

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2020

LEICESTER DIOCESAN BOARD OF FINANCE (THE)

Company number - 00227087

Registered charity number – 249100

ANNUAL REPORT

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CHAIRMAN'S REPORT

The year 2020 was like no other in living memory as the world grappled with the devastating impact of the coronavirus pandemic. The ripples of this event will be felt for many years to come, especially by those who have lost loved ones, contracted the virus themselves, seen their livelihoods devastated or have been on the front line of caring for those who are ill, ministering to the bereaved, to mention just a few of the most prominent effects. We pray for all who have suffered during the pandemic.

Leicester and Leicestershire were amongst the most severely affected by the initial waves of infection and the city has, at the time of writing, had a longer period of lockdown than any other part of the country. The majority of our church buildings have been closed for almost the whole of that time and, whilst great creativity has been shown by many in adapting very quickly to on-line worship and meetings, it has been impossible to maintain anything like the previous level of activity. Nevertheless, our faithful ministers and lay people have continued in prayer, pastoral care and practical loving service of the world and we have even seen new worshippers joining us even as others have drifted away.

The financial impact of the pandemic has been severe. The loss of cash collections, together with the cancellation of fundraising events and the loss of lettings income has left many parishes struggling to make their pledged contributions to the Diocese. Parish contributions fell by £429k (9.4%) compared with 2019. We also saw reductions in our income from investments, reflecting the state of the national and world economy. Our commercial operations at St Martins House and the Lodge were shut down for almost 9 months and continuing into the first part of 2021. Overall, our income was £9.64m, down from £12.14m in 2019.

Expenditure was, however, higher than anticipated, even though we were able to benefit from the Government's Job Retention Scheme with regard to centrally-employed staff and also having, regretfully, to make a number of redundancies. In total, our accounts show a loss of £1.83m (2019: surplus £344k).

Recognising the continuing financial impact of the pandemic, the DBF trustees recommended to the Diocesan Synod a deficit budget for 2021 which, together with this 2020 deficit, will be met by drawing from the total returns on our historic assets. However, as it is now clear that the 2020 deficit was even greater than the forecasts produced during the year anticipated, and that it is very unlikely that the deficit in 2021 will be contained within the budgeted level, further difficult decisions will need to be made in the months to come.

Meanwhile, a planned strategic review of the Diocese has begun with greater urgency. Under the title 'Shaped by God Together', we are carrying out a thorough review of our patterns of ministry, of finances and the ways we care for our church buildings. This review, which is planned to be concluded in October 2021 will, we hope, set us on a new and sustainable course for the coming years, and better-shaped for mission as we approach the second quarter of the twenty-first century.

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CHAIRMAN'S REPORT (continued)

Despite the challenges, we remain hopeful under God's guidance. I am so grateful for the generosity and commitment of so many people who support us financially and for the skill and dedication of all those who manage our finances, whether locally in the parishes or at the diocesan level. I pay particular tribute to our former Director of Finance, John Orridge, who left us at the end of the year to take up a similar role in another (larger) diocese after 11 years of faithful service of our mission; we have recently appointed Paul Stothard as John's replacement and I look forward to working with Paul. I would also like pay tribute to Stephen Barney, Chair of the DBF until February this year, who worked tirelessly and with enormous vision and creativity, in his stewardship of our financial resources. I wish John and Stephen every blessing and happiness for the future.

David Palmer
Chair of Leicester Diocesan Board of Finance
15 May 2021

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The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited financial statements, for the year ended 31 December 2020.

The Directors / Trustees are one and the same and in signing as Trustees they are also signing the Strategic Report sections in their capacity as Directors.

This combined report satisfies the legal requirements for:
a Directors' Report of a charitable company,
a Strategic Report under the Companies Act 2006 and
a Trustees' Annual Report under the Charities Act 2011

LEGAL OBJECTS

The Objects of the Diocese of Leicester covers the entire county of Leicestershire.

The Leicester Diocesan Board of Finance (The)'s ("LDBF") principal object is to promote, assist and advance the work of the Church of England in the Diocese of Leicester by acting as the financial executive of the Leicester Diocesan Synod.

The LDBF has the following statutory responsibilities:-

- i. the management of Glebe property and investments to generate income to support the cost of stipends arising from the Endowment and Glebe Measure 1976;
- ii. the repair of benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- iii. the custodian of permanent endowment and real property assets relating to trusts held by Incumbents and Archdeacons and by Parochial Church Councils ("PCC's") as Diocesan Authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

The strategic priorities of the company are established by the Diocesan Synod in communication with Deanery Synods, PCCs, and the Bishop of Leicester (in respect of his responsibility for the provision of the cure of souls). To this end, significant time and effort is committed to communication between and with these bodies, as well as with the church nationally; including an annual series of consultations on specific matters relating to the priorities for the forthcoming year, taking forward the commitments arising from the Diocesan Synod including the Diocesan budget.

STRATEGIC REPORT

Strategic aims

The main role of the LDBF is to identify and manage the financial aspects of the provision of ministry within the Diocese so as to provide appropriate personnel and financial resources to assist the Diocesan Synod, Bishop's Council, deaneries and parishes to further the mission and strategic priorities in the Diocese.

In November 2014, the Diocesan Synod unanimously recommitted to the "Shaped by God" vision and strategy for the next 10 years, which seeks to grow the kingdom of God in depth of discipleship, number of disciples of Jesus and the loving service of the world.

The Diocese of Leicester has identified ten 'marks of mission' which are in effect a statement of our values. We have articulated these values in the hope that they will shape our culture (the way we do things here) and infuse all our actions:

- noticing God at work among us, and continually asking: what are we learning, and how do we join in with God's activity? **(discerning)**
- lives and communities transformed, through the good news of Jesus Christ; **(transformational)**
- worship in a way that renews and inspires, echoing the praise of heaven; **(inspirational)**
- self-giving service to the community, because the Church is called to be local and outward looking; **(self-giving)**
- being rooted in prayer, because prayer is part of our loving response to the needs of the world; **(prayerful)**
- confident and sensitive evangelism, responding to Jesus' call to share our faith in word and deed; **(confident)**
- lifelong Christian nurture, because our mission overflows from our own discipleship; **(nurturing)**
- the welcome of newcomers, helping those who come close to the church to feel cherished by God; **(hospitable)**
- becoming child friendly, following our Lord's example of putting children at a central place in His ministry; **(child-like)**
- celebration of people and places, because godly celebration is at the heart of the gospel; **(celebratory)**

Overall objectives for the year

In response to the above strategic priorities determined by the Diocesan Synod, several groups, including the Bishop's Council, Bishop's Staff and Deanery Synods, have discussed and consulted widely to agree specific objectives for this and subsequent years. These objectives are:

- To promote, facilitate and assist with the work and purposes of the Church of England for the advancement of the Christian faith in the Diocese of Leicester.
- To maintain a sound financial structure required to support the clergy in the payment of stipends, managing parsonages and other ministerial housing and providing other facilities in support of the clergy and lay people in parishes across the Diocese.

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- To support the National Church institutions through an annual grant, including a contribution to the cost of training Ordinands and for providing retirement housing for clergy.
- To support The Leicester Diocesan Board of Education (“LDBE”) by way of a grant towards staff costs and the provision of office accommodation.

Through carrying out these objectives and in promoting the whole mission of the church (pastoral, evangelistic, social and ecumenical), the Trustees are confident (having had regard to Charity Commission guidance) that LDBF delivers public benefit through community engagement, resourcing education and supporting those in need both spiritually and physically.

Activities and achievements in the year

The Christian Presence

Clergy form a central part in the life of churches in the Leicester Diocese and carry out important roles in communities. As well as engaging in a wide variety of community and church projects, clergy carried out 586 weddings (including marriage blessings), 1,713 funerals and 1,200 baptisms during 2019 – the figures are only available one year in arrears. Whilst the LDBF is responsible for funding of clergy stipend costs, the national clergy payroll is administered by the Archbishops’ Council, a charity which the LDBF reimburses regularly for the costs of stipendiary clergy deployed in the Diocese. Caring for the 98 trained stipendiary clergy and 31 training curates we had at the end of 2020 in the diocese is a priority of the LDBF and represents by far its largest financial commitment. Although the LDBF does not employ the parish clergy, it is responsible for training them, paying them, and paying into their pension fund. New terms of service were introduced in 2011 in the form of Common Tenure under which all new clergy are appointed (some present clergy chose to retain their freehold). The new package gives greater clarity on the rights and obligations of clergy and requires that they participate in a process of continual professional development and ministerial development review. It also gives clergy access to tribunals and other useful services.

For many, the clergy house represents the domestic heart of the parish, serving not only as a home but also as a base for ministry. LDBF recognises the importance of a safe, secure and well maintained house and strives to continue with this work as well as carrying out programmed refurbishments and improvements, as available money allows.

During all interregnums, the Area Deans worked closely with the churchwardens of the relevant parishes and ensured that, in every case, scheduled services continued and, with very few exceptions, other activities within the community continued uninterrupted. This was largely made possible by the increasing pool of both retired and self-supporting ministers in the diocese together with the administrative support for the area deans being funded by LDBF.

Other related parties include:

- The Archbishops’ Council to which it pays a donation based on an apportionment system for funding national training of Ordinands and the activities of the various national boards and councils, as well as General Synod.
- The Church Commissioners from which the LDBF receives grants and which acts on behalf of clergy with HM Revenue and Customs. The LDBF pays for clergy stipends through the Church Commissioners.
- The Church of England Pensions Board, to which the LDBF pays retirement benefit contributions for stipendiary clergy and employees. It also offers schemes to provide housing for clergy in retirement.

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- Parochial Church Councils (“PCC’s”), to which LDBF is required to be custodian trustee in relation to PCC property. LDBF has no control over PCC’s, which are independent charities. The accounts of PCC’s and deaneries do not form part of these financial statements.
- Leicester Diocesan Board of Education (charity number 1151692), to which LDBF provides grant support.
- Leicester Cathedral Chapter, to which LDBF provides certain accounting services.
- Launde Abbey Trustees, to which LDBF provides long term loans used to refurbish the abbey (which is the Diocesan Retreat house) and to cover compensation and legal fees. At 31 December 2020, the loans plus interest totalled £865,138. All loans have been fully provided for and are secured on the value of Launde Abbey (for details see note 17 on page 39).
- Coventry Diocesan Board of Finance (The) (company no. 00319482; charity no. 247828), with which LDBF had a joint working arrangement for several staff during 2020.

Transactions with the main categories of related parties are identified in appropriate places throughout the financial statements. Where materiality of the transactions merits more detailed disclosure this is given in note 28 to the financial statements.

Volunteers

LDBF is dependent on the huge number of people involved in church activities both locally and at diocesan level. We believe that the number of active volunteers (or volunteer hours) given to the mission and ministry of the church is a key indicator of the health of a church. The service provided to a community through church volunteering also has a significant impact on people’s relationship to the church particularly at times of crisis. Within this context, the LDBF greatly values the considerable time given by all the committee members across the Diocese in pursuit of the mission of the LDBF.

Future plans

A central priority within Jesus’ ministry was his calling of twelve disciples - “appointed... to be with him and to be sent out” Mark 3:15. He devoted much time to teaching and mentoring them. He sent them out to continue his work of announcing and giving signs of the kingdom.

The Diocese of Leicester has similarly chosen to focus on this priority of discipleship. Shaped by God in our lives and communities we seek the growth of His Kingdom in:

- the depth of discipleship,
- the number of disciples of Jesus,
- loving service of the world.

We have therefore asked our parish churches, our fresh expressions of church, our chaplaincies, and our schools to work to these priorities. Each Christian community must discern for themselves how to act on these priorities in their own context. It is not for the Board of Finance or the Bishop to dictate how individuals and communities should interpret these priorities. Rather the work of our central support staff is focused on enabling this discernment in each context and helping each community to channel their resources to these priorities. It is for the Bishop to hold each individual minister and each community to account for how they are doing this (“low control, high accountability”).

The major budget element continues to be directed towards the maintenance of a ministerial presence in every parish and the training and development of lay members of the church to support the work of the clergy will be a priority.

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We are now embarking upon a review of the Diocese entitled 'Shaped by God Together' which will report to Diocesan Synod in the Autumn of 2021 on the future shape and direction of the Diocese.

We continue to review the central diocesan structure which is designed to support the vision and priorities of the Diocese.

The ongoing objective is to be able to adequately resource diocesan needs, as determined by Synod and informed by local and national Church institutions.

Financial review

Financial Performance

Parish Contribution, the money given by parishes to the Diocese to fund its mission and ministry, is the main incoming resource for the Diocese. This decreased by £429k to £4.16m (2019: £4.59m).

The Trustees are grateful to all the parishes for their contributions during the year, and especially to those parishes that make regular contributions by instalments, which is essential in keeping the Diocese's need to maintain a cash flow reserve to a minimum.

LDBF had a net £1.83m decrease in total funds in 2020 (2019: £344k increase). The 2020 result was affected by lower gains on property sales (£1.57m lower), lower bookshop, café, conferencing and SMH rental income (£679k lower) and lower share income (£106k lower).

Overall, the value of fixed asset investments decreased; Glebe properties are £31.89m (2019: £30.62m); other investments are £8.74m (2019: £10.76m), resulting in a decrease in investment assets of £758k.

