

DIOCESE IN EUROPE

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THE CHURCH  
OF ENGLAND



**THE DIOCESE IN EUROPE BOARD OF FINANCE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

*for the year ended 31 December 2019*

*Company No. 106580*  
*Registered Charity No. 250186*

# THE DIOCESE IN EUROPE BOARD OF FINANCE

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*for the year ended 31 December 2019*

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# THE DIOCESE IN EUROPE BOARD OF FINANCE

## BISHOP'S INTRODUCTION

*for the year ended 31 December 2019*

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COVID-19 has brought anxiety, stress and loneliness. The social, health and economic impacts of the virus across Europe have been unparalleled in our generation. In these conditions of fear and uncertainty, church life has been especially important. Our buildings have been closed. But the community of the church has been meeting virtually and pastoral care has continued through phone calls, appreciative messages and acts of kindness.

I want to extend my sincere and appreciative thanks to our clergy, who have sustained church life in very difficult circumstances. Many of you have shown an extraordinary ability to adapt to an on-line way of working, and you have created imaginative streamed or Zoom-based acts of worship. Work with children has continued with on-line gatherings, Godly Play and Minecraft. Members of chaplaincy councils have been gathering by Zoom. I am especially grateful to locum clergy who in some cases have kept up their pastoral and liturgical responsibilities even after returning 'home', and to churchwardens managing their chaplaincies during a vacancy. I am very aware that this work is tiring and that relationships are harder to maintain over the ether than face to face. Thank you all so much for your skilled and patient service and leadership.

2019, when things were 'normal', seems a long time ago. But we recall that 2019 had its own stresses, most particularly the uncertainty of the 'whether', 'when' and 'how' of Brexit. Many in our Diocese faced real fears regarding residence status, health care rights, pensions and employment. It was a very difficult year. And yet, in many respects, our Diocese more than survived – it thrived! Along with Bishop David, I had the privilege of visiting many chaplaincies over the year and it is a joy to see at first hand the vibrant life of our congregations and to hear stories of people coming to and growing in Christian faith. At a diocesan level we continued to strengthen our commitment in particular to safeguarding, archidiaconal ministry and communications. Andrew Caspari took up his post as Chief Operating Officer and Susan Stelfox as Head of Finance, whilst Grace Fagan joined us as Safeguarding Manager. Leslie Nathaniel and David Waller were appointed as free-standing full-time Archdeacons and Ian Tarrant was appointed to be our new Dean in Gibraltar.

The strengthening of our Diocese that these new appointments represent has, I believe, been vital for us to meet the challenges of our time. But to run an effective Diocese costs money, and two-thirds of that money comes from Common Fund contributions from our chaplaincies. 2019 represented the second of three years of increases to Common Fund in line with the Financial Plan approved by Diocesan Synod. I am delighted, humbled and thankful that, despite the very uncertain wider environment, chaplaincies contributed 94% of the requested Common Fund. This is a huge achievement, and I am greatly heartened by your generosity.

Going forward we face new challenges. Our financial challenges will continue, and we will have to seek out and inhabit a 'new normal' in the Covid-19 era. I do believe that we have learnt a great deal from these recent months about living more simply, developing healthier rhythms of life and learning better to value those who clean and those who care. We may also have learnt that we can adapt and flex our way of life far more than we had realised. So we may travel less, but we can use technology to share together more. In the longer term this time of forced change may equip us well as we face the big environmental challenges of the coming years and decades.

Thank you for your partnership in the gospel of Jesus Christ. May God the Father bless each and every one of us, and may his Holy Spirit inspire and energise us for the journey ahead.

The Right Reverend Dr. Robert Innes  
Bishop of Gibraltar in Europe

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## ANNUAL REPORT

*for the year ended 31 December 2019*

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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 2019.

### OBJECTIVES

The Diocese in Europe has almost 300 congregations in 40 countries in Europe, Russia and North Africa. These congregations are organised within 151 (2018:148) separate chaplaincies. The Company's principal activity is to promote, assist and advance the mission and ministry of the Church of England in the Diocese in Europe by acting as the financial executive of the Diocesan Synod.

The main objectives of the Company and of the charity are:

- to manage the financial aspects of providing a priestly and pastoral presence where needs arise and as resources permit across the Diocese;
- to provide appropriate personnel, financial grants and other resources to support the mission of the Diocese;
- to engage with the community as part of the Church's response to God's mission to His people in the area covered by the Diocese;
- to manage funds on behalf of the churches in the Diocese, and related trust funds;
- to provide services to churches and help the flow of communications across the Diocese, including the provision of various publications;

Funds and other support are given to encourage fresh expressions for worship and mission; to support the ongoing mission of the Diocese, and to provide a service to our chaplaincies. Priorities for diocesan support are identified at regular meetings of the Bishop's staff and at the diocesan and archdeaconry synods. Significant financial issues are delegated to the Finance, Personnel and Audit Committee ("FPAC") between meetings of the Diocesan Synod and the Bishop's Council. Terms of Reference for the committee including spending thresholds were agreed by the Trustees at the Bishop's Council in October 2019.

The Trustees aim to operate a balanced budget, meeting current expenditure from current income, so that capital growth can be set aside to support the work of the Diocese in future years. This aim has become increasingly difficult to achieve as the costs of the Diocese have escalated in recent years. At the Bishop's Council in 2018 a financial plan was approved which aimed to achieve break-even over the next three years. The plan accommodates required increases in costs, principally in the areas of safeguarding, archdeacons and communications. It also incorporates increases in Common Fund contributions from chaplaincies in the three years up to and including 2020. Break even remains a challenging objective which will not be met in 2020 but the extra amounts raised from Common Fund and tight financial management have brought the DBF much closer to achieving break even than could have been envisaged in 2018. This action has also prepared the DBF to be able to manage the current challenges of COVID-19.

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### STRATEGIC AIMS

The diocesan strategy commits us to:

- Building up the Body of Christ and fostering growth
- Sharing with other churches and agencies in the evangelisation of Europe
- Striving for the creation of a just society and a sustainable environment
- Work for Reconciliation in communities and in the wider world
- Providing the Resources to do these things

Across our far-flung diocese, the diocesan staff team and the chaplaincies have been working together in fulfilling this strategic vision by making good clergy appointments; fostering vocations; forging partnerships with mission agencies; working with refugees; providing encouragement and support to our people in the troubling context of Brexit and in recent months COVID-19.

