Inadequate cost control of ChECS such that it is not efficient and effective in its delivery of core services to the NCIs	<ul style="list-style-type: none"> Budget setting and regular cost monitoring processes. Performance monitoring of individual departments and senior management by the Board and NCIs.
Inadequate staff resilience and change appetite to adapt and deal with organisational and cultural change	<ul style="list-style-type: none"> Investment in annual staff survey with planned actions to address areas for improvement. Continuing work on developing and embedding NCIs values, behaviours and culture. Investment in improved internal communications. Focus on employee wellbeing including Mental Health Awareness day in 2019, mental health first-aiders, and Employee Assistance Programme. Increased focus on health and well-being in light of COVID-19.
Failure to understand and address key person risk leading to impact on the delivery of services to the NCIs	<ul style="list-style-type: none"> Senior leaders identify existing key person dependencies and consider mitigation plans. Staff transfers from NCIs or other Church organisations can be used to address short-term gaps.
Problems in delivering services due to failure to deliver significant process and system changes successfully, on time and budget.	<ul style="list-style-type: none"> Project management framework, processes and controls developed for Pan-NCI approach to project management. Capacity and training to maintain the required level of staff resource and expertise.

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Trustees' report (incorporating a strategic report) (continued)

Principal Risk Area	Key Management Actions and Plans
Failure to effectively and securely collect, handle, use and store data across the NCIs	<ul style="list-style-type: none">• Policies, training and monitoring processes to ensure compliance with legal and regulatory requirements including EU GDPR data protection legislation.• Information Steering Group reviews the robustness of processes.• Significant IT infrastructure work to increase the security and robustness of systems.
Absence of adequate disaster recovery and business continuity plans to facilitate a quick response to and lessen the impact of a major business disruption event (e.g. COVID-19, cyber security attack etc.)	<ul style="list-style-type: none">• Business Continuity Plans updated with ongoing testing. Regular review and auditing to ensure effectiveness.• IT infrastructure focus to increase resilience of systems, including Disaster Recovery Plan, Back-up processes and location of critical infrastructure in secure environment.

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Trustees' Report (incorporating a Strategic Report) (continued)

Statement of trustees' responsibilities

The trustees are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 2006 and for being satisfied that the financial statements are prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law 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 Group and Charity and of incoming resources and application of resources of the Group and Charity 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 of the Charities Statement of Recommended Practice (SORP);
- make judgements and estimates that are responsible and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure 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 Group and Charity will continue in business.

The trustees are responsible for keeping adequate accounting records that show and explain the Group and Charity's transactions, disclose with reasonable accuracy at any time the financial position of the Group and Charity, and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and Charity and hence for taking responsible steps for the prevention and detection of fraud and other irregularities.

Provision of information to auditors

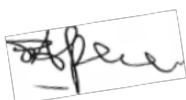
All of the current trustees (who are also the directors of the company) have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group and Charity's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The trustees are not aware of any relevant audit information of which the auditors are unaware.

Appointment of auditors

BDO LLP indicated their willingness to remain in office and a resolution to re-appoint them will be proposed at the April 2020 board meeting.

Approval

This report was approved by the board of trustees on 30 June 2020 and signed on its behalf by:



John Spence, Chairman

Church of England Central Services

Independent Auditor's Report to the members of Church of England Central Services

Opinion

We have audited the financial statements of the Church of England Central Services ("the parent charitable company") and its subsidiary ("the group") for the year ended 31 December 2019 which comprise the consolidated statement of financial activities, the consolidated and charity only company balance sheets, the consolidated cash flow statement 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 Financial Reporting Standard 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 of the parent charitable company's affairs as at 31 December 2019 and of the Group'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 Companies Act 2006.

Basis for opinion

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 the parent charitable company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

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

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

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The other information comprises the Trustees Report. The trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Church of England Central Services

Independent Auditor's Report to the members of Church of England Central Services (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees Report, which includes the Directors' Report and the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' Report, which are included in the Trustees' report, have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic report or the Trustee's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Charitable Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Charitable Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; 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, the trustees (who are also the directors of the charitable company for the purposes of company law) 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's and the Parent Charitable Company'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 the Parent Charitable Company or to cease operations, or have no realistic alternative but to do so.