The Trustees had prepared a 2021 budget that had a small net operational deficit. The impact of the Covid19 pandemic has meant a re-forecasted increased deficit for 2021 and a continued budgeted deficit for 2022. These deficits can be offset by asset sales in the short term, via the Total Return release mechanism. We have sufficient relatively liquid assets (such as our stock market investments) to cope in the short term. It is anticipated returning to a breakeven budget in 2023, once the conclusions from Shaped by God Together are known. Hence, the Trustees are of the opinion that LDBF continues to be a going concern.

Significant Property Transactions

Land and building additions during the year (included in tangible fixed assets and investment properties) totalled £157k (2019: £1.91m) which included £60k being the final retention monies due on the development of St Martins Lodge (our 28 bed accommodation facility - £32k), and on 6 – 8 St Martins, the property being used for The Community of the Tree of Life (£28k). The balance of funds were spent improving and refurbishing the current stock of LDBF properties.

There were no new properties purchased during 2020.

Our policy continues to be:

- to replace unsuitable properties;
- to accommodate the changing geographical deployment of clergy within the Diocese;
- to realise development potential in some properties, thereby using our resources more effectively for the ministry of the Church.

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Balance sheet position

The Trustees consider that the Balance Sheet together with details in note 21 show broadly that the restricted and endowment funds are held in an appropriate mix of investment and current assets given the purposes for which the funds are held. While the net assets at the balance sheet date totalled £76.66m (2019: £78.48m) it must be remembered that included in this total are land & buildings, whose value amounted to £72.17m (2019: £71.82m). Additionally, some of the remainder of the assets shown in the balance sheet are held in restricted funds, and cannot necessarily be used for the general purposes of the LDBF.

Fundraising

LDBF raise funds through Parish Contribution (based on offers given by the Parishes) and via an annual Bishop's Lent appeal. No professional fundraisers are employed in these activities. The Lent appeal is an invitation to the general public to contribute to a stated objective. No direct fundraising to individuals is undertaken.

Reserves policy

Free reserves

Having considered financial risk, liquidity requirement and the timing of cashflows throughout the year, the Trustees' policy is to hold a balance of readily realisable assets in the general fund equivalent to 3 months budgeted unrestricted expenditure for 2021. At 31 December 2020 the amount required under this policy totalled £2.80m (2019: £2.37m). Actual free reserves as at 31 December 2020 totalled £7.03m (2019: £8.90m).

Reserves tied up in fixed assets

The general fund has tangible fixed assets of £19.01m, investments of £984k and net liabilities of £13.80m.

Designated funds

The Trustees may, with the approval of the board, designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed on an annual basis and returned to the general fund in the event that the purpose of their designation is no longer considered to be adequate justification for their retention. A description of each reserve together with the intended use of the reserve is set out in note 23. At 31 December 2020 total designated reserves were £0.83m (2019: £0.83m).

Restricted and endowment funds

As set out in note 23, LDBF holds and administers a large number of restricted and endowment funds. As at 31 December 2020 restricted funds totalled £1.75m (2019: £1.56m) and endowment funds totalled £67.88m (2019: £68.02m). Neither fund category is available for the general purposes of the LDBF except for the portion of the endowment fund set aside in the Total Return policy adopted on 1st January 2019. The balance of Unapplied Total Return as at 31 December 2020 was £15.90m (2019: £16.35m).

Grant making policy

The Memorandum of Association of the LDBF explicitly permits the LDBF to make grants in pursuance of its objects. The LDBF predominantly achieves this via the Capital and Growth funds. Grants from these funds are disclosed in note 12.

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Investment policy

The LDBF is empowered by its Memorandum of Association to invest monies not immediately required for its purposes. In addition, the LDBF acts as trustee of a number of trust funds, and these must be invested in accordance with the related trusts. The LDBF's policy is to review regularly the assets of each fund for which it is responsible, in relation to the purposes of each fund, and to identify appropriate investment vehicles. Note 21 provides detail of the assets of each fund, together with the related purposes, and note 16 summarises the movements in investments during the year.

The Trustees' investment policy is to hold investments in a balanced mix of a charity property fund with Savills Investment Management Limited (Savills) and equities with two portfolio managers (Brewin Dolphin and Charles Stanley). Both Brewin Dolphin and Charles Stanley have been instructed to apply an ethical screen to the portfolio which precludes direct investment in companies which have more than 10% of their turnover in armaments, pornography or tobacco. The investments held, and their return during the year, are set out in the following table:

| | Funds at 31 December 2020 £'000s | Proportion of Portfolio | Income yield in year | Total Return in year |
|--|---|----------------------------|-------------------------|-------------------------|
| Brewin Dolphin listed investments | 2,115 | 27.3% | 2.4% | +1.2% |
| Charles Stanley listed investments | 2,314 | 29.9% | 2.1% | -1.3% |
| Savills Investment Management Property Fund | 3,236 | 41.7% | 3.9% | +1.2% |
| CCLA funds | 39 | 0.5% | 3.2% | +7.9% |
| Other investments | 50 | 0.6% | 0.0% | 0.0% |
| | <hr/> 7,754 <hr/> | <hr/> 100.0% <hr/> | | |

The Investment Committee regularly reviews the performance of the funds and makes recommendations to the Trustees on investments.

LDBF is a member of the Church Investors Group. The Church Investors Group represents institutional investors from many mainstream Church denominations and church related charities. Its aims are to encourage the formulation of investment policies based on Christian ethical principles, to encourage responsible business practice through engagement with company managements and to share information and views on ethical matters related to investment. The CIG has 70 members, predominantly drawn from the UK and Ireland, with combined investment assets of over £21bn.

Principal risks and uncertainties

The Trustees are responsible for the identification, mitigation and or management of risk. To achieve this, a register of all the risks identified is maintained and, alongside it, a management and mitigation strategy formed. This is subject to review by the Trustees on an annual basis with the responsibility for delivery of the mitigation strategies identified by it, being delegated to the Diocesan Chief Executive and the Director of Finance.

The risk register identifies three broad areas where the risk of either failure to act or the impact of the events is considered 'high'. These areas and the associated mitigation strategies are:

External risk:

- **Reputational risk from scandals and theological disagreements;** Incidents would be managed through Archdeacon reviews and/or the Communications department.
- **Economic risk from a fall in parish contributions;** Continued close analysis and review of budgets and treasury / investment management.
- **Demographic changes;** There is a "Shaped by God" strategic plan (see page 5 above) to diversify the Church via Fresh Expressions.

Operational risk:

- **Personnel risk;** There are processes for performance development and for replacing key personnel who leave. There is also a contract with an external HR consultant.
- **Property;** There is a fully resourced Property department with an independent review of property transactions and management by the appropriate committee (Glebe, etc.).
- **IT;** Systems are off the shelf and easily replaceable. Data is backed up daily and can be restored within 24 hours. There are rules for internet usage monitored by the IT Manager. The IT Manager ensures compliance with The Data Protection Act and the General Data Protection Regulations.
- **Safeguarding and health & safety;** A health & safety policy has been issued to all staff. DBF has a department of 5 staff (2019: 4) dedicated to safeguarding who report to the Director of Operations and Governance.
- **Insurance;** Policies are reviewed annually with a suitably qualified broker.
- **Finance;** Financial processes have been implemented and are periodically reviewed. Changes in the amount of a particular income stream are analysed and appropriate corrective action implemented.

Governance risk:

- **Trustees;** Procedures exist to appoint and retain suitable Trustees
- **Staff structure;** Staff structures are periodically reviewed and set to ensure best practice is adhered to.
- **National network;** There is engagement with all national initiatives whilst liaising with other Dioceses to ensure best practice is maintained.

STRUCTURE AND GOVERNANCE

Summary Information about the structure of the Church of England

The Church of England is the established church and HM The Queen is the Supreme Governor. It is organised into two provinces (Canterbury and York) and 42 Dioceses. Each Diocese is a See under the care of a Bishop who is charged with the cure of souls of all the people within that geographical area. This charge is shared with priests within benefices and parishes which are sub-divisions of the Diocese.

The National Church has a General Synod comprised of ex-officio and elected representatives from each Diocese and it agrees and lays before Parliament, Measures for the governance of the church's affairs which, if enacted by Parliament, have the force of statute law. In addition to the General Synod, the Archbishops' Council has a coordinating role for work authorised by the Synod; the Church Commissioners manage the historic assets of the Church of England; and the Church of England Pension Board administers the pension schemes for clergy and lay workers. Within each Diocese, overall leadership lies with the Diocesan Bishop, who exercises that input as Bishop within the Diocesan Synod. The Diocese is itself divided into 10 deaneries, each with its own Synod. Within each parish there is a Parochial Church Council which shares with the parish priest responsibility for the mission of the church in that place in a similar way to that in which the Bishop shares responsibilities with the Diocesan Synod.

Whilst each Diocese is a separate legal entity, with a clear responsibility for a specific geographical area, being part of the Church of England requires and enables each Diocese to seek support from and apply for partnership with neighbouring Dioceses.

Organisational structure

The Leicester Diocesan Board of Finance (The) ("LDBF") is a company limited by guarantee (No. 00227087) and a registered charity (No. 249100) governed by its Memorandum and Articles of Association.

The company's principal activity is to promote, assist and advance the work of the Church of England within the Diocese of Leicester. It was established in its present form in 1927 and is successor in title to the Leicester Diocesan Trustees.

Governance and policy of Leicester Diocesan Board of Finance (The) ("LDBF") is the responsibility of the Trustees, who are also members of the company and trustees for the purposes of charity law. The Trustees are The Bishop of Leicester, who is the ex-officio president of LDBF, The Archdeacons of Leicester and Loughborough (also ex-officio) along with eight people elected from and by the members of Diocesan Synod every three years (with the most recent elections held in 2021), up to three members co-opted by the Board of Trustees, and up to two members nominated by the Bishop. The chairman is nominated by the Bishop and approved by the Diocesan Synod every three years (with the most recent nomination and approval being in 2021). The details of Trustees who served during the year are set out on page 17.

The Diocesan Synod, the statutory governing body of the Diocese, is an elected body drawn from across the Diocese with responsibility for setting the vision and strategy of the Diocese, guided by the Bishop's Leadership Team. The Synod membership is elected every three years, the last elections having been in 2021. The Synod elects eight of the possible seventeen Trustees of the Diocesan Board of Finance. Whilst the LDBF is a separate legal entity, with clear responsibilities under both company and charity law, as well as a governing Memorandum and Articles of Association, by virtue of the National Institutions Measure 2000, the LDBF is subject to the direction of the Synod in all its activities, unless such direction is not in accordance with the governing documents or statutory regulations.

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Decision making structure

Corporate priorities and the overall financial strategy for the Diocese, in its primary object to promote, assist and advance the work of the Church of England within the Diocese of Leicester, are set by the Diocesan Synod and the LDBF. The responsibility for ensuring that these priorities and strategies are delivered is delegated to the Diocesan Chief Executive. The company meets once a year in general meeting to receive and approve the annual report and financial statements and to appoint the auditors. The Diocesan Synod each year receives and agrees the annual budget, prepared and approved by the LDBF. The Trustees hold up to 6 meetings during the year.

The Bishop's Council consists of 11 ex-officio members, including the Diocesan Bishop, the Bishop of Loughborough and the two Archdeacons, 3 clergy elected by the house of clergy from among their number and 5 lay persons elected by the members of the house of laity, a Lay chair and an Area Dean and a maximum of 4 members nominated by the Diocesan Bishop.

The Bishop's Council and Standing Committee meet to formulate and coordinate policies on mission, ministry and finance by:-

- Initiating proposals for action by the Synod and advising it on matters of policy
- Transacting business of the Synod when it is not in session subject to the directions of the Synod and in accordance with Synod Standing Orders
- Planning the business of the Synod, preparing the agenda for its session, and circulating to members information about matters for discussion
- Advising the Bishop on any matters he may refer to the committee
- Initiating consideration of any restructuring of Synod Committees and Departments which may appear necessary and for the establishment of ad hoc review groups, their terms of reference and membership
- Carrying out such other functions as the Synod delegates to it
- Appointing members to committees and representatives to external bodies, subject to the direction of the Synod

There are a number of Diocesan Synod committees, though not all are sub-committees of LDBF, that influence the operation of LDBF. The following are statutory committees:

Houses Committee; which is responsible for managing and maintaining LDBF houses, including buying, repairing, maintaining and disposing of LDBF houses (including parsonages and vicarages).

Glebe Committee; which is responsible for implementing policy and making major decisions concerning the management of Glebe property and investments for the benefit of the Diocesan Stipends Fund.

The Diocesan Mission and Pastoral Committee; which is responsible for approving pastoral reorganisation, taking account of available clergy numbers, and making use of new patterns of ministry.

The Diocesan Advisory Committee; which advises on matters affecting churches and places of worship such as the granting of faculties, architecture, archaeology, art and the history of places of worship, the use and care of places of worship and their contents and the care of churchyards.

Leicester Diocesan Board of Patronage; which is constituted under the provisions of the Patronage (Benefices) Measure 1986, is sole patron or joint patron of a number of benefices.