The strategy was reviewed in detail by the Trustees at the Bishop's Council in October 2019. It was unanimously still regarded as being fit for purpose and was not considered in need of amendment. However, some key priorities for activity in the coming three years were established by the Trustees. These are outlined briefly in the Future Plans below. The delivery of some of these objectives rely on raising additional funds from other Trusts, Partners and the Church Commissioners. Work is in progress to achieve this but it is too soon to know how successful we will be in raising more funds.

### ACTIVITIES AND ACHIEVEMENTS

#### Ministry

The number of clergy in the Diocese holding a Bishop's licence as at 31 December 2019 was 141 (2018:143). This includes 105 clergy in post as Chaplains (2018: 103) and 31 assistant priests who hold a licence in a chaplaincy (2018: 40) as well as the Archdeacons and the Director of Ministerial Development. At the close of 2019 the Diocese had 41 vacancies (2018: 37) which, when filled, will have licensed clergy (including both Chaplains and assistant priests). Posts requiring a licensed priest total 182 (2018: 180). There were 13 new appointments during 2019 (2018: 33).

The number of Readers holding a Bishop's licence or permission to officiate as at 31 December 2019 was 102 (2018: 113).

At 31 December 2019 there were 22 ordinands on either residential or short course training (2018: 28), and there were 30 Readers in training (2018: 28).

The Diocese was successful in its bid to the new Strategic Ministry Fund to support curacies established by the Church Commissioners. This will fund 70% of the costs of curates in the Diocese for three years from the Summer of 2020. Posts confirmed so far are in Voorschoten and Brussels. A further bid has been lodged for 2021.

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### ACTIVITIES AND ACHIEVEMENTS (continued)

#### Ministry (continued)

The Diocesan Director of Ordinands (DDO) and the Chief Operating Officer (COO) have continued to work with the CofE Ministry Division to seek more support for the costs of ordinands which are greater in the Diocese in Europe than for other dioceses primarily due to travel costs and some demographic factors and training choices. The Diocese is reliant on the Ordination Candidates Fund to make up the shortfall in support but this is not a long-term solution and the review of funding of training for ordinands underway in the Church of England is welcomed by the Ministry Team and the COO. However, it is unlikely that any changes to the scheme will be in place before the Autumn of 2021 at the earliest.

#### Chaplaincy Membership and Attendance

2019 was a challenging year for the Diocese particularly given the uncertainties of Brexit which, anecdotally at least, may have seen a number of regular worshippers return to the UK and a reduction in new UK migrants coming to other EU states. UK based companies may also have reduced placements of staff pending the outcome of Brexit negotiations.

2019 was the year of the renewal of electoral rolls for every chaplaincy which requires all members to re-register once every six years. The Diocese in Europe accomplished this task one year earlier than required in the constitution in order to bring its schedule into line with the rest of the Church of England. Normally a new roll results in a dramatic fall in numbers as not all members are captured in one year. The roll builds up gradually in the succeeding six years. Given these factors the final figures for the roll are encouraging. Total electoral roll numbers decreased by 8.7% to 10,299 (11,277 in 2018). This is only a 3% reduction from the 2017 figure. Usual Sunday attendance declined by 10.8% to 9,364 (2018: 3.1% decline to 10,495). The decline from 2017 is 4.0%.

There were 411 baptisms (2018: 465) and 89 marriages (2018: 128) recorded in the Diocese. Easter Day attendance was 15,723.

24 confirmation services were held across the Diocese (2018: 30) with 192 candidates (2018: 207). These are gratifying figures given the relatively small numbers of families and younger people in the Diocese. The candidates make up a very diverse group by nationality and demography, with enormously varied journeys to faith. A decrease in the number of confirmation services will be expected in 2020 due to COVID-19 which has prevented travel by Bishops to officiate.

Comparisons and benchmarks for the Diocese measured against the rest of the Church of England are not easy to establish. Notable, though, is the usual Sunday attendance per Parish in England which at 33 is half that of the 66 in the Diocese in Europe. The Easter Day figures show the Diocese in Europe with 112 worshippers per chaplaincy compared with 83 in the rest of the Church of England. (This is using 2018 figures for England as 2019 are not yet published).

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### ACTIVITIES AND ACHIEVEMENTS (continued)

#### Chaplaincy Membership and Attendance (continued)

Beneath the headline figures are stories of remarkable growth and innovation across the Diocese which show a rich diversity in ministry. In Casablanca, Padua and Rotterdam for example there has been dramatic growth in work with migrants from many parts of Africa and from South Asia. Moscow has recovered and grown following the expulsion of many UK Diplomats in 2018, and is a thriving international congregation where an ambitious development plan is underway with financial support from the City of Moscow, but more funds need to be raised.

The creation of a new chaplaincy of Amersfoort was helped by a most generous €100,000 grant from Holy Trinity. Utrecht and a chaplaincy of Heiloo was successfully established as independent of Amsterdam.

#### The Financial Plan

2019 saw continued progress towards the objectives set in the financial plan established by the Diocesan Synod and Bishop's Council in 2018. In particular Common Fund income grew considerably. The target was for a 33% increase in Common Fund receipts. The result was a 28.5% increase. £196,068 more was given in 2019 than in 2018. This is a gratifying figure given the economic challenges faced by chaplaincies in 2019. 94.7% of the funds requested for the year were paid.

The operating deficit was close to that outlined in the financial plan. However, it should be noted that the financial position of the Diocese has been enhanced by a one third share of the proceeds from the sale of a house which was donated to the DBF, with the other two thirds to the Chaplaincy in Helsinki. This realised £97,033 for the Diocese.

The Diocese also benefited from the transfer of investments previously held by USPG, but which are now included in the resources of the Diocese in Europe. These one-off items improve the financial position of the DBF but do not in any way reduce the need to increase income and keep costs stable if the financial health of the Diocese is to be maintained. Therefore the DBF needs to reaffirm its efforts to increase Common Fund receipts and continue to control costs if it is to avoid mounting deficits and drains on its (currently relatively healthy) reserves in future.