Church of England Central Services

Independent Auditor's Report to the members of Church of England Central Services (continued)

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Companies Act 2006 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable Company and the charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Fiona Condron, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
Date: 30 June 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Church of England Central Services

*Consolidated Statement of Financial Activities
(including consolidated income and expenditure account)
For the year ended 31 December 2019*

	Note	All Unrestricted and Restricted Funds 2019	All Unrestricted and Restricted Funds 2018
		£'000	£'000
Income from:			
Charitable activities	2	15,657	14,899
Total income		15,657	14,899
Expenditure on:			
Charitable activities	3	(15,657)	(14,899)
Total expenditure		(15,657)	(14,899)
Net income and net movement in funds		-	-
 Total funds at 1 January		 -	 -
Total funds at 31 December		-	-

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

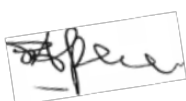
All funds were unrestricted with the exception of £17k (2018: £160k) of income and expenditure relating to grant funding for the Pathways service in 2019.

Church of England Central Services

Consolidated and Charity only Balance Sheets As at 31 December 2019

	Notes	Consolidated 31 Dec 2019 £'000	Consolidated 31 Dec 2018 £'000	Charity Only 31 Dec 2019 £'000	Charity Only 31 Dec 2018 £'000
Fixed assets					
Intangible assets	6	670	-	670	-
Total fixed assets		670	-	670	-
Current assets					
Debtors	7	888	981	923	939
Cash at bank and in hand		1,118	911	974	872
Total current assets		2,006	1,892	1,897	1,811
Liabilities					
Creditors: Amounts falling due within one year	8	(2,676)	(1,892)	(2,567)	(1,811)
Net assets		-	-	-	-
Funds of the Charity					
General fund		-	-	-	-
Total funds		-	-	-	-

The Financial Statements of Church of England Central Services (Company No. 08776679) were approved and authorised for issue by the Board on 30 June 2020 and signed on its behalf by:



John Spence, Chairman

Church of England Central Services

Consolidated statement of cash flows for the year ended 31 December 2019

		2019	2018
		£'000	£'000
Cash generated from operating activities	A	877	(577)
Cash flows from investment activities			
Purchase of intangible asset		(670)	-
Change in cash, cash equivalents and net debt in the year		207	(577)
Cash, cash equivalents and net debt at 1 January		911	1,488
Cash, cash equivalents and net debt at 31 December	B	1,118	911

A Net cash used in operating activities			
		2019	2018
		£'000	£'000
Net income for the year (as per the statement of financial activities)		-	-
Decrease/ (increase) in debtors		204	(295)
Increase/ (decrease) in creditors		673	(282)
Net cash generated by / (used) in operating activities		877	(577)

B Analysis of cash, cash equivalents and net debt			
		2019	2018
		£'000	£'000
Cash at bank and in hand		1,118	911
Total cash, cash equivalents and net debt		1,118	911

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Notes to the Financial Statements for the year ended 31 December 2019 (continued)

1. ACCOUNTING POLICIES

Church of England Central Services (ChECS) is a company limited by guarantee, incorporated on 15 November 2013 and registered with the Charity Commission on 31 December 2013. The Charity's governing document is its Memorandum and Articles of Association.

a) Basis of Preparation of Accounts

ChECS' financial information has been prepared in accordance with:

- Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102");
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ("the SORP"); and
- The Companies Act 2006.

ChECS meets the definition of a Public Benefit Entity ("PBE") as set out in FRS 100, and therefore applies the PBE prefixed paragraphs in FRS 102.