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Closed Church Buildings Committee; which is responsible for finding appropriate alternative uses for churches that have been declared redundant.

Vacancy in See Committee; which is responsible for representing the Diocese in the appointment process of a Diocesan Bishop.

The Trustees, who also meet during the year as **The Finance Committee**, whose members are the Directors of the Company and Trustees of the Charity, are responsible for considering the financial affairs of the Diocese. The Committee reviews the management accounts and budget, the use of assets and investment policies and exercises the authority delegated to it by the Trustees in areas such as grants and loans. It also undertakes the LDBF's responsibilities under the Parsonages Measure; the Repair of Benefice Building Measure 1972; the PCC (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 (with respect to parochial property); the Endowment and Glebe Measure 1976 (with regard to property assets); and the Pastoral Measure 2011 (with regard to redundant churches). They also advise Bishop's Council on the financial aspects of strategic matters. They are also supported by:-

The Investment Committee (a sub-committee of the Finance Committee); is responsible for determining and overseeing the investment policy of LDBF.

The Audit Committee (a sub-committee of the Finance Committee); is responsible for assisting the Trustees in the discharge of their responsibilities for accounting policies, risk management, internal control and financial reporting, including liaison with the auditors.

Trustee recruitment, selection and induction

Trustees are given induction when first appointed. They are also informed before seeking membership and, at all other relevant times, of the role and function of the Committee. Some staff possess the title 'Director', but this relates to their function within the organisation and has no legal meaning within the terminology associated with the Companies Act. All Trustees are required to maintain their entry in the record of declarations of interest.

Delegation of day to day delivery

The Trustees and the sub-committees which assist them in the fulfilment of their responsibilities, rely upon the Diocesan Chief Executive and his colleagues for the delivery of the day to day activities of the company. The Diocesan Chief Executive is given specific and general delegated authority to deliver the business of the LDBF in accordance with the policies framed by the Trustees.

Funds held as Custodian Trustee

LDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are parochial church councils and others. These assets are not aggregated in the financial statements as the LDBF does not control them, and they are segregated from the LDBF's own assets by means of a separate bank account and accounting system. Further details of financial trust assets, whose market value amounted to £2.495m at 31 December 2020 (2019: £2.505m), are available from the LDBF on request, and are summarised in note 29. Where properties are held as custodian trustee, the deeds are identified as such and held in safe custody by the LDBF's solicitor, Stone King LLP.

TRUSTEES' RESPONSIBILITIES STATEMENT

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees (as Directors of LDBF for the purposes of Company Law) to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Charitable Company and of the income and expenditure of the Charitable Company for that period. In preparing these financial statements the Trustees are required to:

- Select suitable accounting policies and apply them consistently
- Observe methods and principles in the Charities SORP FRS 102
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in operation

The Trustees are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Trustees confirm that:

- so far as each Trustee is aware, there is no relevant audit information of which the Charitable Company's auditor is unaware; and
- the Trustees have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information, and to establish that the Charitable Company's auditor is aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Charitable Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Annual Reports, may differ from legislation in other jurisdictions.

APPOINTMENT OF AUDITORS

The re-appointment of Grant Thornton UK LLP as auditors to LDBF will be proposed at the Annual General Meeting.

LEICESTER DIOCESAN BOARD OF FINANCE (THE)
(a company limited by guarantee not having share capital)

ANNUAL REPORT

ADMINISTRATIVE DETAILS

Trustees

No Trustee had any beneficial interest in the Charitable Company during 2020. The following Trustees were in post during the year and at the date of this report:

| | | | |
|---------------------------|---|--|-------------------|
| President (ex-officio): | The Right Reverend M J Snow – Lord Bishop of Leicester | | |
| Chairman: | Mr D J Palmer (appointed 18 March 2021) Mr S G Barney (resigned 25 February 2021) | | |
| Archdeacons (ex officio): | The Venerable R V Worsfold - Archdeacon of Leicester The Venerable C Wood - Archdeacon of Loughborough | | |
| Elected by: | | | |
| Synod House of Clergy | The Reverend A R Leighton The Reverend C M Thomson (resigned 30 August 2020) The Reverend C Taylor | | |
| Synod House of Laity | Mr D B Beeson Mr C J Sheldon | Mrs S A L Newbury Mrs M V Wang | Mr J C F Roberson |
| Bishop's Nominees | None – Two vacancies | | |
| Co-opted by the Board | Mr G Brown Mr D J Palmer (appointed Chair 18 March 2021) The Reverend C M Thomson (appointed 19 January 2021) | Mr G W Newbury (resigned 11 November 2020) | |

Senior staff and advisers

| | |
|---|--|
| Diocesan Chief Executive: | Jonathan Kerry |
| Director of Operations and Governance: | Andrew Brockbank |
| Director of Finance and Support Services: | Paul Stothard (appointed 19 April 2021) Jim Pullen (appointed Acting Finance Director 1 January 2021 to 16 April 2021) John Orridge (resigned 31 December 2020) |

Registered Office: St Martins House,
7 Peacock Lane,
Leicester LE1 5PZ

| | | | |
|----------|---|-----------|---|
| Bankers: | Barclays Bank plc, Dominus Way, Meridian Business Park, Leicester LE19 1RP | Auditors: | Grant Thornton UK LLP, Statutory Auditor, Regent House, 80 Regent Road, Leicester LE1 7NH |
|----------|---|-----------|---|

LEICESTER DIOCESAN BOARD OF FINANCE (THE)
(a company limited by guarantee not having share capital)

ANNUAL REPORT

| | | |
|------------------------------|--|---|
| Solicitors: | Latham & Co., Charnwood House, 2&4 Forest Road, Loughborough, Leicestershire LE11 3NP | Anthony Collins Solicitors LLP, 134 Edmund Street, Birmingham B3 2ES |
| | Stone King LLP, Boundary House 91 Charterhouse Street London EC1M 6HR | |
| Investment Advisers: | Savills Investment Management Limited, 33 Margaret Street, London W1G 0JD | Charles Stanley & Co. Limited, 25 Luke Street, London EC2A 4AR |
| | Brewin Dolphin, 1 st Floor, Waterfront House, Waterfront Plaza, 35 Station Street, Nottingham NG32 3DQ | CCLA Investment Management Limited, 80 Cheapside, London EC2V 6DZ |
| Glebe Agents and Valuers: | Andrew Granger & Co LLP, 44 – 46 Forest Road, Loughborough, Leicestershire LE11 3NP | Christie & Co., Suite 402 Bridlesmith House, 38 Bridlesmith Gate, Nottingham NG1 2GQ |
| Insurance brokers: | Cornerstone Business Insurance Limited, 8 Princess Road West, Leicester LE1 6TP | |

In approving this Trustees' Report, the Trustees are also approving the Strategic Report included on pages 6 - 12 within their capacity as company directors.

BY ORDER OF THE TRUSTEES

D J Palmer
Chairman

J W Kerry
Diocesan Chief Executive

15 May 2021

15 May 2021

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF LEICESTER DIOCESAN BOARD OF FINANCE (THE)

Opinion

We have audited the financial statements of Leicester Diocesan Board of Finance (The) (the 'charitable company') for the year ended 31 December 2020, which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet, the 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 charitable company's affairs as at 31 December 2020 and of its incoming resources and application of resources including, its income and expenditure 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 have been appointed as auditor under the Companies Act 2006 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 charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the trustees' conclusions, we considered the inherent risks associated with the charitable company's business model including effects arising from Covid-19, we assessed and challenged the reasonableness of estimates made by the trustees and the related disclosures and analysed how those risks might affect the charitable company's financial resources or ability to continue operations over the going concern period.

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 charitable company'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.

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.

The responsibilities of the trustees with respect to going concern are described in the 'Responsibilities of the Trustees for the financial statements' section of this report.

Other information

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

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.

Opinion 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 Chairman's Report and the Strategic Report, prepared for the purposes of company law, included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Chairman's Report and the Strategic Report included in the Annual Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Chairman's Report or the Strategic Report.

Matters on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of The Trustees for the financial statements

- As explained more fully in the Trustees' Responsibilities Statement set out on page 16, 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 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 charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- we obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (United Kingdom Generally Accepted Accounting Practice, the Charities SORP (FRS 102), the Charities Act 2011, the Charity code of Governance, the Companies Act 2006) and the relevant tax compliance regulations in the jurisdiction in which the company operates.
- we enquired of management whether they were aware of any instances of noncompliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- we identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our commercial experience and through discussion with management.
- we assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management and evaluating management's incentives and opportunities for manipulation of the financial statements. We considered the risk of fraud to be higher through the potential for management override of controls.

- audit procedures performed by the engagement team included:
 - testing manual journal entries, in particular journal entries relating to management estimates and
 - entries determined to be large, profit affecting or relating to unusual transactions;
 - challenging assumptions and judgements made by management;
 - detailed testing around revenue recognition;
 - identifying and testing related party transactions.
- assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training; - understanding of the financial reporting framework and the relevant tax compliance regulations specific to the entity.
- we did not identify any matters relating to non-compliance with laws and regulation or incidents of fraud.

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.

Christopher Frostwick
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
East Midlands
15 May 2021

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
STATEMENT OF THE FINANCIAL ACTIVITIES
For the year ended 31 December 2020**

| | Note | Unrestricted funds | | Restricted | Endowment | Total funds | Total funds |
|--|------|--------------------|------------|--------------|---------------|----------------|---------------|
| | | General | Designated | Funds | Funds | 2020 | 2019 |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Income and endowments from | | | | | | | (Note 30) |
| Donations | | | | | | | |
| Parish contributions | 2a | 4,157 | - | - | - | 4,157 | 4,586 |
| Archbishops' Council | 2b | - | - | 2,790 | - | 2,790 | 2,918 |
| Other donations | 2c | 4 | - | 3 | - | 7 | 2 |
| Charitable activities | 3 | 298 | 2 | 786 | - | 1,086 | 457 |
| Other activities | 4 | 468 | - | - | - | 468 | 1,254 |
| Investments | 5 | 107 | 12 | 122 | 717 | 958 | 1,162 |
| Other | 6 | 92 | - | - | 81 | 173 | 1,759 |
| Total income and endowments | | 5,126 | 14 | 3,701 | 798 | 9,639 | 12,138 |
| Expenditure on | | | | | | | |
| Raising funds | 7 | - | - | - | 257 | 257 | 208 |
| Charitable activities | 8 | 9,980 | 12 | 623 | - | 10,615 | 10,908 |
| Other | 9 | 1,232 | - | - | - | 1,232 | 439 |
| Total expenditure | | 11,212 | 12 | 623 | 257 | 12,104 | 11,555 |
| Net (expenditure) / income before losses and gains on investments | | (6,086) | 2 | 3,078 | 541 | (2,465) | 583 |
| (Loss) / gain on investments | | (252) | (3) | - | 1,044 | 789 | (284) |
| Net (expenditure) / income | | (6,338) | (1) | 3,078 | 1,585 | (1,676) | 299 |
| Transfers between funds | 14 | 4,606 | 9 | (2,882) | (1,733) | - | - |
| Other recognised gains: | | | | | | | |
| Loss on revaluation of fixed assets | | (152) | - | - | - | (152) | 45 |
| Net movement in funds | | (1,884) | 8 | 196 | (148) | (1,828) | 344 |
| Total funds brought forward | | 8,076 | 826 | 1,558 | 68,024 | 78,484 | 78,140 |
| Total funds carried forward | 20 | 6,192 | 834 | 1,754 | 67,876 | 76,656 | 78,484 |

All activities derive from continuing activities. The notes on pages 27 to 51 form part of the financial statements.

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 December 2020**

| | Total 2020 £'000 | Total 2019 £'000 |
|---|---------------------------------|------------------------|
| Income before losses and gains on investments | 8,841 | 9,810 |
| Expenditure | (11,847) | (11,346) |
| Operating deficit for the year | (3,006) | (1,536) |
| Net loss on investments | (255) | 101 |
| Net transfer from endowment funds | 1,733 | 1,981 |
| Net (expenditure) / income for the year | (1,528) | 546 |
| Other comprehensive income: | | |
| Revaluation of fixed assets | (152) | 45 |
| Total comprehensive (expenditure) / income | (1,680) | 591 |

The income and expenditure account is derived from the Statement of Financial Activities with movements in endowment funds excluded to comply with company law. All income and expenditure is derived from continuing activities. The notes on pages 27 to 51 form part of the financial statements.