The grant from the Church Commissioners to the Diocese was an essential part of the financial plan. After lobbying by senior staff and the diocesan Bishop, a grant of £167,000 per annum was renewed for a further three years in May 2019. These grant funds are unrestricted and can therefore be used for the general purposes of the Diocese. They are allocated from the Commissioners' Low Income Communities Fund.

An application for an increase to the grants received from the Allchurches Trust, to bring these into line with other dioceses was not successful. However the Diocese was encouraged to bid for a 'transformational grant' against a particular new project and that process will be concluded in the Summer of 2020.

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### ACTIVITIES AND ACHIEVEMENTS (continued)

#### Common Fund Allocation Working Group

A working group made up of clergy, laity, archdeacons and senior staff, with financial expertise from across the Diocese, has continued to examine all aspects of the Common Fund allocation and make recommendations to the DBF with regard to any improvements to the Common Fund system that can be made.

The Diocesan Synod in June 2019 agreed the following key recommendations of the Working Party:

1. To maintain the current means of calculating the Common Fund Requests based 33% on membership of chaplaincies and 66% on income.
2. To continue to base the request on the agreed DBF budget and use the formula to calculate the share of that agreed sum to be paid by each chaplaincy.
3. To consult on a proposal to measure membership as a combination of Electoral Roll and Usual Sunday Attendance from 2021.
4. To establish an Exemptions Process by which chaplaincies could apply to the Finance, Personnel and Audit Committee ("FPAC") to have elements of income excluded from the amount used in the calculation of Common Fund.
5. To include all traitements in the income calculations for a chaplaincy.
6. To include legacies given to unrestricted funds in the income calculation of a chaplaincy but to spread these over up to five years as agreed by the chaplaincy.
7. To continue to improve communications about diocesan finances across all chaplaincies and archdeaconries.

An Exemptions Committee (a sub-committee of the FPAC) met for the first time in December 2019 to agree a process for exemptions for the 2020 request. The request has now been launched with detailed calculations for each chaplaincy and a presentation and Q and A for all treasurers conducted by the Chief Operating Officer.

#### Senior staff changes

##### Archdeacons

Two key posts were filled in 2019. Strong fields of candidates were interviewed for the two roles covering the East, Germany and Northern Europe, and Gibraltar, and Italy and Malta. The Venerable Colin Williams retired from the East, Germany and Northern Europe role in March 2019 and was replaced by Rev. Canon Leslie Nathaniel in October 2019. In Gibraltar, and Italy and Malta Rev. Canon David Waller was appointed in January 2020 to replace Rev. Canon Geoff Johnston who retired in October 2019 having served in a non stipendiary capacity for five years.

The appointment of the freestanding Archdeacon of France is scheduled for the Autumn of 2020.

Rev. Canon Paul Wignall took up the post of Director of Reader Ministry in September 2019 in succession to Rev. Canon Elaine Labourel. A new Dean of Gibraltar, Rev. Canon Ian Tarrant, was appointed to take up his position early in 2020.



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### ACTIVITIES AND ACHIEVEMENTS (continued)

#### Lay Leadership

The lay leadership team has settled with Andrew Caspari and Susan Stelfox taking up their roles as Chief Operating Officer and Head of Finance respectively in January 2019.

In the Safeguarding Team the DSA Andrea Watkins left to take up new challenges in the Autumn of 2019 to be replaced by a new DSA with a very wide range of experience, in Grace Fagan.

#### Safeguarding

A key task of the DBF is to ensure that all of our chaplaincies adhere to the highest standards of practice in the area of safeguarding. The main areas of work are investigating and resolving all cases and queries that come to the attention of the DBF, training of key stipendiary clergy and volunteer church officers and processing DBS checks for large numbers of clergy and volunteers.

The regulatory environment around safeguarding continues to become increasingly rigorous. This requires compliance with the Church of England's requirements and also reporting to the Charity Commission on all significant cases. The 'Past Cases Review 2' which has been mandated by the Archbishops' Council will be costly and time consuming over 2020 and into 2021. FPAC has agreed in principle that this work should be funded up to £100,000 from diocesan reserves.

2019 saw a number of unusually complex and long running cases being handled by the diocesan Safeguarding Team with consequent increases in the workloads of the COO, the Director of Communications, the Suffragan Bishop and the legal advisers to the Diocese as well as the diocesan Safeguarding Team. Extra costs in this area are hard to predict but are normally unavoidable. The recruitment of new senior staff in the team has been very successful but costly.

In 2019 the safeguarding policy and guidance was substantially redrafted and brought up to date. It is now posted as an online resource with improved navigation and clarity. Changes to the policy can now be adopted and promulgated expeditiously.

#### Diocesan Synod 2019

The new Synod for the Triennium had its first meeting in Cologne in June 2019. The gathering of the members of the DBF was of particular significance as it approved changes to the constitution that make unlimited licences for clergy the normal practice in the Diocese bringing it into line with the rest of the Church of England. Permissible exceptions to the licences were written into the legislation and necessary accompanying policies have also been developed. The work has been designed to improve the care and conditions of service for the clergy. This has been the culmination of lengthy and painstaking work led by the Registrar, Aiden Hargreaves-Smith.

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### ACTIVITIES AND ACHIEVEMENTS (continued)

#### Diocesan Synod 2019 (continued)

The Synod took time to consider the discipleship programme 'Setting God's People Free' led by Nick Shepherd and as a result this is now being trialled by a group of chaplaincies in Switzerland. Rev. Dr Alison Gray attended to speak on clergy welfare. She has also addressed other groups in the Diocese which has assisted in growing understanding in this challenging area.

Synod approved recommendations from the Common Fund Working Group and considered new challenges to ministry with young people. A motion from the French Archdeaconry was approved which has encouraged new developments in approaches to lay training to be led by the Ministry Team.

#### Communications

The focus of activity through 2019 has been on continuing consolidation of diocesan media platforms, across the website, social media, and blogs to make these platforms more effective and consistent.