The financial information has been prepared on the historical cost basis and on the accruals basis.

b) Consolidation

The consolidated statement of financial activities ('SOFA') and balance sheet include the financial activities of ChECS and its subsidiary ChECS Trading Ltd made up to 31 December 2019. The subsidiary has been consolidated on a line by line basis. Intra-group balances and transactions are eliminated on consolidation. The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Statement of Financial Activities in these financial statements. The parent company's profit for the year was £nil (2018: £nil).

c) Going concern

The trustees have reasonable expectation that ChECS has adequate resources and cash flows to meet spending commitments for the foreseeable future. In making this assessment, they have assessed the key risks and uncertainties which impact upon immediate liquidity and longer-term solvency. The trustees have specifically considered the likely impact of the COVID-19 pandemic on the charity's primary income streams and have reviewed the material cash flows, and the availability of mitigating actions which could be taken to reduce expenditure. The trustees have assessed the continued demand for the Charity's services from the three main NCIs, which depend upon the Charity to provide key support services to enable them to deliver their charitable activities. They have considered the relative financial strength of the three main NCIs, including cash reserves and the availability of liquid resources, and consider that planned expenditure remains recoverable from them. The trustees have also considered how activities could be reprioritised if further mitigating action becomes necessary to reduce expenditure.

Having due regard to the above, the trustees have a reasonable expectation that ChECS has adequate resources and cash flows to meet spending commitments for the foreseeable future, and do not consider there to be material uncertainty over the Charity's ability to meet its future obligations and commitments. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

d) Income

All income is recognised on the accruals basis. It is recognised when ChECS is entitled to the income, it is probable that the income will be received and the amount of income can be measured reliably.

Income from Charitable Activities predominantly represents recharged expenditure from the shared service departments and income generated by ChECS-run courses and conferences.

It also includes income generated from procurement and recruitment services via ChECS Trading.

Church of England Central Services

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

e) Expenditure

All expenditure is accounted for on an accruals basis.

Charitable activity costs are the cost of operating the shared service departments, including staff costs and accommodation costs.

Governance costs include costs associated with the governance arrangements of the Charity including external audit.

f) Taxation

ChECS is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly it is exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The Charity is registered for VAT and recovers all that it incurs.

The Charity's subsidiary (ChECS Trading Ltd) is a non-charitable subsidiary and is subject to taxation, but does not generally pay UK Corporation tax because its policy is to pay any taxable profits to the Archbishops' Council.

g) Pension Costs

As set out in Note 5, pension benefits to staff employed by ChECS are provided either through the Church Administrators Pensions Fund (CAPF) defined benefit pension scheme or through the CAPF defined contribution scheme.

The defined benefit scheme is considered to be a multi-employer scheme and consequently is accounted for as if it were a defined contribution scheme, where employer contributions payable in the year are charged to expenditure. The NCIs' pension scheme liability is calculated by actuaries Lane, Clark and Peacock LLP (LCP). The Church of England Pensions Board took advice from LCP and have determined the method and assumptions to use for this valuation in consultation with the employers. The valuation adopts the "projected unit method", under which the technical provisions are calculated as the amount of assets required as at the valuation date to meet the projected benefit cashflows, based on benefits accrued to the valuation date and the various assumptions made.

The Fund faces a number of risks. In particular, the actual returns on the Fund's assets may prove to be higher or lower than those anticipated in the calculation of the technical provisions. The greater the returns anticipated, the greater is the chance that actual returns will be lower, leading to the need for additional employer contributions in the future. Similarly, there is the risk that the other assumptions adopted are not borne out by future experience.

Contributions are shown in Note 4.

h) Related Parties

The three members are related to ChECS. Details are given in Note 11.

The Church of England is governed by a large number of legally independent bodies in its parishes, cathedrals and dioceses as well as at national level. These bodies are not related parties as defined in the Charities SORP or FRS 102. Transactions and balances with these bodies are accounted for in the same way as other transactions and, where material, are separately identified in the notes to the financial statements.