LEICESTER DIOCESAN BOARD OF FINANCE (THE)
BALANCE SHEET
At 31 December 2020

Company Number – 00227087

| | Note | 2020 £'000 | 2019 £'000 |
|---|------|----------------|----------------|
| FIXED ASSETS | | | |
| Tangible assets | 15 | 39,374 | 39,996 |
| Investments | 16 | 40,625 | 41,383 |
| | | <u>79,999</u> | <u>81,379</u> |
| CURRENT ASSETS | | | |
| Stock | | 48 | 43 |
| Debtors | 17 | 897 | 1,081 |
| Cash on deposit, at bank and in hand | | 1,057 | 1,649 |
| | | <u>2,002</u> | <u>2,773</u> |
| CREDITORS: amounts falling due within one year | 18 | <u>(5,119)</u> | <u>(2,464)</u> |
| NET CURRENT (LIABILITIES) / ASSETS | | <u>(3,117)</u> | <u>309</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>76,882</u> | <u>81,688</u> |
| CREDITORS: amounts falling due after more than one year | | | |
| Pension scheme liabilities | 19 | (190) | (668) |
| Loans | 19 | - | (2,500) |
| Other creditors | 19 | (36) | (36) |
| NET ASSETS | | <u>76,656</u> | <u>78,484</u> |
| FUNDS | | | |
| Endowment funds | | | |
| (Including investment revaluation reserve of £23,719k (2019: £22,768k)) | | 67,876 | 68,024 |
| Restricted income funds | | | |
| (Including investment revaluation reserve of £Nil (2019: £Nil)) | | 1,754 | 1,558 |
| Unrestricted income funds: | | | |
| General funds | | | |
| (Including revaluation reserve of £125k (2019: £650k)) | | 6,192 | 8,076 |
| Designated funds | | | |
| (Including investment revaluation reserve of £37k (2019: £40k)) | | 834 | 826 |
| TOTAL FUNDS | 20 | <u>76,656</u> | <u>78,484</u> |

The Cash Flow Statement and the Notes form part of these financial statements. The financial statements were approved by the Board of Trustees and authorised for issue on 15 May 2021 and signed on behalf of the Board by:

D J Palmer - Chairman

LEICESTER DIOCESAN BOARD OF FINANCE (THE)
CASH FLOW STATEMENT
For the year ended 31 December 2020

| | 2020 | | 2019 | |
|---|-------|----------------|---------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Net cash outflow from operating activities | | (2,967) | | (3,141) |
| Cash flows from investing activities | | | | |
| Dividends, interest and rent from investments | 958 | | 1,202 | |
| Proceeds from the sale of tangible fixed assets | 534 | | 1,605 | |
| Proceeds from the sale of fixed asset investments - shares | 2,203 | | 2,578 | |
| Proceeds from the sale of fixed asset investments - Glebe | 51 | | 1,925 | |
| Purchase of tangible fixed assets | (178) | | (1,699) | |
| Purchase of fixed asset investments | (703) | | (1,018) | |
| Net cash provided by investing activities | | 2,865 | | 4,593 |
| Cash flows from financing activities | | | | |
| Contributions to Clergy and Lay staff pension plans | (490) | | (465) | |
| Net cash used in financing activities | | (490) | | (465) |
| Change in cash and cash equivalents in the period | | (592) | | 987 |
| Cash and cash equivalents at 1 January | | (851) | | (1,838) |
| Cash and cash equivalents at 31 December | | (1,443) | | (851) |
| Reconciliation of net movements in funds to net cashflow from operating activities | | | | |
| Net movement in funds for the year ended 31 December | | (1,828) | | 344 |
| Adjustments for: | | | | |
| Depreciation charges | | 201 | | 199 |
| Dividends, interest and rent from investments | | (958) | | (1,202) |
| Repayment of Parish loans | | 53 | | 55 |
| Advancement of Parish loans | | (21) | | (90) |
| Profit on sale of fixed assets | | (88) | | (564) |
| Loss / (Gain) on revaluation of fixed assets | | 153 | | (45) |
| Loss / (Profit) / on sale of fixed asset investments - shares | | 148 | | (115) |
| Profit on sale of fixed asset investments - Glebe | | (2) | | (1,195) |
| (Gain) / Loss on revaluation of fixed asset investments | | (939) | | 398 |
| Increase in stock | | (5) | | (3) |
| Decrease / (Increase) in debtors | | 108 | | 272 |
| Clergy & Lay pension interest and liability adjustments | | 37 | | (1,190) |
| (Decrease) / Increase in related party loans | | (219) | | 460 |
| Increase / (Decrease) in creditors | | 393 | | (465) |
| Net cash used in operating activities | | (2,967) | | (3,141) |
| Analysis of cash and cash equivalents | | | | |
| Cash at bank and in hand | | 959 | | 1,339 |
| Notice deposits (less than 3 months) | | 98 | | 310 |
| Bank loans | | (2,500) | | (2,500) |
| | | (1,443) | | (851) |

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020**

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, with the exception of fixed asset investments which, in the main, are included at their market value at the balance sheet date, and certain tangible fixed assets which are included at fair value. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP 2015), the Companies Act 2006 and applicable accounting standards (FRS 102).

Going Concern

The Trustees had prepared a 2021 budget that had a small net operational deficit. The impact of the Covid19 pandemic has meant a re-forecasted deficit for 2021 and a significant budgeted deficit for 2022. These deficits can be offset by asset sales in the short term, via the Total Return release mechanism. We have sufficient relatively liquid assets (such as our stock market investments) to cope in the short term. It is anticipated returning to a breakeven budget in 2023, once the conclusions from Shaped by God Together are known. Therefore, the Trustees consider the Company to be a going concern.

The principal accounting policies are as follows;

a) Income

All income is included in the Statement of Financial Activities (SOFA) when the LDBF is legally entitled to them as income or capital respectively, ultimate receipt is probable and the amount to be recognised can be quantified with reasonable accuracy.

- i) **Parish Contributions** are recognised as income of the year in respect of which it is received, and up to 31 January of the following year.
- ii) **Income from other trading activities;**
Housing rental receivable is recognised as income in the period to which it relates.
Bookshop and Café sales represent goods sold and are recognised on the date of sale, over the counter. Internet sales are recognised on the date of notification.
Conferencing and events income is recognised on the date of the associated event. Cancellation charges are recognised on the date of notification.
- iii) **Interest and dividends** are recognised as income when receivable.
- iv) **Grants** received, which are subject to pre-conditions for entitlement specified by the donor which have not been met at the year end, are included in creditors to be carried forward to the following year.
- v) **Government grants (including furlough)** are recognised as income of the year to which they relate.
- vi) **Parochial fees** are recognised as income of the year to which they relate.
- vii) **Donations**, other than grants, are recognised when receivable.
- viii) **Gains on disposal of fixed assets for the LDBF's own use** (i.e. non-investment assets) are accounted for as other income. Losses on disposal of such assets are accounted for as other expenditure.
- ix) **Stipends fund income.** The Stipends Fund Capital account is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt (as the expenditure is greater) and the legal restrictions, therefore, are satisfied. It is on this basis that the expenditure is shown in the unrestricted column of the Statement of Financial Activities and is offset by the income which, initially, is shown in the restricted column, but then transferred to the unrestricted column.

b) Expenditure

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the Statement of Financial Activity category.

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

- i) **Costs of raising funds** are costs relating to the temporary renting out of parsonages, agent's costs for Glebe investment properties and management fees on investment assets.
 - ii) **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing and supporting mission and ministry in the parishes of the Diocese, and expenditure that supports education within Church of England schools in the Diocese.
 - iii) **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of LDBF, such grants being recognised as expenditure when the conditions attaching have been fulfilled. Grants offered subject to such conditions which have not been met at the year end are noted as a commitment, but not accrued as expenditure.
 - iv) **Support costs** consist of central management, administration and governance costs. The amount spent on raising funds and other activities is considered to be immaterial and all support costs are allocated to the purpose of charitable activities. Costs are allocated based on the proportion of the net amount spent on resourcing and support of mission and ministry.
 - v) **SMH trading and letting costs** consist of staff, cost of goods sold, and building costs charged on an accruals basis.
 - vi) **Pension contributions** relate to LDBF staff who are members of the Church Workers Pension Fund. Clergy are members of the Church of England Funded Pensions Scheme (see note 27). The pension costs, charged as resources expended, represent the LDBF's contribution payable in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes is accrued at current value in creditors distinguished between contributions falling due within one year and after one year.
- c) **Tangible fixed assets and depreciation**

Freehold properties

Depreciation is not provided on the majority of LDBF properties as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. LDBF has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972. Properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value. The Trustees perform annual impairment reviews in accordance with the requirements of FRS102 to ensure that the carrying value is not more than the recoverable amount.

Depreciation is provided on Cathedral Gardens to write off the asset over a 10 year maintenance period as from April 2016.

St Martins House (SMH) and St Martins Lodge (SML)

St Martins House is valued at open market value at 31 December. SMH is divided into a fixed asset and a fixed asset investment property. 2% straight line annual depreciation on cost is provided on the fixed asset. St Martins Lodge is valued at open market value at 31 December.

Properties subject to value linked loans

There is one property which has been bought with the assistance of a value-linked loan from the Church Commissioners. The property and loan are carried at original cost. However, the Church Commissioners are entitled to be repaid the appropriate proportion of the value of the property when disposed. The appropriate proportion being the proportion of the loan supplied compared to the original cost of the property.

Investment properties

Glebe properties, which are held for investment purposes and rented out, are subject to annual revaluations and hence the properties are included at their year-end market value.

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

1. ACCOUNTING POLICIES (continued)

Parsonage houses

LDBF has followed the requirements of FRS102 in its accounting treatment for benefice houses (parsonages). FRS102 requires the accounting treatment to follow the substance of arrangements rather than strict legal form. LDBF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if not required as a benefice house but, in the meantime, legal title and the right to beneficial occupation is vested in the incumbent. The Trustees therefore consider the most suitable accounting policy is to capitalise such properties as expendable endowment assets and to carry them at cost.

d) Other tangible fixed assets

All capital expenditure over £500 is depreciated. Depreciation is provided in order to write off the cost (less any ultimate disposal proceeds at prices ruling at the time of the asset's acquisition) of other fixed assets over their currently expected useful economic lives at the following initial rates:-

Computer equipment - 50% per annum on a straight line basis

Fixtures and fittings - 50% per annum on a straight line basis

e) Other accounting policies

- i) **Fixed asset investments** are included in the Balance Sheet at market value and the gain or loss taken to the Statement of Financial Activities.
- ii) **Stock** is included at the lower of cost and net realisable value and relates to books purchased for resale to the general public.
- iii) **Leases** refer to operating leases entered into for the use of certain assets, the rental for which is charged in full as expenditure in the year to which it relates.

f) Fund balances

Fund balances are split between unrestricted (general and designated), restricted and endowment funds.

- **Unrestricted funds** are LDBF's corporate funds and are freely available for any purpose within the Charitable Company's objects, at the discretion of LDBF. There are two types of unrestricted funds:
 - **General funds** which LDBF intends to use for the general purposes of LDBF and
 - **Designated funds** set aside out of unrestricted funds by LDBF for a purpose specified by the Trustees.
- **Restricted funds** are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.
- **Endowment funds** are those held on trust to be retained for the benefit of the Charitable Company as a capital fund. In the case of the endowment funds administered by LDBF (Stipends Glebe Fund and Endowment Capital Funds), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. The Parsonage Houses Fund, where there is no provision for expenditure of capital, is classified as permanent endowment.

"Special trusts" (as defined by the Charities Act 2011) and any other trusts where the Charitable Company acts as Trustee and controls the management and use of the funds, are included in the Charitable Company's own financial statements as charity branches. Trusts where the Charitable Company acts merely as Custodian Trustee with no control over the management of the funds are not included in the financial statements but are summarised in note 29 to the financial statements.

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

2. DONATIONS

2a. Parish Contributions

All donations are collected from the parishes of the Diocese.

| | Unrestricted funds | | Restricted Funds £'000 | Endowment Funds £'000 | Total funds 2020 £'000 | Total funds 2019 £'000 |
|-----------------------------|--------------------|---------------------|---------------------------|--------------------------|------------------------------|------------------------------|
| | General £'000 | Designated £'000 | | | | |
| Current year | 4,147 | - | - | - | 4,147 | 4,516 |
| Receipts for previous years | 10 | - | - | - | 10 | 70 |
| | <u>4,157</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,157</u> | <u>4,586</u> |

2b. Archbishops' Council

| | Unrestricted funds | | Restricted Funds £'000 | Endowment Funds £'000 | Total funds 2020 £'000 | Total funds 2019 £'000 |
|-------------------------|--------------------|---------------------|---------------------------|--------------------------|------------------------------|------------------------------|
| | General £'000 | Designated £'000 | | | | |
| Stipend support | - | - | 1,279 | - | 1,279 | 1,330 |
| Restructuring funding | - | - | 150 | - | 150 | 65 |
| Ordinand grants | - | - | 253 | - | 253 | 281 |
| Pioneer workers' grant | - | - | 11 | - | 11 | 133 |
| BAME grant | - | - | 299 | - | 299 | 142 |
| Resource churches grant | - | - | 744 | - | 744 | 927 |
| Youth workers' grant | - | - | 11 | - | 11 | - |
| Legal cost contribution | - | - | 43 | - | 43 | 40 |
| | <u>-</u> | <u>-</u> | <u>2,790</u> | <u>-</u> | <u>2,790</u> | <u>2,918</u> |

2c. Other Donations

| | Unrestricted funds | | Restricted Funds £'000 | Endowment Funds £'000 | Total funds 2020 £'000 | Total funds 2019 £'000 |
|-----------|--------------------|---------------------|---------------------------|--------------------------|------------------------------|------------------------------|
| | General £'000 | Designated £'000 | | | | |
| Donations | 4 | - | 3 | - | 7 | 2 |
| | <u>4</u> | <u>-</u> | <u>3</u> | <u>-</u> | <u>7</u> | <u>2</u> |