Strong content has driven the projection of our diocesan communications across these platforms. The current diocesan website continues to average around 3,500 views per month, and encouragingly, half of those are new visitors. New followers continue to engage with the Diocese on social media, with an increase of nearly one-third on the previous year. A suite of online social media training courses for people across the Diocese was offered in late Autumn, with highly positive feedback. Blogging by the Bishops covering their visits across the Diocese has continued to draw significant interest, in and beyond the Diocese.

Brexit remained a focal point for diocesan media coverage during 2019, with key messages on the impact of Brexit uncertainty for over a million UK citizens living in EU member states. Bishop Robert contributed regularly to Church Times coverage and gave many interviews on Brexit on the BBC and other continental European radio and TV news programmes. Positive news stories from across all aspects of diocesan and chaplaincy life in the Diocese continued to feature in our website coverage.

In addition, a new diocesan publication, European Anglicans was launched last summer, with a further edition produced before Christmas. This publication makes direct use of our website content and is published online, thereby achieving cost savings. At the same time, it has been possible for the Friends of the Diocese and chaplaincies to use the publication as a printed version.

From mid-March 2020, Coronavirus was beginning to grip the whole of the Diocese. Early evidence suggests our communication tools are helping to meet needs across the Diocese, supporting outstanding and innovative local chaplaincy efforts. Episcopal guidance has been regularly issued, and website resources have been adapted. Video resources were commissioned in readiness for Holy Week and Easter worship in April. Early innovative use of teleconferencing platforms has been a key enabler in the running of the DBF and learning from this for the future is essential to the DBF's effectiveness, environmental impact and its finances.

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### ACTIVITIES AND ACHIEVEMENTS (continued)

#### Significant Events

- A well-attended and successful conference of women clergy was led by Bishop Alison White. The Diocese has much to do to increase the recruitment of women to positions in chaplaincies but this was an important step in encouraging women clergy and starting to chart a way forward.
- The Cathedral Chapter pilgrimage from Trier to Echternach was a first; deeply enriching to those of us who took part and something we will want to repeat.
- We welcomed Mark Edington as Bishop in Charge of the Convocation of Episcopal Churches in Europe (April), and we said farewell to Archbishop Joris Vercammen of the Old Catholic Church.
- The opening of a new building for community activities in Casablanca celebrated the end of a remarkable and successful fundraising project.

#### Volunteers

The DBF is dependent on the huge number of people involved in chaplaincies. 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 DBF greatly values the considerable time given by all committee members and other volunteers across the Diocese in pursuit of the church's mission.

Estimating the in-kind value of volunteer time to the operations of the DBF is particularly difficult to measure in a meaningful way. It is for this reason that no estimate of the value of this time has been included in the financial statements.

#### FUTURE PLANS

Meetings of the Trustees were dominated by financial considerations in 2017 and 2018 resulting in adoption of the three-year financial plan with its consequent increases to Common Fund requests. The debate about Common Fund continues in some chaplaincies. However 94.7% of the funds requested in 2019 were given. Some Chaplaincies are signalling that they find the request hard to meet. Brexit is undoubtedly a factor of concern to many chaplaincy finances. The effects of COVID-19 may be even greater. A focus for 2020 needs to be stewardship campaigning as well as continuing to seek further support from trusts and from the Church Commissioners' Strategic Development Fund. The USPG has made a grant for work in Stuttgart and continues to support other activity in the Diocese. The ICS (Intercontinental Church Society) is essential to the work of many chaplaincies and some chaplaincies continue to benefit from the support of the Mission to Seafarers. These partnerships are important for the future.

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### **FUTURE PLANS (continued)**

At the Bishop's Council in October 2019 a review of the Diocesan Strategy agreed on the following areas of priority activity over the next three years.

1. The environment and the stewardship of creation
  2. Growing ministry to young people
  3. Growing training and development of lay leaders and clergy
  4. Embracing lower income groups and learning how to function better with less
- All of these priorities have high dependency on building the digital capacity of the Diocese.

There will be continued anxiety across the Diocese into 2021 which may require new financial plans and an increased deficit for 2020 and 2021 to that originally budgeted. At the time of writing the diocesan Investments have held much of their value, notwithstanding substantial market volatility following the COVID-19 pandemic. The DBF may seek to avail itself of the Church Commissioners' interest relief scheme to enable loans to be used to assist with cash flow over the next 12 months and avoid selling investments in a falling market thus maintaining investment income which is key to the diocesan finances.

### **COVID – 19: A note on a post balance sheet event**

This report and accounts relate to the financial year 2019. As such the activities and outcomes all took place prior to any knowledge of the Coronavirus which first had a material effect in the Diocese in February 2020 (before it had any impact in England). Any conclusions based on these accounts may be tempered by consideration of events in the first months of 2020 which have already radically changed some of the DBF's activities and immediate plans.

### **Achievements and Plans**

The headline achievements and ambitions for the Diocese remain unchanged by COVID-19. What has changed is the financial climate and the velocity of change and development to which the DBF aspires. Some ambitions and strategic priorities were agreed by the Bishop's Council in October 2019 but those around training and youth ministry may be harder to implement in 2020 due to the lockdown and in 2021 due to funding issues. The virus may have accelerated some of the ambitions in environmental impact and in finding new 'greener' ways of working as well as digital development. It is not yet fully possible to assess the impacts, both positive and negative, of reducing travel in the Diocese though the environmental benefit is clear and spending on travel has been reduced. New ways of working without face to face meeting have also been successfully introduced.

Some elements of growth in chaplaincies are stalled whilst churches are closed. Meanwhile in some cases worship and other activities delivered using digital platforms have appeared to increase reach to some activities and may have attracted new people. It is not known yet whether this will be reflected in larger congregations in future or more income.

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### **COVID – 19: A note on a post balance sheet event (continued)**

#### **Financial Uncertainty**

It is very challenging to assess the financial impact of COVID-19 in any one country. For the Diocese in Europe across 40 countries, prediction of the income of Chaplaincies or of the DBF is impossible.

At present (June 2020) most churches are still closed and will reopen in very different ways in different countries. There will not be a return to any sense of 'normal' for many months. Chaplaincies' ability to pay Common Fund to the DBF will be hampered by:

1. Reduced giving in collections due to fewer services
2. Cancelled big events such as weddings
3. Cancelled chaplaincy fund raisers
4. Loss of income from commercial activities such as shops, concerts and property rental
5. Lack of clarity as to whether older or less healthy members will wish to attend church post lockdown
6. Uncertainty about the duration of the COVID-19 impact

Chaplaincies are nervous about their financial position in 2021 giving a potential longer-term threat to DBF income.