Church of England Central Services

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

i) Funds

As all the Charity's resources are spent in pursuit of its primary charitable objects, ChECS' resources are categorised mainly under Unrestricted Funds with the exception of grant funding relating to the Pathways service.

j) Amortisation

Costs incurred on acquiring or enhancing intangible assets are capitalised. Amortisation is charged on a straight line basis over the estimated useful life of the asset, as set out below:

Software 20%

2. INCOME FROM CHARITABLE ACTIVITIES

	2019	2018
Department	£'000	£'000
Communications	1,819	1,864
Finance & Resources	6,055	5,892
Internal Audit & Risk Management	326	383
IT	2,174	1,882
Legal	1,417	1,353
Office Services & Human Resources	2,439	2,246
Records	1,427	1,279
TOTAL	15,657	14,899

3. CHARITABLE EXPENDITURE

	2019	2018
Department	£'000	£'000
Communications	1,819	1,864
Finance & Resources	6,055	5,892
Internal Audit & Risk Management	326	383
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Records	1,427	1,279
TOTAL	15,657	14,899

Church of England Central Services

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

Governance costs - auditor's remuneration:

Included within charitable expenditure are governance costs related to audit costs:

	2019 £'000	2018 £'000
Audit of ChECS	8	8
Audit of ChECS Trading Ltd	3	3
Taxation services provided by auditor	4	5
TOTAL	15	16

4. STAFF NUMBERS AND COSTS

The cost of staff for which ChECS was the managing employer during the year ended 31 December 2019 was:

	Comms	Finance & Resources	Internal Audit	IT	Legal	Office Services & HR	Records	2019 Total	2018 Total
Average No. Employed	18	77	4	12	11	28	15	165	161
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	881	3,390	200	711	781	1,096	405	7,464	7,099
Social security	101	365	23	79	94	116	41	819	784
Pension contributions	106	909	22	89	380	183	106	1,795	1,673
Total cost of staff	1,088	4,664	245	879	1,255	1,395	552	10,078	9,556

Total cost of staff includes termination costs of £34,000 (2018: £110,000) in respect of 5 (2018: 3) individuals.

Church of England Central Services

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

The cost of staff for which ChECS was the managing employer during the year ended 31 December 2018 was:

	Comms	Finance & Resources	Internal Audit	IT	Legal	Office Services & HR	Records	2018 Total
Average No. Employed	15	76	4	14	12	27	13	161
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	793	3,205	215	728	788	971	399	7,099
Social security	92	350	25	81	95	99	42	784
Pension contributions	99	892	29	80	328	153	92	1,673
Total cost of staff	984	4,447	269	889	1,211	1,223	533	9,556

The numbers of staff whose emoluments for the year fell in the following bands were:

	2019 Number	2018 Number
£60,001 to £70,000	13	12
£70,001 to £80,000	5	5
£80,001 to £90,000	5	5
£90,001 to £100,000	4	3
£100,001 to £110,000	1	-
£120,001 to £130,000	1	-
£130,001 to £140,000	-	2
£140,001 to £150,000	-	1*
£150,001 to £160,000	1	-
Total	30	28

*The employee benefits for the staff member in this category includes termination costs paid in 2018.

All of the staff above are members of the Church Administrators Pension Fund (Note 5). Of these, 24 (2018: 22) accrue benefits under a defined contribution scheme for which contributions for the year were £256,000 (2018: £217,000). The remaining 6 (2018: 6) staff members accrue benefits under a defined benefit scheme.

The highest paid member of staff was the Chief Finance & Operations Officer, who earned £153,000 (2018: Chief Finance & Operations Officer who earned £137,500 for the 11 months they were in post). ChECS' remuneration policy is in line with that of the other NCIs.

None of the trustees were reimbursed any expenses by ChECS during the year.

Church of England Central Services

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

5. PENSIONS

Pension benefits for staff employed by ChECS are provided either through the Church Administrators Pensions Fund (CAPF) defined benefit pension scheme or through the CAPF defined contribution scheme which was established for employees commencing service after 30 June 2006. The schemes are administered by the Church of England Pensions Board, which publishes the schemes' financial statements. The contributions to the defined benefit schemes have been assessed by an independent qualified actuary using the projected unit method of valuation and are detailed below.