3. CHARITABLE ACTIVITIES

| | Unrestricted funds | | Restricted Funds £'000 | Endowment Funds £'000 | Total funds 2020 £'000 | Total funds 2019 £'000 |
|--------------------------|--------------------|---------------------|---------------------------|--------------------------|------------------------------|------------------------------|
| | General £'000 | Designated £'000 | | | | |
| Statutory fees | 152 | - | - | - | 152 | 237 |
| All Churches Trust grant | 133 | - | - | - | 133 | 132 |
| Player Trust grant | - | - | 311 | - | 311 | 33 |
| Tree of Life donations | - | - | 51 | - | 51 | (17) |
| Historic England grant | - | - | 45 | - | 45 | 47 |
| Course fees and other | 5 | - | - | - | 5 | 6 |
| CJRS income | - | - | 379 | - | 379 | - |
| Other | 8 | 2 | - | - | 10 | 19 |
| | <u>298</u> | <u>2</u> | <u>786</u> | <u>-</u> | <u>1,086</u> | <u>457</u> |

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

4. OTHER TRADING ACTIVITIES

| | Unrestricted funds | | Restricted funds | Endowment funds | Total funds 2020 | Total funds 2019 |
|--|--------------------|------------|------------------|-----------------|------------------|------------------|
| | General | Designated | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Housing rental income | 275 | - | - | - | 275 | 283 |
| Property grants | 9 | - | - | - | 9 | 1 |
| Redundant church sale | - | - | - | - | - | 181 |
| Bookshop, café and conferencing income | 184 | - | - | - | 184 | 789 |
| | <u>468</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>468</u> | <u>1,254</u> |

5. INVESTMENT INCOME

| | Unrestricted funds | | Restricted funds | Endowment funds | Total funds 2020 | Total funds 2019 |
|-------------------------|--------------------|------------|------------------|-----------------|------------------|------------------|
| | General | Designated | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Glebe rents | - | - | - | 601 | 601 | 627 |
| Listed securities | - | - | - | 116 | 116 | 188 |
| Unlisted securities | - | 7 | 120 | - | 127 | 161 |
| SMH rental income | 106 | - | - | - | 106 | 180 |
| Bank and other interest | 1 | 5 | 2 | - | 8 | 6 |
| | <u>107</u> | <u>12</u> | <u>122</u> | <u>717</u> | <u>958</u> | <u>1,162</u> |

6. OTHER INCOMING RESOURCES

| | Unrestricted funds | | Restricted Funds | Endowment Funds | Total funds 2020 | Total funds 2019 |
|---|--------------------|------------|------------------|-----------------|------------------|------------------|
| | General | Designated | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Gain on parsonage sales | - | - | - | 65 | 65 | 338 |
| Gain on Glebe property sales | - | - | - | 16 | 16 | 1,175 |
| Gain on DBF property sales | 88 | - | - | - | 88 | 226 |
| Remeasurement of Clergy pension liability | - | - | - | - | - | - |
| Other income | 4 | - | - | - | 4 | 20 |
| | <u>92</u> | <u>-</u> | <u>-</u> | <u>81</u> | <u>173</u> | <u>1,759</u> |

7. FUND RAISING COSTS

| | Unrestricted funds | | Restricted Funds | Endowment Funds | Total funds 2020 | Total funds 2019 |
|----------------------------|--------------------|------------|------------------|-----------------|------------------|------------------|
| | General | Designated | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Glebe agent's fees | - | - | - | 47 | 47 | 54 |
| Other Glebe costs | - | - | - | 175 | 175 | 119 |
| Investment management fees | - | - | - | 35 | 35 | 35 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>257</u> | <u>257</u> | <u>208</u> |

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

8. CHARITABLE ACTIVITIES

| | Unrestricted funds | | Restricted Funds £'000 | Endowment Funds £'000 | Total funds 2020 £'000 | Total funds 2019 £'000 |
|--|--------------------|---------------------|---------------------------|--------------------------|------------------------------|------------------------------|
| | General £'000 | Designated £'000 | | | | |
| 8a Contributions to Archbishops' Council | | | | | | |
| Training for Ministry | 195 | - | - | - | 195 | 194 |
| National Church Responsibilities | (19) | - | - | - | (19) | 41 |
| Retired clergy housing costs | 70 | - | - | - | 70 | 67 |
| | <u>246</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>246</u> | <u>302</u> |
| 8b Resourcing Mission and Ministry | | | | | | |
| Parish Ministry stipends and National Insurance (NI) | 3,931 | - | - | - | 3,931 | 3,719 |
| Clergy pension contributions | 805 | - | - | - | 805 | 781 |
| Non clergy salaries, NI and pensions | 491 | - | - | - | 491 | 363 |
| Housing costs | 955 | - | - | - | 955 | 1,019 |
| Ordinand, removal & resettlement grants | 341 | - | - | - | 341 | 481 |
| Interregna costs | 10 | - | - | - | 10 | 34 |
| Resource church grants | 248 | - | - | - | 248 | 430 |
| Other expenses | 81 | - | - | - | 81 | 247 |
| Support costs | 801 | - | - | - | 801 | 761 |
| | <u>7,663</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,663</u> | <u>7,835</u> |
| 8c Support for Mission and Ministry | | | | | | |
| Salaries, NI and pension costs | 1,229 | - | 15 | - | 1,244 | 935 |
| Growth fund grants | - | - | 202 | - | 202 | 290 |
| Capital fund grants | - | - | 110 | - | 110 | 136 |
| Other grants | 103 | 11 | 226 | - | 340 | 469 |
| Pioneer Development worker costs | 12 | - | - | - | 12 | 119 |
| Redundant church costs | - | - | 70 | - | 70 | 19 |
| Other costs | 262 | 1 | - | - | 263 | 350 |
| Support costs | 259 | - | - | - | 259 | 245 |
| | <u>1,865</u> | <u>12</u> | <u>623</u> | <u>-</u> | <u>2,500</u> | <u>2,563</u> |
| 8d Support for education | | | | | | |
| Support for church schools | 206 | - | - | - | 206 | 208 |
| | <u>206</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>206</u> | <u>208</u> |
| TOTAL CHARITABLE ACTIVITIES | <u>9,980</u> | <u>12</u> | <u>623</u> | <u>-</u> | <u>10,615</u> | <u>10,908</u> |

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

9. OTHER RESOURCES EXPENDED

| | Unrestricted funds | | Restricted Funds £'000 | Endowment Funds £'000 | Total funds 2020 £'000 | Total funds 2019 £'000 |
|--|--------------------|---------------------|------------------------------|-----------------------------|------------------------------|------------------------------|
| | General £'000 | Designated £'000 | | | | |
| DBS / Clergy pension liability increase | 3 | - | - | - | 3 | 5 |
| Interest on pension liabilities | 10 | - | - | - | 10 | 53 |
| Remeasurement of Clergy pension Liability | 24 | - | - | - | 24 | (1,248) |
| SMH trading and letting costs | 1,195 | - | - | - | 1,195 | 1,629 |
| | 1,232 | - | - | - | 1,232 | 439 |

10. ANALYSIS OF EXPENDITURE INCLUDING ALLOCATION OF SUPPORT COSTS

| | Activities Undertaken Directly £'000 | Grant Funding of Activities £'000 | Support Costs £'000 | Total costs 2020 £'000 |
|---------------------------------------|---|--|---------------------------|------------------------------|
| Raising funds | 257 | - | - | 257 |
| Charitable activities: | | | | |
| Contributions to Archbishops' Council | - | 246 | - | 246 |
| Resourcing Mission and Ministry | 6,484 | 378 | 801 | 7,663 |
| Supporting Mission and Ministry | 1,590 | 651 | 259 | 2,500 |
| Support for education | 206 | - | - | 206 |
| Other resources expended | 1,232 | - | - | 1,232 |
| | 9,769 | 1,275 | 1,060 | 12,104 |

11. ANALYSIS OF SUPPORT COSTS

| | Unrestricted funds | | Restricted Funds £'000 | Endowment Funds £'000 | Total funds 2020 £'000 |
|--------------------------|--------------------|---------------------|------------------------------|-----------------------------|------------------------------|
| | General £'000 | Designated £'000 | | | |
| Central administration | 894 | - | - | - | 894 |
| Governance: | | | | | |
| Registrar and Chancellor | 127 | - | - | - | 127 |
| Audit costs: | | | | | |
| - External audit | 26 | - | - | - | 26 |
| - Other services | 5 | - | - | - | 5 |
| Synodical costs | 7 | - | - | - | 7 |
| | 1,060 | - | - | - | 1,060 |

External audit costs in 2020 were £25,500 (2019: £23,120). Other auditor service costs in 2020 were £5,199 (2019: £3,197). These amounts are inclusive of UK VAT.

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

| 12. ANALYSIS OF GRANTS MADE | Number | Individuals £'000 | Institutions £'000 | 2020 Total £'000 | 2019 Total £'000 |
|--|------------|----------------------|-----------------------|------------------------|------------------------|
| From unrestricted funds for national Church responsibilities: | | | | | |
| Contributions to Archbishops' Council | 1 | - | 246 | 246 | 302 |
| From unrestricted funds: | | | | | |
| Maintenance grants to Ordinands | 21 | 214 | - | 214 | 257 |
| Diocesan Board of Education support grants | 2 | - | 205 | 205 | 208 |
| Resettlement and first appointment grants | 44 | 96 | - | 96 | 166 |
| University Chaplaincies | 3 | - | 91 | 91 | 90 |
| St Philip's Centre | 1 | - | 70 | 70 | 69 |
| Holy Apostles project | 1 | - | 32 | 32 | 38 |
| Leicester Cathedral | 1 | - | 25 | 25 | 25 |
| Community Link grants | 4 | - | 15 | 15 | 49 |
| St Peter's Church grant for Premises Officer | 1 | - | 11 | 11 | 11 |
| Other grants | 11 | - | 11 | 11 | 11 |
| Ecumenical support (Churches Together) | 1 | - | 9 | 9 | 9 |
| Reader and Clergy training grants | 17 | 4 | - | 4 | 12 |
| Leicester Cathedral share of surpluses | - | - | - | - | 20 |
| FareShare grant | - | - | - | - | 10 |
| International Link grants | - | - | - | - | 8 |
| Total | 107 | 314 | 469 | 783 | 983 |
| From restricted funds for various purposes within resourcing parish ministry: | | | | | |
| Growth fund grants | 26 | - | 202 | 202 | 290 |
| Capital fund grants | 20 | - | 110 | 110 | 136 |
| Ordinand training grants | 28 | 226 | - | 226 | 287 |
| Total | 74 | 226 | 312 | 538 | 713 |
| Total | 182 | 540 | 1,027 | 1,567 | 1,998 |

Leicester Cathedral (LCAT) are entitled to a proportion of the surpluses made by St Martins House (SMH). The amount of the payment is calculated based on SMH surpluses as follows;

- Up to £100k – LCAT 50%, SMH refurbishment fund 50% and LDBF general fund 0%
- Between £100k and £200k – LCAT 50%, SMH refurbishment fund 25% and LDBF general fund 25%
- Sums in excess of £200k – LCAT 25%, SMH refurbishment fund 25% and LDBF general fund 50%

LCAT was entitled to Nil (2019: Nil) for the year to 31st December 2020 as SMH made a deficit in the year.

From 1st January 2019, LDBF has agreed to provide an annual grant of up to £25,000 to Leicester Cathedral where the share of the SMH surplus, as calculated above, does not attain £25,000.

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

13. STAFF COSTS

| | 2020 | 2019 |
|---|---------------------|--------------|
| | £'000 | £'000 |
| Employee costs during the year were as follows: | | |
| Wages and salaries | 2,091 | 1,953 |
| National Insurance contributions | 186 | 167 |
| Pension costs | 237 | 223 |
| | <u>2,514</u> | <u>2,343</u> |

| | 2020 | 2019 |
|---|---------------------|---------------|
| | Number | Number |
| The average number of persons employed by LDBF during the year: | | |
| SMH Conference Centre | 41.0 | 34.1 |
| Administration and financial management | 9.8 | 8.4 |
| Property | 4.0 | 3.5 |
| Discipleship, Ministry & Stewardship | 36.7 | 25.1 |
| Safeguarding & inclusion | 5.3 | 4.2 |
| Parochial lay staff | 3.9 | 3.9 |
| | <u>100.7</u> | <u>79.2</u> |

| | 2020 | 2019 |
|--|--------------------|---------------|
| | Number | Number |
| The average number of persons employed by LDBF during the year based on full-time equivalents: | | |
| SMH Conference Centre | 26.8 | 30.0 |
| Administration and financial management | 8.8 | 7.8 |
| Property | 2.3 | 1.6 |
| Discipleship & Ministry, Stewardship | 29.1 | 22.7 |
| Safeguarding and inclusion | 4.2 | 3.5 |
| Parochial lay staff | 2.7 | 2.7 |
| | <u>73.9</u> | <u>68.3</u> |

| | 2020 | 2019 |
|---|-----------------|---------------|
| | Number | Number |
| The numbers of staff whose emoluments amounted to more than £60,000 (including benefits in kind but excluding pension contributions and NIC's) were as follows: | | |
| £60,001 - £70,000 | - | 1 |
| £70,001 - £80,000 | 1 | - |
| £80,001 - £90,000 | 1 | 1 |
| | <u>1</u> | <u>1</u> |

Pension payments of £15,101 (2019: £14,964) were made for these employees.