Expenditure for the DBF may reduce slightly in the following areas:

1. Furlough of one member of staff and reduced hours of a contractor
2. Reduced costs of meetings and in particular Diocesan Synod 2020
3. Reduced travel costs in 2020

#### **Costs already accepted by the DBF**

FPAC has met three times since the lockdown began to assess what assistance might be needed by chaplaincies. The Committee decided on a package of emergency measures to assist chaplaincies hit by the virus. The value of these was to be £500,000 made up from cancelling the average 25% increase in the Common Fund request made to chaplaincies for 2020 and establishing a £200,000 hardship fund to support chaplaincies faced with insolvency or being unable to pay their clergy. A small number of chaplaincies have been able to help the hardship fund, and by mid-May 2020 this amounted to £35,000. FPAC approved distributions of £108,000 from the hardship fund following the first round of applications in April 2020. A second round of hardship applications is expected in the Summer of 2020. The DBF may have to delay its ambition to run a balanced budget in 2021 as envisaged in the financial plan agreed in 2018.

The total financial impact of COVID-19 on the DBF in 2020 could rise to £700,000 (taking into account the hardship fund, inability to pay common fund and the effect on the value of diocesan investments) with at least a further £300,000 in 2021 depending on the severity and duration of the crisis in the longer term. Factors such as a second peak in infections and the development of a vaccine are hard to predict.

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### **COVID – 19: A note on a post balance sheet event (continued)**

#### **Reserves**

The cost of the hardship measures will be funded from diocesan reserves. There is some potential for low interest or interest free loans to be taken out which may reduce the need to sell investments when market values are particularly low. The DBF has sufficient reserves to cover the currently forecast 2020 deficit and still leaves in excess of a year's running costs in unrestricted funds. This is subject to reasonable investment performance. The portfolio of unrestricted funds had recovered to 97.7% of the year end value by the first week of June following an initial fall in value of 13.7% from the year end to mid-March. The DBF's principal investment managers (CCLA) remain confident of long-term recovery in investment values but warn of considerable volatility over the next 12-18 months. They forecast fairly stable income during 2020.

An important task for the DBF this year is to explore where there may be potential to transfer funds regarded as endowment funds into unrestricted reserves thus increasing available cash should this be needed.

#### **Pensions**

At this point there has been no indication of any issues regarding pension liabilities of the DBF or for staff and clergy enrolled in the Clergy Pension Scheme of the Church Workers Pension Scheme.

#### **Conclusion**

COVID-19 will have long-term effects on ministry and mission as well as on the finances of the chaplaincies and the DBF. Much is uncertain, particularly at chaplaincy level, as the progress of the virus itself is not predictable. The diocesan reserves will assist in mitigating short-term financial issues for chaplaincies but in the longer term increased giving by members, financial restructuring of some chaplaincies and a new financial plan for the DBF will be needed. However the display of resilience and imagination observed across the Diocese is also a cause for optimism. Church has continued in the Diocese in Europe through the COVID-19 crisis even though activities have not taken place 'in church'. There remains considerable potential for growth in our congregations even though the financial outlook will be challenging over the next two years at least.

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### FINANCIAL REVIEW

#### Operating results

The operating result for the year, as shown on the Income and Expenditure account on page 28, was a deficit of £248,314 (2018: £399,613). This is defined as being total income less total expenditure before the exceptional items of £745,946 (2018: £318,475) which mitigated the effects of the operating deficit on the financial position and was ameliorated by investment gains of £623,874 (2018: investments losses (£30,811)).

#### Income

Total income for the year before exceptional items per the Statement of Financial Activities on page 27 was £1,787,695 (2018: £1,404,126).

The unrestricted contribution from chaplaincies through the Common Fund of £883,885 (2018: £687,817) made up 68% of the unrestricted income before exceptional items. This is an increase of £196,068 or 28.5% on the year. Overall, chaplaincies reacted positively to the increased Common Fund request, recognising the need though a significant minority made strong representations that they are struggling to respond in full to the request made. Unrestricted income from investments contributed a further £194,714 (2018: £200,678), with the Archbishops' Council grant of £161,500 (2018: £156,474). Restricted income was £379,824 (2018: £284,047) which included the Ministry division's RME Ordinands' grants, see Note 3 for further details. The endowed fund received a legacy for Tangier in the year of £100,000 (2018: £nil).

#### Exceptional Items

In the last two years, the DBF has received exceptional income. This is unlikely to happen regularly. In 2019 two unrestricted donations amounting to £745,946 were received. USPG transferred to the DBF the final financial interest it held in the Diocese in Europe chaplaincies for which it had previously been responsible. The payment was made early in 2019 and resulted in £648,913 being added to the DBF's investments. These are unrestricted funds not previously included in the DBF's balance sheet as they were held by the third party (USPG). These funds were not budgeted for and are included as exceptional income. The second item of exceptional income was a donation of a one third share of a property in the UK, the sale of which generated £97,033. See Note 10 for further details.

In 2018 £318,475 was received due to the one-off sale of the former Bishop's Chaplain's house. This leaves the Diocese now in possession of only one property in the UK, the Suffragan Bishop's house.

#### Expenditure

During the year total charitable expenditure was £1,936,009 (2018: £1,803,739), made up mainly of direct ministry and mission and support costs. See Note 6 for further details. The most significant item driving this increase was the amount spent on ordinands. The spend on ordinands and the income which helps towards this is recognised, now, as restricted funds. However the DBF is aware that the amounts given by the Church of England are insufficient to cover ordinands costs. Other budget lines show a range of relatively small increases and savings that have been managed carefully.

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## ANNUAL REPORT

*for the year ended 31 December 2019*

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### FINANCIAL REVIEW (continued)

#### Expenditure (continued)

Discretionary grants were made from the unrestricted general fund of £15,438 (2018: £30,703). Designated grants were made from the Ordination Candidates Fund of £45,987 (2018: £26,928) and Mission Opportunities Fund of £81,497 (2018: 13,808). Grants made from Restricted funds totalled £163,989 (2018: £147,752).