The Church Administrators Pension Fund

- i) Defined Benefits Section (closed to new members from 30 June 2006)

Costs shared between the National Church Institutions

A valuation of the scheme is carried out once every three years, the most recent having been carried out as at 31 December 2017. This revealed a deficit of £13.3 million. The level of additional contributions made by the participating employers was £2,756,000 in 2019 (2018: £2,673,000). These contributions are subject to an annual increase on 1st January each year of 3.3% per annum, and are payable until 30 April 2023. The deficit contributions paid by ChECS in 2019 were £791,000 (2018: £704,000).

FRS 102 requires this agreed deficit recovery plan to be provided for. The total provision of £2.7m (as at 31 December 2019) is measured at its net present value. However, this transaction has no impact on ChECS' financial statements as the amount is recharged in full to the three equal partners of which ChECS is a jointly controlled entity.

Contributions Paid

In 2019 ChECS paid contributions (exclusive of the additional contributions) to the Fund totalling £231,000 (2018: £277,000). The participating employers are also responsible for making contributions towards the administration costs of the scheme of £390,000 (2018: £210,000) and the cost of Pension Protection Fund levies of £59,000 (2018: £65,000).

- ii) Defined Contribution Section

Following the closure of the defined benefit section of the Fund on 30 June 2006 a defined contribution section was set up for those commencing service after this date. ChECS paid contributions of £783,000 in 2019 (2018: £692,000).

Membership

The average number of ChECS employees within each scheme was:

	CAPF	
	Defined Benefit	Defined Contribution
2019	24	141
2018	27	134

Church of England Central Services

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

6. INTANGIBLE ASSETS

	2019 Consolidated £'000	2018 Consolidated £'000	2019 Charity only £'000	2018 Charity only £'000
At 1 January	-	-	-	-
Additions	670	-	670	-
Disposals	-	-	-	-
At 31 December	670	-	670	-

During the year ChECS has undertaken work on a new IT system, which will incorporate Master Data Management and HR/Payroll functionality to enable the strategic management of people data across the Church, including but not limited to NCI staff and clergy. The system will interface with other key business systems including recruitment, pensions and the diocesan contact management system. All associated feasibility costs were expensed, until formal approval was given by the JECSB and the ChECS Board in July 2019. Subsequent to approval being given the project was considered to have moved into its development phase and therefore costs incurred as a direct result of the work have been capitalised.

The asset is currently under construction and is expected to be brought into use in mid 2021.

7. DEBTORS: Amounts falling due within one year

	2019 Consolidated £'000	2018 Consolidated £'000	2019 Charity only £'000	2018 Charity only £'000
Trade debtors	373	503	362	305
Other debtors	111	-	111	-
Prepayments and accrued income	381	321	323	307
Related parties (see Note 11)	23	157	-	134
Amounts due from subsidiary undertaking	-	-	127	193
	888	981	923	939

Church of England Central Services

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

8. CREDITORS: Amounts falling due within one year

	2019 Consolidated £'000	2018 Consolidated £'000	2019 Charity only £'000	2018 Charity only £'000
Trade creditors	455	464	410	445
Related parties (see Note 11)	715	153	715	153
Taxation & social security	1,021	851	1,000	835
Accruals & deferred income	485	424	442	378
	2,676	1,892	2,567	1,811

Included within amounts due to related parties is £670k, which relates to cash flow loans for a new IT system. An agreement was signed on 24 February 2020 to document the terms and conditions of the loans that were agreed at the outset of the project. The loans are interest free, unsecured and are repayable over the useful life of the system.

9. SUBSIDIARY RESULTS

ChECS has a trading subsidiary, ChECS Trading Ltd (company registration no. 08940330), which carries out any activities that are deemed, for tax purposes, to be trading activities. ChECS owns 100% of the share capital in ChECS Trading Ltd. The subsidiary is registered at the same address as its parent.