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the Trustees, for planning, directing and controlling the activities of the diocese. During 2020 they were:

| | |
|--|------------------|
| Diocesan Chief Executive | Jonathan Kerry |
| Director of Operations and Governance | Andrew Brockbank |
| Director of Finance and Support Services | John Orridge |

Remuneration (excluding NIC's) and pensions for these 3 employees amounted to £233,883 (2019: £228,564).

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

13. STAFF COSTS (continued)

Trustees' emoluments

No Trustee received remuneration for services as a Trustee. The Trustees received travel and out of pocket expenses, totalling £4,443 (2019: £11,079) in respect of General Synod duties, duties as a Trustee and also in their diocesan role as Archdeacon or Area / Rural Dean. The majority of expenses were paid for Trustee's diocesan roles; the amount paid for as a Trustee was insignificant.

The following table gives details of the Trustees who were in receipt of a stipend and/or housing provided by the LDBF during the year:

| | Stipend | Housing |
|---------------------------|----------------|----------------|
| The Venerable RV Worsfold | Yes | Yes |
| The Venerable C Wood | Yes | Yes |
| The Reverend C M Thomson | Yes | Yes |
| The Reverend C Taylor | Yes | Yes |

The LDBF is responsible for funding, via the Church Commissioners, the stipends of licensed stipendiary clergy in the diocese, other than bishops and cathedral staff. The LDBF is also responsible for the provision of housing for stipendiary clergy in the Diocese but excluding the Diocesan Bishop and cathedral staff.

The LDBF paid an average of 146 (2019: 138) stipendiary clergy as office-holders holding parochial or diocesan appointments in the Diocese, and their costs were as follows:

| | 2020 | 2019 |
|----------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Stipends | 3,798 | 3,611 |
| National Insurance contributions | 349 | 328 |
| Pension costs | 935 | 881 |
| Housing costs | 92 | 88 |
| | 5,174 | 4,908 |

The annual rate of stipend, funded by the LDBF, paid to the two Archdeacons in 2020 was in the range £35,000 - £40,000 (2019: range £35,000 – £40,000) and other clergy who were Trustees were paid in the range £0 - £30,000 (2019: range: £0 – £30,000). The Archbishops' Council has estimated the value to the occupant, gross of income tax and national insurance, of church provided housing in 2020 at £12,795 (2019: £12,304).

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

| 14. ANALYSIS OF TRANSFERS BETWEEN FUNDS | Unrestricted funds | | Restricted | Endowment |
|--|--------------------|------------|----------------|----------------|
| | General | Designated | Funds | Funds |
| | £'000 | £'000 | £'000 | £'000 |
| Church Commissioners' and Historic England grant income | 2,632 | - | (2,632) | - |
| UK Government grants including furlough | 379 | - | (379) | - |
| Glebe rental income, net of costs, used for general purposes | 460 | - | - | (460) |
| Stipend Glebe Unapplied Total Return transfer | 1,200 | - | - | (1,200) |
| General fund transfer to Growth fund | (70) | - | 70 | - |
| Endowment income used to fund stipends | 115 | - | (115) | - |
| General fund transfer to Capital fund | (110) | - | 110 | - |
| Restricted income used to fund retired clergy grants | - | 9 | (9) | - |
| Property fund transfers | - | - | 18 | (18) |
| Endowment fund transfers | - | - | 55 | (55) |
| | 4,606 | 9 | (2,882) | (1,733) |

Church Commissioners' grant income - Within restricted funds there is income received from The Archbishops' Council of £1.28m (2019: £1.33m) to fund the payment of stipends, £744k (2019: £927k) to fund the Resource Church project, £253k (2019: £281k) to fund Ordinands, £299k (2019: £142k) to fund the BAME project, and £11k (2019: £133k) to fund Pioneer development from unrestricted funds.

Stipends Glebe rental income - This income is rental income from endowment properties. The income is used to fund the payment of stipends from unrestricted funds.

Stipends Glebe Unapplied Total Return transfer – This transfer has been made from the Unapplied Total Return fund and is for general purposes. The Unapplied Total Return Fund is part of the Stipends Glebe endowment fund.

Property fund transfers – relates to £65k proceeds received for a deed of variation offset by £47k of capital improvements on parsonages.

15. TANGIBLE FIXED ASSETS

| | SMH | Parsonage | DBF | Other | Total |
|----------------------------|--------------|---------------|---------------|------------|---------------|
| | £'000 | houses | properties | equipment | £'000 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | | |
| At 1 January 2020 | 3,215 | 20,321 | 16,770 | 751 | 41,057 |
| Additions | - | 47 | 48 | 83 | 178 |
| Transfers | - | - | - | - | - |
| Disposals | - | - | (446) | - | (446) |
| Revaluation | (224) | - | - | - | (224) |
| At 31 December 2020 | 2,991 | 20,368 | 16,372 | 834 | 40,565 |
| Depreciation | | | | | |
| At 1 January 2020 | - | - | 341 | 720 | 1,061 |
| Disposals | - | - | - | - | - |
| Charge for the year | 71 | - | 91 | 39 | 201 |
| Revaluation | (71) | - | - | - | (71) |
| At 31 December 2020 | - | - | 432 | 759 | 1,191 |
| Net Book Value | | | | | |
| At 31 December 2020 | 2,991 | 20,368 | 15,940 | 75 | 39,374 |
| At 1 January 2020 | 3,215 | 20,321 | 16,429 | 31 | 39,996 |

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

15. TANGIBLE FIXED ASSETS (continued)

All of the properties in the Balance Sheet are freehold and are vested in the LDBF. One property has been purchased with the help of a value-linked loan from the Church Commissioners. When the property is disposed, the appropriate share of the net sale proceeds will be remitted to the Commissioners, and the related loan liability extinguished. The value of the property included above is £36,323 (2019: £36,323). All properties at 31 December 2020 and 31 December 2019 are valued at cost. All property repairs are charged as expenditure.

As at 31 December 2020, St Martins House (SMH) has been valued by Andrew Granger & Co. LLP, Chartered Surveyors. The property was valued at £3,975,000 (2019: £4,450,000) on an open market basis.

£2,991,316 (2019: £3,215,000) of the SMH value was deemed to represent a fixed asset, the balance of £983,684 (2019: £1,235,000) was deemed to represent a fixed asset investment (see note 16 below). If SMH had not been revalued, the fixed asset element would have been included at its historical cost of £2,760,000 less accumulated depreciation of £346,885.

16. FIXED ASSETS INVESTMENTS

| | At 1 January 2020 £'000 | Additions £'000 | Disposals £'000 | Change in Market Value £'000 | At 31 December 2020 £'000 |
|---------------------------|----------------------------------|--------------------|-----------------------|---------------------------------------|------------------------------------|
| Unrestricted funds | | | | | |
| Listed investments | - | - | - | - | - |
| Unlisted investments | - | - | - | - | - |
| Other | 1,235 | - | - | (251) | 984 |
| Total | <u>1,235</u> | <u>-</u> | <u>-</u> | <u>(251)</u> | <u>984</u> |
| Designated funds | | | | | |
| Unlisted investments | 207 | - | (6) | (2) | 199 |
| Endowment funds | | | | | |
| Investment properties | 30,623 | 62 | (49) | 1,251 | 31,887 |
| Listed investments | 5,996 | 641 | (2,230) | 22 | 4,429 |
| Unlisted investments | 3,322 | - | (115) | (81) | 3,126 |
| | <u>39,941</u> | <u>703</u> | <u>(2,394)</u> | <u>1,192</u> | <u>39,442</u> |
| Total | <u><u>41,383</u></u> | <u><u>703</u></u> | <u><u>(2,400)</u></u> | <u><u>939</u></u> | <u><u>40,625</u></u> |

The valuation of investments at 31 December 2020 was carried out by the Board's Investment Advisors as shown in the Administrative Details on page 18.

Included in investment properties is St Martins Lodge, which is a property purchased during 2015 costing a total of £4,450,611 (including subsequent refurbishment costs). St Martins Lodge has been developed into a high quality, 28 bed overnight accommodation facility.

As at 31 December 2020, St Martins Lodge was valued by Christie & Co. at £2,140,000 (2019: £2,300,000) on an open market basis.

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

17. DEBTORS

| | 2020 £'000 | 2019 £'000 |
|-------------------------------------|-----------------------|-----------------------|
| Due within one year | | |
| Trade debtors | - | 60 |
| Parish contribution | 212 | 206 |
| Loans to parishes | 46 | 71 |
| Amounts owed by related parties | 33 | 77 |
| Other debtors | 176 | 372 |
| Prepayments and accrued income | 324 | 182 |
| | <u>791</u> | <u>968</u> |
| Due after more than one year | | |
| Loans to parishes | 101 | 108 |
| Value linked loan | 5 | 5 |
| | <u>101</u> | <u>108</u> |
| Total debtors | <u><u>897</u></u> | <u><u>1,081</u></u> |

The loans above are represented by:

| | Due within one year £'000 | Due after one year £'000 | Total £'000 |
|---|--|---|------------------------|
| Unsecured loans | | | |
| Loans to parishes | 46 | 101 | 147 |
| Total unsecured loans | <u>46</u> | <u>101</u> | <u>147</u> |
| Secured loans | | | |
| Trustees of Launde Abbey | - | 865 | 865 |
| Provision on Launde Abbey loan | - | (865) | (865) |
| Value linked loan on retired clergy housing | - | 5 | 5 |
| Total secured loans | <u>-</u> | <u>5</u> | <u>5</u> |
| Total loans outstanding | <u><u>46</u></u> | <u><u>106</u></u> | <u><u>152</u></u> |

Unsecured loans

The Parish loans are generally for one off cashflow issues with varying periods of repayment and attract a commercial rate of interest, currently being 3% per annum.

Secured loans

There is a loan to the Trustees of Launde Abbey for £865,141, which has been fully provided for (which includes accrued interest). On 31st December 2018, an agreement was reached whereby the loan was secured as a first charge against the total value of Launde Abbey. On any disposal of Launde Abbey in its entirety, LDBF would recover the greater of 21.89% of disposal proceeds - based on the valuation of the property at 9 April 2015, being £3,950,000 - or £865,141. In the event of a part disposal, LDBF would receive £865,141 on the first part disposal and then be entitled to 21.89% of total part disposal proceeds where there are future part disposals, where the total of all part disposal proceeds exceed £865,141. Any excess of funds paid to LDBF over £865,141 is deemed to be a premium on the loan.

LDBF is the Custodian Trustee of Launde Abbey which is the Diocesan retreat house.

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

| 18. CREDITORS: amounts falling due within one year | 2020 | 2019 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Trade creditors | 242 | 245 |
| Bank loan | 2,500 | - |
| Taxation and social security | 57 | 106 |
| Other creditors | 801 | 543 |
| Accruals | 189 | 127 |
| Deferred income | 165 | 40 |
| Clergy pension scheme liabilities (see note 27) | 398 | 373 |
| Lay workers' defined benefit pension scheme liabilities (see note 27) | 92 | 92 |
| Amounts owed to related parties | 675 | 938 |
| Total | 5,119 | 2,464 |

The £2,500,000 bank loan is a revolving credit facility provided by Barclays Bank Plc during 2018. Interest is payable on the loan quarterly in arrears at LIBOR plus 2.01%. The loan has been secured on four LDBF properties and can be repaid at any time by giving 3 months' notice. The revolving facility is due for repayment on 20th September 2021.

| 19. CREDITORS: amounts falling due after more than one year | 2020 | 2019 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Bank loan | - | 2,500 |
| Clergy pension scheme liabilities (see note 27) | 76 | 468 |
| Lay workers' defined benefit pension scheme liabilities (see note 27) | 114 | 200 |
| Church Commissioners' value-linked loan | 36 | 36 |
| Total | 226 | 3,204 |

The value-linked loan (VLL) is secured by guarantee against a property. The loan is repayable, when the property is sold, in proportion to the sale value to the original percentage of the cost of the house originally loaned. The proportion of the loan on this property is 94.74%. At 31 December 2020, the estimated value of the property was £167,143 which is itself a 15% discount to the Nationwide House Price Index. The amount repayable to the Church Commissioners based on the discounted valuation would be £158,346. At 31 December 2020 the Board had no intention of disposing of the property.