The DBF's financial plan provided for a deficit in 2019. Common Fund contributions were set to increase in stages over three years to bring the annual income and expenditure into balance by the end of 2020. In 2019 the DBF was required to sell £115,629 of investments held at CCLA to fund cash flow.

#### Balance sheet

Net assets at 31 December 2019 were £11,013,111 (2018: £9,015,497). The value of fixed asset investments rose 24% or £2,033,266 in the year from £8,556,817 to £10,590,083 including total gains of £1,399,982 as a result of strong market performance (2018: loss (£241,289)). Additions to investments comprised £648,913 from USPG and £100,000 from an endowed legacy to the benefit of the chaplaincy in Tangier. See Note 12 for further details.

As at 31 December 2019 unrestricted funds were £4,504,052 (2018: £3,375,126), a rise of £1,128,926 (2018: fall £103,506) due in part to the gain on revaluation of listed investments and the exceptional income from USPG and third share of a property sale. Restricted funds were £281,572 (2018: £288,992). Endowment funds were £6,227,487 (2018: £5,351,379), a gain of £876,108 which is due mainly to the gain on investments and income in the year.

The Balance Sheet shows net current liabilities of £132,236 (2018: £96,292). The Trustees are confident that the unrestricted fixed asset investments can be accessed should the need arise to satisfy a need.

#### Legacies

A small number of chaplaincies and an endowed fund have benefitted from legacy income in the past year. The promotion of giving by legacy to chaplaincies or to the Diocese should be a focus for more activity in the future, as such giving can make a significant impact.

#### Remuneration of key management personnel

The responsibility for setting salaries for all staff, including senior personnel, lies with the FPAC, which is always mindful of prevailing market conditions.



# THE DIOCESE IN EUROPE BOARD OF FINANCE

## ANNUAL REPORT

*for the year ended 31 December 2019*

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### FINANCIAL REVIEW (continued)

#### Grant making policy

The Trustees award grants principally through FPAC. These are normally to establish new work, develop new mission initiatives within a chaplaincy or archdeaconry or in support of agencies or organisations which directly benefit the DBF but which do not charge fees.

#### Investment policy

The policy of the Trustees is to invest in a diversified portfolio of quoted equity and fixed interest securities, taking into account the requirements of the law relating to the investment of charitable monies, while seeking the best possible returns and having due regard to preservation of capital. Investment decisions also take account of the funds' ethical policies and ensure that these fall within the guidelines approved by General Synod. The Company invests through common investment funds and does not invest directly in the stock market. For operational reasons, it also has certain interests in property.

The portfolio held is very diverse and is designed to withstand pressures that may come in various parts of the global economy and has continued to outperform the market.

FPAC meets quarterly and is updated on the portfolio's performance. The need to draw down on investments is approved at these meetings. Representatives of CCLA, who manage all the Diocese's investments and the vast majority of the Endowed, regularly attend FPAC meetings and provide updates.

#### Reserves policy

The Trustees consider it important to carry reserves to cover unforeseen eventualities and the possibility of future operating deficits, taking into account the fact that some funds are endowed for specific purposes. In the case of unrestricted funds, the Trustees seek to maintain general reserves that will support the ongoing mission of the Diocese and allow the Company to operate as a going concern. Within unrestricted reserves, the Trustees have two designated funds being an Ordination Candidates Fund £44,187 (2018: £56,005), and a Mission Opportunities Fund £204,695 (2018: £286,192). The Unrestricted General Fund was £4,255,170 (2018: £3,032,929). The DBF has been accustomed to holding two year's operating costs in reserves. Current accounts with chaplaincies, which are not matched with specific investments, are retained in the DBF's balance sheet as creditors due within one year. These amounted to £1,143,861 at the year end (2018: £1,158,273). FPAC has agreed to review the reserves policy and consider a liquidity policy including chaplaincy current accounts in 2020.

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## ANNUAL REPORT

*for the year ended 31 December 2019*

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### FINANCIAL REVIEW (continued)

#### Other funding which has an influence on the life of the Diocese

Diocesan churches are required to be financially self-sufficient, and are funded largely by members of electoral rolls and visitors and in some cases returns on investments and local commercial activity. Thanks are also given to mission agencies working in the Diocese, including Mission to Seafarers (which funds several port chaplains), USPG (major funders, property owners and former patrons of the majority of chaplaincies), ICS (which retains patronage of 23 churches and supports some seasonal work), and the Allchurches Trust which supported both the DBF and the See Cathedral.

#### Going concern

In light of the financial impact of COVID-19, the financial position and forecasts have been reviewed, taking into account the levels of investment reserves and cash. As a result of this review, it is believed that the Diocese will be able to manage operational and financial risks successfully.

As explained in the Investment policy above, the portfolio is very diverse and is designed to withstand adverse market conditions, such as those currently being experienced. As a result, the market value of the Diocese's unrestricted investments had returned to 98% of their December 2019 value by June of 2020. The DBF will seek to avoid selling investments at low points in market valuations, and this may be assisted by the availability of interest on loans that can be paid by the Church of England..

Whilst the charitable Company had net current liabilities of £132,236 (2018: £96,292) as at 31 December 2019, it continues to be the Trustees' policy to invest surplus funds in fixed asset investments for the long term so that the best returns are achieved. The Trustees are confident that the DBF can access these resources at short notice should the need arise to satisfy current liabilities.

Accordingly, the Trustees have a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future. As a consequence, they continue to support the going concern basis of accounting in preparing the annual accounts.

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## ANNUAL REPORT

*for the year ended 31 December 2019*

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### PRINCIPAL RISKS

The Trustees are responsible for maintaining a sound system of financial control to safeguard the Company's assets. FPAC identifies the major risks to which the Company is exposed, and such systems and procedures as are practicable are in place to mitigate those risks. A formal risk assessment review is conducted annually at the Winter meeting of FPAC, which monitors the risks and the effectiveness of the system of internal control operated by the Company.

The most significant risks are as follows:

#### *Safeguarding failure*

A big case could have a significant reputational or financial impact. This is mitigated by a strongly led Safeguarding Advisory Committee, the engagement of professional safeguarding staff, diocesan safeguarding policy and training.