A summary of the profit and loss account of ChECS Trading Ltd is shown below:

<u>ChECS Trading Ltd</u>	Year Ended 31/12/2019 £'000	Year Ended 31/12/2018 £'000
Turnover	769	830
Cost of Sales	(750)	(821)
GROSS PROFIT	19	9
Administration expenses	(5)	(6)
Interest payable	(4)	(3)
Charitable donations	(10)	-
RESULT FOR THE FINANCIAL YEAR	-	-

Church of England Central Services

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

A summary of the net assets of ChECS Trading Ltd is shown below:

	2019	2018
	£'000	£'000
Current assets		
Debtors	91	235
Cash at bank and in hand	144	39
	<u>235</u>	<u>274</u>
Creditors: amounts falling due within one year	(235)	(274)
Net current assets	<u>-</u>	<u>-</u>
Total reserves	<u>-</u>	<u>-</u>

10. OPERATING LEASES

As at 31 December 2019 the charity had commitments under non-cancellable operating leases, representing the total minimum future lease payments, as follows:

	Property	Office Equipment	2019 Total	2018 Total
Falling due:-	£'000	£'000	£'000	£'000
Within One year	500	58	558	563
Two to Five years	505	87	592	827
	<u>1,005</u>	<u>145</u>	<u>1,150</u>	<u>1,390</u>

As at 31 December 2018 the charity had commitments under non-cancellable operating leases, representing the total minimum future lease payments, as follows:

	Property	Office Equipment	2018 Total
Falling due:-	£'000	£'000	£'000
Within One year	501	62	563
Two to Five years	654	173	827
	<u>1,155</u>	<u>235</u>	<u>1,390</u>

11. RELATED PARTIES

ChECS is a jointly controlled entity between the Archbishops' Council, the Church Commissioners for England, and the Church of England Pensions Board in which the three members hold equal shares.

Church of England Central Services

Notes to the Financial Statements for the year ended 31 December 2019 (continued)

Each member has the right to appoint and remove two of ChECS' trustees and holds equal guarantee rights in ChECS.

The amount charged to each related party during the year was as follows:-

	2019	2018
	£'000	£'000
Church Commissioners for England	6,697	6,215
The Archbishops' Council	5,516	5,327
The Church of England Pensions Board	2,280	2,245
Total	14,493	13,787

In addition, the Church Commissioners charged ChECS a total of £473k during 2019 (2018: £423k) to rent a building for use in ChECS' charitable activities.

As at 31 December the following amounts were owed to / (from) related parties:-

	2019	2018
	£'000	£'000
Church Commissioners for England	348	153
The Archbishops' Council	170	(62)
The Church of England Pensions Board	197	(72)
Total	715	19

In addition, ChECS Trading was owed £23,000 (2018: £23,000) from the above related parties.

ChECS Trading

The amount charged to ChECS by ChECS Trading during the year was as follows:-

	2019	2018
	£'000	£'000
ChECS	14	31

As at 31 December the following amounts were due from ChECS Trading:-

	2019	2018
	£'000	£'000
ChECS Trading	127	193

12. POST BALANCE SHEET EVENT

Subsequent to the year end, the COVID-19 virus pandemic has caused significant volatility in financial markets and introduced uncertainty to the wider economy, as well as imposing significant restrictions on societal behaviour. As a result of the restrictions arising from the pandemic the Company has adopted a remote working model, along with the other National Church Institutions, but has continued to maintain its services without notable operational impact. There has not been a significant impact on the Charity's financial position or performance to date, including the recoverability of debts, the value of assets or the ability to settle its commitments as they fall due. It is not possible to quantify the long term impacts of the pandemic on the Charity's activities.

The Charity is exposed to falls in listed investment markets and changes in actuarial assumptions linked to market data through its participation in the Church Administrators Pension Fund. However, this will not have a direct impact on the Charity's balance sheet because it accounts for these schemes as if they were defined contribution schemes. Any changes to contributions or deficit recovery arrangement will be considered as part of the next triennial actuarial review of the schemes.