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

20. SUMMARY OF FUND MOVEMENTS

| | Balances at 1 January 2020 £'000 | Income £'000 | Expenditure £'000 | Transfers £'000 | Gains and Losses £'000 | Balances at 31 December 2020 £'000 |
|--|---|-----------------|----------------------|--------------------|------------------------------|---|
| UNRESTRICTED FUNDS | | | | | | |
| General Funds | 8,076 | 5,126 | (11,212) | 4,606 | (404) | 6,192 |
| Designated funds | | | | | | |
| Retired Clergy Fund | 161 | 5 | (11) | 9 | (1) | 163 |
| Church Extension Fund | 556 | 5 | - | - | - | 561 |
| Workplace Chaplaincy Fund | 2 | - | - | - | - | 2 |
| Archdeacons' Discretionary Fund | 107 | 4 | (1) | - | (2) | 108 |
| Total Designated Funds | 826 | 14 | (12) | 9 | (3) | 834 |
| Total unrestricted funds | 8,902 | 5,140 | (11,224) | 4,615 | (407) | 7,026 |
| RESTRICTED FUNDS | | | | | | |
| Pastoral Fund | 1,460 | - | (70) | 18 | - | 1,408 |
| Church Commissioners', Historic England and other grant income | - | 2,632 | - | (2,632) | - | - |
| UK Government grants | - | 379 | - | (379) | - | - |
| Endowment Fund | 110 | 290 | - | (69) | - | 331 |
| Growth Fund | - | 147 | (217) | 70 | - | - |
| Bishop Jeune Ordinands' Fund | 1 | - | - | - | - | 1 |
| The Alan Everitt Fund | 2 | - | - | - | - | 2 |
| Diocesan Capital Fund | - | - | (110) | 110 | - | - |
| Ordinand Training Fund | (15) | 253 | (226) | - | - | 12 |
| CofE Stipend Trust Reserve | - | - | - | - | - | - |
| Total Restricted Funds | 1,558 | 3,701 | (623) | (2,882) | - | 1,754 |
| ENDOWMENT FUNDS | | | | | | |
| Permanent | | | | | | |
| Parsonage Houses | 20,321 | 65 | - | (18) | - | 20,368 |
| Expendable | | | | | | |
| Stipends Glebe (see note 22) | 46,039 | 733 | (257) | (1,660) | 1,086 | 45,941 |
| Other Endowment Capital | 1,664 | - | - | (55) | (42) | 1,567 |
| Total Endowment Funds | 68,024 | 798 | (257) | (1,733) | 1,044 | 67,876 |
| Total funds | 78,484 | 9,639 | (12,104) | - | 637 | 76,656 |

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

| 21. SUMMARY OF ASSETS BY FUND | Fixed assets Tangible £'000 | Investments £'000 | Net Current Assets / (Liabilities) £'000 | Total Assets £'000 |
|-------------------------------------|-----------------------------------|----------------------|--|--------------------------|
| Unrestricted funds – General | 19,006 | 984 | (13,798) | 6,192 |
| Unrestricted - Designated | | | | |
| Retired Clergy / Clergy widows | - | 140 | 23 | 163 |
| Church Extension Fund | - | - | 561 | 561 |
| Workplace Chaplaincy | - | - | 2 | 2 |
| Archdeacons' Discretionary Fund | - | 59 | 49 | 108 |
| | - | 199 | 635 | 834 |
| Restricted | | | | |
| Pastoral Fund | - | - | 1,408 | 1,408 |
| Church Commissioners' Fund | - | - | - | - |
| Endowment Funds: | | | | |
| Drew Trust Income Fund | - | - | 9 | 9 |
| Horwood Robinson Income Fund | - | - | 9 | 9 |
| CE Huston Income Fund | - | - | 24 | 24 |
| D Huston Income Fund | - | - | 115 | 115 |
| Clarke Income Fund | - | - | - | - |
| Fry Income Fund | - | - | 1 | 1 |
| Chippington Income Fund | - | - | 5 | 5 |
| Clergy Stipend Endowment Income | - | - | 1 | 1 |
| Clergy Stipend Income | - | - | - | - |
| JD Player Memorial Fund | - | - | 168 | 168 |
| Diocesan Growth Fund | - | - | - | - |
| Bishop Jeune Ordinands' Fund | - | - | - | - |
| Alan Everitt Memorial Fund | - | - | 2 | 2 |
| Diocesan Capital Fund | - | - | - | - |
| Ordinand Training Fund | - | - | 12 | 12 |
| CofE Stipend Trust Reserve | - | - | - | - |
| | - | - | 1,754 | 1,754 |
| Endowment Expendable | | | | |
| Stipends Glebe Fund (see note 22) | - | 37,875 | 8,066 | 45,941 |
| Endowment Capital Funds: | | | | |
| Drew Trust Investment Fund | - | 249 | - | 249 |
| Horwood Robinson Investment Fund | - | 242 | - | 242 |
| CE Huston Investment Fund | - | 725 | - | 725 |
| D Huston Investment Fund | - | 181 | - | 181 |
| Clarke Investment Fund | - | 1 | - | 1 |
| Fry Investment Fund | - | 15 | - | 15 |
| Chippington Investment Fund | - | 129 | - | 129 |
| Clergy Stipend Investment Fund | - | 25 | - | 25 |
| Permanent | | | | |
| Parsonage Houses Fund | 20,368 | - | - | 20,368 |
| | 20,368 | 39,442 | 8,066 | 67,876 |
| Total funds | 39,374 | 40,625 | (3,343) | 76,656 |

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

22. ANALYSIS OF STIPENDS GLEBE ENDOWMENT FUND

With effect from 1st January 2019, the company adopted a Total Return strategy to its Stipends Glebe fund. An exercise was carried out to determine the Endowment fund value and the unapplied Total Return value applicable to the Stipends Glebe Fund. In this regard, records and information, including those held at our Land Agents Andrew Granger & Co. were used to determine the initial value of the endowment, Subsequently, the official Retail Price Index ("RPI") was used to obtain the value of the original endowment as at 1st January 2019; The value calculated was £29,048,439. The difference between this value and the balance sheet value, being £46,395,636, at that date was deemed to be the unapplied total return available for transfer to general funds, i.e. £17,347,197. During 2019, there were net movements totalling £997,209.

During 2020, there were income and investment gains in the period of £1,562,083 (2019: £1,430,084). £356,234 (2019: £640,765) of these gains were transferred back to the endowment capital fund as recognition of the increase in value of the endowment as measured by RPI over 2020. In addition, there were transfers out of Unapplied Return to the General Fund totalling £1,659,954 (2019: £1,786,527); of this £459,954 (2019: £586,527) was used to fund stipends. The balance as at 31 December 2020 was £15,895,883 (2019: £16,349,988).

| | Endowment: Stipends Glebe £'000 | Unapplied Total Return £'000 | Total £'000 |
|--|--|---|------------------------|
| As at 1 January 2020 | 29,689 | 16,350 | 46,039 |
| Movements in the reporting period | | | |
| Investment income: Glebe rents and dividends | - | 717 | 717 |
| Investment returns: Realised and unrealised gains / (losses) on shares and the Glebe portfolio | - | 1,102 | 1,102 |
| Less: Investment management costs | - | (257) | (257) |
| Total movements in the reporting year | - | 1,562 | 1,562 |
| Unapplied Total Return allocated in Income in the year | - | (1,660) | (1,660) |
| Allocation to capital | 356 | (356) | - |
| Net movements in the reporting year | 356 | (454) | (98) |
| As at 31 December 2020 | 30,045 | 15,896 | 45,941 |

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

23. DESCRIPTION OF FUNDS

| | |
|-------------------------|---|
| GENERAL FUNDS | General funds are unrestricted funds which are available for use at the discretion of the Directors in furtherance of the general objectives of the Charity and which have not been designated for other purposes. |
| DESIGNATED FUNDS | Designated funds comprise unrestricted funds that have been set aside by the Directors for particular purposes. The aim and use of each designated fund is set out in the notes below. |
| RESTRICTED FUNDS | Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Charity for particular purposes. The aim and use of each restricted fund is set out in the notes below. |
| ENDOWMENT FUNDS | Endowment funds are funds held on trust to be retained for the Charity as capital funds. Where the whole of the fund must be permanently maintained it is known as permanent endowment. Where there is a power of discretion to convert endowed funds into income, the fund is classed as expendable endowment. |

Designated funds

The Retired Clergy Fund represents funds set aside for the benefit of retired clergy and their spouses, including those widowed, divorced or separated.

The Church Extension Fund represents funds put aside over a number of years by the Board to give loans to Parochial and District Church Councils to help with extensions, improvements and repairs to church buildings.

Workplace Chaplaincy fund represents funds to support people in workplace environments by offering confidential and independent support on a range of issues.

The Archdeacons Discretionary Fund is used by the Archdeacons to pay grants to needy clergy and their families within the Diocese.

Restricted funds

The Pastoral Fund is a capital and income fund where both may be expended. It may be used for a variety of purposes except for employment costs. It is the Board's policy to use these funds primarily for the purchase of and improvement to parsonage houses.

Prior to 2007 the balance included funds of £281,989 held by the Church Commissioners from the sale of parsonage houses which could not be released for other uses until such time as new pastoral schemes for the parishes involved had become operative and the appropriate PCC consents to the funds being released.

In 2007 these funds were released to the Diocese but had to be ring-fenced for the same reason. £286,530 including accumulated interest was received by the Diocese, a small amount of which was immediately expendable but the remainder placed in a separate fund in relation to one parish. At 31 December 2020 this fund stood at £313,308 (2019: £313,303) and is included in the Pastoral Fund balance.

Restricted Income from the Church Commissioners is received from them to support Stipends and Clergy Pension Costs. Income is transferred to the General Fund to be applied against payment of such costs.

Endowment Income Funds represent accumulated income and income arising from endowment funds that has not yet been expended.

The Diocesan Growth Fund was formerly known as the **Church Commissioners' Mission Fund** and represents additional funds given to the Board by the Church Commissioners that have arisen as a result of better returns on their investment assets.

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

23. DESCRIPTION OF FUNDS (continued)

Restricted funds (continued)

The Bishop Jeune Ordinands' Fund arose from accumulated income received from the Diocese of Peterborough arising from a fund set up by the late Bishop Jeune in 1868. It is available to be used for the benefit of Ordinands.

The Alan Everitt Memorial Fund, which commenced in 2010, is specifically for drama and dance based projects that promote the self-esteem of young people in a Christian environment.

The Diocesan Capital Fund was set up in 2013 to support churches in the Diocese with grants for capital projects.

The CofE Stipend Trust Reserve provides discretionary grants to Ordinands.

The Ordinand Training Fund provides discretionary training grants to Ordinands.

Endowment funds

The Stipends Glebe Fund represents the value of property and investments held under the Endowments and Glebe Measure 1976, invested to produce income to be applied for the augmentation of stipends.

Endowment Capital Funds are funds, the majority of which are, for the augmentation of stipends.

The Parsonage Houses Fund represents the deemed value of the parsonage houses calculated as set out in note 1c to these financial statements.

24. CAPITAL COMMITMENTS

At 31 December 2020 the LDBF had no (2019: nil) capital expenditure commitments authorised but not contracted for, and contracted for but not yet due of £22,725 (2019: £54,121).

25. OPERATING LEASES

Total commitments under non-cancellable operating leases are as follows:

| | 2020 | 2019 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Non land & buildings operating leases where the lease expires: | | |
| Within one year of the balance sheet date | 8 | 1 |
| In the second to fifth years inclusive of the balance sheet date | 11 | 29 |
| More than five years from balance sheet date | - | - |
| | ===== | ===== |

26. POST BALANCE SHEET EVENTS AND CONTINGENT LIABILITIES

There were no post balance sheet events or contingent liabilities.

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

27. PENSIONS

The LDBF participates in two pension schemes administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the LDBF and the other participating employers. One of these is the **Church of England Funded Pensions Scheme** for stipendiary clergy. The other is the **Church Workers Pension Fund ("CWPF")**. The Church Workers Pension Fund has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

These schemes are multi-employer last man standing defined benefit pension schemes, for which the LDBF is unable to identify its share of the underlying assets and liabilities, as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the scheme. For multi-employer schemes where this is the case, paragraph 28.11 of FRS102 requires the LDBF to account for pension costs on the basis of contributions actually payable to the scheme in the year and, where contributions are affected by a surplus or deficit in the scheme, to disclose information about the surplus or deficit and the implications of the surplus or deficit for the LDBF. A valuation of each scheme is carried out once every three years.

Church of England Funded Pension Scheme

With effect from 1 January 1998, diocesan clergy became members of the Church of England Funded Pensions Scheme. This defined benefit scheme provides benefits based on the National Minimum Stipend in the year before their date of retirement and provides for that part of the benefit that relates to pensionable service after 1 January 1998. Benefits are currently being accrued on the basis of half of the National Minimum Stipend being paid as the normal pension on reaching the age of 68 on completion of maximum service of 41.5 years, or 1.25 times this amount for archdeacons, plus a lump sum of three times the pension based on the previous year's National Minimum Stipend payable from the scheme. Pensions in respect of pensionable service before 1 January 1998 will be provided for by the Church Commissioners under the previous arrangements.

LDBF participates in the Church of England Funded Pensions Scheme for stipendiary clergy, a defined benefit pension scheme. At the end of the year the Scheme was paying contributions for 141 members (2019: 138) of the scheme out of a total membership of approximately 8,500 active members. This scheme is administered by the Church of England Pensions Board which holds the assets of the schemes separately from those of the employers.

Each participating employer in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

This scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to specific employers, and this means that contribution are accounted for as if the Scheme were a defined contribution scheme. There were pension costs charged to the Statement of Financial Activities in the year of £935,380 (2019: £883,255) which were contributions payable towards benefits and expenses accrued in that year, plus the figures highlighted in the table on page 47 as being recognised in the Statement of Financial Activities (an overall £31,000 charge), giving a total charge of £966,380 for 2020 (2019: credit of £317,745).