#### *Investment underperformance*

Poor investment performance could have an adverse effect on the ability of the DBF to meet its financial commitments. However, to reduce the chance of this, funds are invested with an established and reputable fund manager. Funds are widely spread, and performance is monitored.

#### *Hazards*

Fire, flood and computer failure. The Diocese has insurance in place with a reputable insurer to cover these risks. The Diocese is also a tenant of Church House in Westminster and uses services provided by Church House. It can therefore rely on disaster recovery and computer back-up routines employed by the National Church Institutions.

#### *Chaplaincy finances*

Chaplaincies face a range of issues which in some cases make payment of Common Fund very challenging. This is mitigated by prudent financial planning and encouragement of appropriate stewardship and giving.

#### *Funds held as custodian Trustee*

The Board holds investments and cash on behalf of chaplaincy councils. Care must be taken to ensure the funds are managed correctly and that sufficient liquidity is maintained to ensure any demands for repayment can be met.

#### *Global pandemic*

The effects of a significant disaster were covered by the risk register when it was last reviewed though a global pandemic was not specified. The widespread impact of the virus may continue for 2-5 years with an impact on chaplaincy and hence diocesan income. This might be partially mitigated by improved stewardship by chaplaincies and improved cost control at all levels within the Diocese as well as some changes in the pattern and deployment of ministry in chaplaincies.

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## ANNUAL REPORT

*for the year ended 31 December 2019*

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### STRUCTURE AND GOVERNANCE

The Diocese in Europe is a diocese of the Church of England in the Province of Canterbury. The legal framework for the Diocese is the 'Diocese in Europe Measure 1980' and the Constitution of the Diocese 1995. While the Diocese in Europe Board of Finance is autonomous for most practical purposes, decisions may be influenced by those taken by the Church of England.

The DBF is a Company which is limited by guarantee and which does not have a share capital. It is incorporated in England and Wales with the registration number: 106580.

#### Directors and Trustees

Under the Memorandum and Articles of Association, members of the Bishop's Council are designated as Directors for the purposes of the Companies Act 2006 and are Trustees under charity law. The members of the Diocesan Synod are the members of the Company.

The Board may derive no benefit, income or capital interest from the Company's affairs from their position, other than the reimbursement of out-of-pocket expenses. In the event of the Company being wound up, each member, who is a member at that time, has undertaken to contribute £1 to the Company. The FPAC agreed to the management contracting the Board's Chair to offer some financial consultancy during the year outside of his trustee duties.

#### Constitution

The constitution of the DBF is set out in its memorandum and articles of association. Episcopally led, the DBF's activities are directed by the Diocesan Synod and Bishop's Council which also meets as the Board of the DBF and as the Trustees of the charity (together "The Trustees"). Significant amendments to the constitution were agreed by the Diocesan Synod in 2019 which align clergy licensing practice more closely with the rest of the Church of England.

#### Organisation and decision-making structure

Members of Diocesan Synod are also members of the Company and the charity. They set priorities and the overall financial strategy for the DBF in its prime imperative to participate in God's mission by and to Anglicans across the area covered by the Diocese in Europe.

The Trustees meet once a year at Bishop's Council to approve the budget for the following year; to consider strategic financial matters and monitor the implementation of financial policies. Members of the Company meet annually during Diocesan Synod to consider and approve the annual report.

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## ANNUAL REPORT

*for the year ended 31 December 2019*

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### **STRUCTURE AND GOVERNANCE (continued)**

#### **Organisation and decision-making structure (continued)**

FPAC meets at least four times a year to review the DBF's overall activities against budget, consider investment policy and performance, and consider detailed requests for grants. It also considers the budgets prior to their presentation to Bishop's Council and the Annual Report prior to its presentation to Diocesan Synod. Membership of the committee is a balance of ex-officio appointments and members elected by the Trustees every three years. In 2020 it is proposed to co-opt a personnel expert following a review of the skills available to the committee.

Andrew Caspari took up his position as Diocesan Secretary and Company Secretary in January 2019 in place of Michael Fegan who had been in this position since September 2017, in an interim capacity. Michael Fegan took up his position as DBF chair in January 2019.

#### **Appointment and induction of Trustees**

At the start of each new triennium new Trustees and members are invited to participate in an induction process and receive information about roles and responsibilities. Trustees are periodically provided with updates on best practice.

#### **Other organisations with which the Board co-operates in achieving its objectives**

The Company's activities involve regular and routine financial transactions with chaplaincy councils in the Diocese as well as the central Church authorities, though none of these bodies are a connected charity as defined by charity law. In addition, there are links (in respect of finance and activities) with various related agencies, together with diocesan-wide voluntary and statutory organisations.

#### **Decision making and delegation policy**

Diocesan Synod sets and approves strategy and policies. The Board sets the annual budget and makes decisions on the financial policy for the Diocese. The day-to-day management and implementation of agreed strategies and policies is undertaken by senior staff.

#### **Funds held as Custodian Trustee on behalf of others**

The Board holds investments and cash as custodian trustee on behalf of its chaplaincy councils and trusts. Where amounts owed to chaplaincies and trusts are matched by specific investment and cash balances these are excluded from the DBF's balance sheet and are recorded in Note 20.

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## ANNUAL REPORT

*for the year ended 31 December 2019*

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### **STRUCTURE AND GOVERNANCE (continued)**

#### **Public benefit**

The Trustees are aware of the Charity Commission's guidance on public benefit "The Advancement of Religion for the Public Benefit" and have regard to that guidance in their administration of the charity. The DBF believes that this report provides evidence of the public benefit of the charity's work in 2019.

As described more fully throughout the report, the DBF provides funds to support the work of Anglican Chaplaincies in Europe and part of North Africa and Russia. The vast majority of churches are available to the public at large and none is restricted to members of the Church of England.

#### **Trustees' indemnity**

The DBF provides insurance to Trustees against liability in respect of actions brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity insurance remains in force as of the date of approving the Trustees' Annual Report.