A valuation of the Scheme is carried out once every three years. The most recent scheme valuation completed was carried out as at 31 December 2018. The 2018 valuation revealed a deficit of £50m based on assets of £1,818m and a funding target of £1,868m, assessed using the following assumptions:

- An average discount rate of 3.2%;
- RPI inflation of 3.4% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.4% p.a.;
- Mortality in accordance with 95% of the S3NA_VL tables, with allowance for improvements in mortality rates in line with the CMI 2018 extended model, with a long term annual rate of improvement of 1.5%, a smoothing parameter of 7 and an initial addition to mortality improvements of 0.5% pa.

Following the 31 December 2018 valuation, a recovery plan was put in place whereby recovery contributions were planned at 11.9% of pensionable stipends until December 2025. However, at 31 December 2019 and 31 December 2020, the deficit recovery contributions were set at 11.9% for 2019 and 2020 reducing to 7.1% of pensionable stipends for the period 1 January 2021 to 31 December 2022.

For senior office holders, pensionable stipends are adjusted in the calculations by a multiple as set out in the Scheme's rules.

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the balance sheet liability over 2019 and 2020 is set out in the table below.

LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020

27. PENSIONS (continued)

Church of England Funded Pension Scheme (continued)

| | 2020 | 2019 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Balance sheet liability as at 1 January | 841 | 2,415 |
| Contributions paid | (398) | (373) |
| Interest cost (recognised in the SOFA) | 7 | 47 |
| Remaining change to the balance sheet liability (recognised in SOFA) | 24 | (1,248) |
| | <hr/> | <hr/> |
| Balance sheet liability as at 31 December | 474 | 841 |
| | <hr/> <hr/> | <hr/> <hr/> |

The remaining change to the balance sheet liability comprises changes in the agreed deficit recovery plan and changes in discount rates and assumptions between year ends.

The overall balance sheet liability represents the present value of the deficit contributions agreed as at 31 December 2020, and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments.

| | December | December | December |
|--|-----------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| Discount rate (p.a.) | 0.2% | 1.1% | 2.1% |
| Price inflation (p.a.) | 3.1% | 2.8% | 3.1% |
| Increase to pensionable payroll (p.a.) | 1.6% | 1.3% | 1.6% |

The legal structure of the Scheme is such that if another employer fails, LDBF may become responsible for paying a share of that employer's pension liabilities.

Church Workers Pension Fund – Defined Benefits Scheme

The Defined Benefits Scheme ("DBS") section of the CWPF provides benefits for lay staff based on final pensionable salaries.

For funding purposes, the DBS is divided into sub-pools in respect of each participating employer as well as a further sub-pool, known as the Life Risk Pool. The Life Risk Pool exists to share certain risks between employers, including those relating to mortality and post-retirement investment returns.

The division of the DBS into sub-pools is notional and is for the purpose of calculating ongoing contributions. They do not alter the fact that the assets of the DBS are held as a single trust fund out of which all the benefits are to be provided. From time to time, a notional premium is transferred from employers' sub-pools to the Life Risk Pool and all pensions and death benefits are paid from the Life Risk Pool.

The Scheme is a multi-employer scheme as described in Section 28 of FRS 102. It is not possible to attribute the Scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. This means that contributions are accounted for as if the Scheme were a defined contribution scheme. The pension costs charged to the Statement of Financial Activities (SOFA) are the contributions payable for the year towards benefits and expenses accrued in that year being £67,107 for 2020 (2019: £57,289) plus the £6,000 charge (2019: £11,000) in relation to the Scheme deficit highlighted in the table below and recognised in the SOFA giving a total charge of £73,107 for 2020 (2019: £68,289).

If, following an actuarial valuation of the Life Risk Pool, there is a surplus or deficit in the pool, further transfers may be made from the Life Risk Pool to the employers' sub-pools, or vice versa. The amounts to be transferred (and their allocation between the sub-pools) will be settled by the Church of England Pensions Board on the advice of the Actuary.

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

27. PENSIONS (continued)

Church Workers Pension Fund – Defined Benefits Scheme (continued)

A valuation of the Scheme is carried out once every three years. The most recent was carried out as at 31 December 2016. In this valuation, the Life Risk Section was shown to be in deficit by £2.6m and £2.6m was notionally transferred from the employers' sub-pools to the Life Risk Pool. This increased the employer contributions that would otherwise have been payable. The overall deficit in the Scheme was £26.2m.

A valuation as at 31 December 2019 was under way as at 31 December 2020. The contribution agreed at that valuation will be reflected in the figures disclosed in the 2021 accounts.

Following the valuation, LDBF has entered into an agreement with the CWPF to pay a contribution rate of 30.8% of pensionable salary and expenses of £7,300 per year. In addition, deficit payments of £92,154 per year have been agreed for 5 years from 1 April 2018 in respect of the shortfall in the Employer sub-pool. This obligation has been recognised as a liability within these financial statements.

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. A reconciliation of the balance sheet liability is set out in the table below.

| | 2020 | 2019 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Balance sheet liability as at 1 January | 292 | 373 |
| Contributions paid | (92) | (92) |
| Interest cost (recognised in the SOFA) | 3 | 6 |
| Remaining change to the balance sheet liability (recognised in the SOFA) | 3 | 5 |
| | <hr/> | <hr/> |
| Balance sheet liability as at 31 December | 206 | 292 |
| | <hr/> <hr/> | <hr/> <hr/> |

The remaining change to the balance sheet liability comprises changes in the agreed recovery plan and changes in discount rates between year ends.

The balance sheet liability represents the present value of the deficit contributions agreed as at 31 December 2020, and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments;

| | December 2020 | December 2019 | December 2018 |
|----------------------|--------------------------|--------------------------|--------------------------|
| Discount rate (p.a.) | 0.3% | 1.2% | 2.1% |

The legal structure of the Scheme is such that if another employer fails, LDBF may become responsible for paying a share of that employer's pension liabilities.

Church Workers Pension Fund – Pension Builder Scheme

LDBF participates in the Pension Builder Scheme section of the Church Workers Pension Fund for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of LDBF and the other participating employers.

The Pension Builder Scheme of the Church Workers Pension Fund is made up of two sections; a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014. Both sections of the Pension Builder Scheme are classed as defined benefit schemes.

Pension Builder Classic provides a pension for members for payment from retirement, accumulated from contributions paid and converted into a deferred annuity during employment based on terms set and reviewed by the Church of England Pensions Board from time to time. Bonuses may also be declared, depending upon the investment returns and other factors.

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

27. PENSIONS (continued)

Church Workers Pension Fund – Pension Builder Scheme (continued)

Pension Builder 2014 is a cash balance scheme that provides a lump sum that members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. This account may have bonuses added by the Board before retirement. The bonuses depend on investment experience and other factors. There is no requirement for the Board to grant any bonuses. The account, plus any bonuses declared, is payable from members' normal pension age.

There is no subdivision of assets between employers in either section of the Pension Builder Scheme.

The Scheme is considered to be a multi-employer scheme as described in section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pension costs charged to the Statement of Financial Activities in the year are the contributions payable and were £120,472 (2019: £95,772).

A valuation of the scheme is carried out once every three years. The most recent scheme valuation completed was carried out as at 31 December 2016. A valuation as at 31 December 2019 was under way as at 31 December 2020.

For the Pension Builder Classic section, the 2016 valuation revealed a deficit of £14.2m on the ongoing assumptions used. At the most recent annual review, the Pensions Board chose not to grant a discretionary bonus, which will have acted to improve the funding position. There is no requirement for deficit payments at this time.

For the Pension Builder 2014 section, the 2016 valuation revealed a surplus of £1.8m on the ongoing assumptions used. There is no requirement for deficit payments at this time.

The legal structure of the Scheme is such that if another employer fails, LDBF may become responsible for paying a share of that employer's pension liabilities.

28. RELATED PARTY TRANSACTIONS

As noted in the Trustees' Report the Board is related to the Leicester Diocesan Board of Education (LDBE), The Diocese of Leicester Academies Trust (DLAT), the University Chaplaincies at the three universities in the Diocese of Leicester, Leicester Cathedral Chapter (LCC), Launde Abbey Trustees (LAT), St Philips Centre (SPC), Bishop's Lodge (BL), Coventry Diocesan Board of Finance (The) (CDBF), and Leicester City of Sanctuary (LCOS). Details of grants made to these bodies are given in note 12 of the financial statements.

During 2020, LDBF recharged LCC £84,573 (2019: £114,719), of which £22,368 (2019: £23,103) were salaries or a stipend. Conversely, LCC recharged LDBF £665 (2019: £5,970).

During 2020, LDBF recharged LDBE £94,640 (2019: £126,047), of which £79,106 (2019: £99,760) were salaries or consultancy costs. Conversely, LDBE recharged LDBF £32,679 (2019: £38,040) of which £20,775 (2019: £28,408) was interest on monies loaned.

During 2020, LAT recharged LDBF £41,610 (2019: £76,795) of which £15,130 (2019: £17,897) were salaries.

During 2020, LDBF recharged CDBF £93,799 (2019: £139,693), of which £77,407 (2019: £115,307) were salaries or consultancy costs. Conversely, CDBF recharged LDBF £29,263 (2019: £14,069).

During 2020, SPC recharged LDBF £41,720 (2019: £65,757), of which £41,440 (2019: £50,757) were salaries and pension costs.

During 2020, LDBF recharged Bishop's Lodge £74 (2019: £3,920), of which £nil (2019: £2,655) were salary costs.

During 2020, LDBF recharged LCOS £32,591 (2019: £34,494), of which £32,490 (2019: £34,494) were salary costs.

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

28. RELATED PARTY TRANSACTIONS (continued)

At the end of the year, the following amounts, all of which are included in debtors or creditors as appropriate, were receivable / payable by the Board in respect of related parties:

| | 2020 | 2019 |
|--|--------------|-------|
| | £'000 | £'000 |
| Amounts receivable / (payable) by the Board | | |
| Leicester Diocesan Board of Education | (658) | (859) |
| Coventry Diocesan Board of Finance (The) | (2) | 9 |
| Leicester Cathedral Chapter | 20 | 2 |
| Launde Abbey Trustees | (2) | (2) |
| St Philips Centre | - | (12) |
| Bishop's Lodge | - | 1 |

29. FUNDS HELD AS CUSTODIAN TRUSTEE

The LDBF acts as Diocesan Authority or Custodian Trustee for many trust funds by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964, where the managing trustees are parochial church councils and others. Assets held in this way are not aggregated in these financial statements as the LDBF does not control them. The financial assets held in this way may be summarised as follows:

| | 2020 | 2019 |
|--|--------------|-------------|
| | £'000 | £'000 |
| CBF Church of England Investment Fund - income shares | 983 | 930 |
| CBF Church of England Deposit Fund | 768 | 771 |
| Other common investment fund holdings | 456 | 505 |
| Direct holdings in UK equities | 234 | 235 |
| CBF Church of England Fixed Interest Securities Fund – income shares | 51 | 49 |
| Cash at bank | 3 | 15 |
| | <hr/> | <hr/> |
| Total assets held as Custodian Trustee | 2,495 | 2,505 |
| | <hr/> <hr/> | <hr/> <hr/> |

**LEICESTER DIOCESAN BOARD OF FINANCE (THE)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020**

30. PRIOR YEAR COMPARATIVE SOFA

| | Unrestricted funds | | Restricted Funds £'000 | Endowment Funds £'000 | Total funds 2019 £'000 |
|--|--------------------|---------------------|---------------------------|--------------------------|------------------------------|
| | General £'000 | Designated £'000 | | | |
| Income and endowments from | | | | | |
| Donations | | | | | |
| Parish Contributions | 4,586 | - | - | - | 4,586 |
| Archbishops' Council | - | - | 2,918 | - | 2,918 |
| Other donations | 1 | 1 | - | - | 2 |
| Charitable activities | 423 | 2 | 32 | - | 457 |
| Other activities | 1,073 | - | 181 | - | 1,254 |
| Investments | 181 | 14 | 152 | 815 | 1,162 |
| Other | 246 | - | - | 1,513 | 1,759 |
| Total income and endowments | 6,510 | 17 | 3,283 | 2,328 | 12,138 |
| Expenditure on | | | | | |
| Raising funds | - | - | - | 208 | 208 |
| Charitable activities | 10,140 | 18 | 749 | 1 | 10,908 |
| Other | 439 | - | - | - | 439 |
| Total expenditure | 10,579 | 18 | 749 | 209 | 11,555 |
| Net (expenditure) / income before losses and gains on investments | (4,069) | (1) | 2,534 | 2,119 | 583 |
| Gain on investments | 100 | 1 | - | (385) | (284) |
| Net(expenditure) / income | (3,969) | - | 2,534 | 1,734 | 299 |
| Transfers between funds | 4,031 | 9 | (2,059) | (1,981) | - |
| Gain on revaluation of fixed assets | 45 | - | - | - | 45 |
| Net movement in funds | 107 | 9 | 475 | (247) | 344 |
| Total funds brought forward | 7,969 | 817 | 1,083 | 68,271 | 78,140 |
| Total funds carried forward | 8,076 | 826 | 1,558 | 68,024 | 78,484 |