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## ANNUAL REPORT

*for the year ended 31 December 2019*

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### STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees (who are also the directors of the charitable company for the purpose of Company law) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires Trustees 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 (UK Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the DBF and of the surplus or deficit of the DBF 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
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue in operation

The Trustees are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the DBF 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 DBF and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

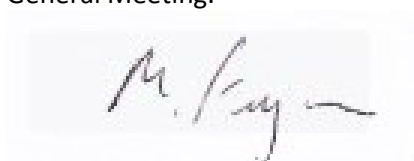
This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

### Statement of disclosure to the Auditor

As far as the Trustees are aware, there is no relevant audit information of which the charitable Company's auditor is unaware. The Trustees have taken all 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.

### Appointment of Auditor

A resolution to reappoint Haysmacintyre LLP as auditor to the Company will be proposed at the Annual General Meeting.



On behalf of the Board of Trustees on 23 June 2020

M Fegan - Chair

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## ANNUAL REPORT

*for the year ended 31 December 2019*

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### ADMINISTRATIVE DETAILS

#### Trustees

No trustee had any beneficial interest in the Company during the year. The following served as Directors and Trustees throughout the year, except where stated:

#### **Ex officio**

Mr. M Fegan (Chair) - appointed 7 January 2019

The Right Reverend Dr. R Innes – Bishop of Gibraltar in Europe

The Right Reverend Dr. D Hamid – Suffragan Bishop

The Reverend T Makipaa (Chair, House of Clergy)

Mr. D Coulston (Chair, House of Laity)

The Reverend Canon G Johnston – Interim Archdeacon of Gibraltar - resigned October 2019

The Venerable L Nathaniel – Archdeacon of the East, Germany & Northern Europe – (appointed 11 June 2019 to House of Clergy, before becoming Archdeacon in October 2019)

The Venerable V Sims – Archdeacon of Italy and Malta – resigned March 2019

The Venerable P Vrolijk – Archdeacon of North West Europe

The Reverend D Waller – Archdeacon of Gibraltar (formerly Elected to House of Clergy)

The Venerable C Williams – Archdeacon of the East, Germany & Northern Europe - resigned March 2019

The Venerable M Williams – Archdeacon of France

#### ***Elected - House of Laity***

Ms S. Boyd – appointed 11 June 2019

Mr. D Bean

Mrs. J Berry

Mrs. M Kopetzky

Ms. M Talbot

Mr. P Tillbrook

Mr S Urquart – appointed 11 June 2019

#### ***Elected– House of Clergy***

The Reverend Canon A Dickinson- appointed 11 June 2019

The Reverend Canon D Flach

The Reverend Dr. F Hegedus

The Reverend A Lowen

The Reverend R Seabrook – appointed 11 June 2019

The Reverend A Strange – appointed 11 June 2019

The Reverend D Waller - resigned 11 June 2019

#### ***Nominated by the Bishop of Gibraltar in Europe***

The Reverend R Bromley - resigned 11 June 2019

The Reverend Canon S Godfrey

The Reverend P Jackson – appointed 11 June 2019

The Reverend M Prsadam – appointed 11 June 2019

Mr. D White



# THE DIOCESE IN EUROPE BOARD OF FINANCE

## ANNUAL REPORT

*for the year ended 31 December 2019*

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### ADMINISTRATIVE DETAILS (continued)

#### Finance, Personnel and Audit Committee (“FPAC”)

The following served on the FPAC to date:

Mr. M Fegan (Chair)

The Right Reverend Dr. R Innes – Bishop of Gibraltar in Europe

The Right Reverend Dr. D Hamid – Suffragan Bishop

Mr. D Bean

The Reverend P Jackson

Ms. H Thomas

The Venerable P Vrolijk – Archdeacon of North West Europe

The Venerable C Williams – Archdeacon of East, Germany and Northern Europe – resigned March 2019

The Reverend R Williams

#### Senior staff and principal advisers

M Fegan – Interim Diocesan Secretary - resigned 7 January 2019

A Caspari – Chief Operating Officer (Diocesan Secretary) / Company Secretary -appointed 7 January 2019

#### Registered office

14 Tufton Street

London, SW1P 3QZ

Telephone: 00 44 (0)207 898 1155

e-mail: [bron.panter@churchofengland.org](mailto:bron.panter@churchofengland.org)

[www.europe.anglican.org](http://www.europe.anglican.org)

#### Bankers

Barclays Bank plc

Media, 27 Soho Square,

London W1D 3QR

National Westminster Bank plc

PO Box 34, 15 Bishopsgate

London EC2N 3NW

#### Independent Auditor

Haysmacintyre LLP

10 Queen Street Place

London EC4R 1AG

#### Investment manager

CCLA Investment Management Ltd

Senator House

85 Queen Victoria Street

London EC4V 4ET

#### Legal registrar

Aiden Hargreaves-Smith

Partner, Winckworth Sherwood

Minerva House

5 Montague Close

London SE1 9BB

## THE DIOCESE IN EUROPE BOARD OF FINANCE

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DIOCESE IN EUROPE BOARD OF FINANCE

*for the year ended 31 December 2019*

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#### **Opinion**

We have audited the financial statements of The Diocese in Europe Board of Finance for the year ended 31 December 2019 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the 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 2019, 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 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.

#### **Responsibilities of Trustees for the financial statements**

As explained more fully in the Trustees' responsibilities statement, 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.

## THE DIOCESE IN EUROPE BOARD OF FINANCE

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DIOCESE IN EUROPE BOARD OF FINANCE

*for the year ended 31 December 2019*

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#### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Conclusions relating to going concern**

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

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

#### **Other information**

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report. 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.

## THE DIOCESE IN EUROPE BOARD OF FINANCE

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DIOCESE IN EUROPE BOARD OF FINANCE

*for the year ended 31 December 2019*

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#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees has been prepared in accordance with applicable legal requirements.

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

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

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

- adequate accounting records have not been kept by the charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company 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; or
- the Trustees were not entitled to take advantage of the small companies' exemptions in preparing the Trustees' report and from the requirement to prepare a strategic report.

#### **Use of our report**

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Adam Halsey (Senior Statutory Auditor)  
for and on behalf of Haysmacintyre LLP, Statutory Auditor

Date: 29 June 2020

10 Queen Street Place  
London  
EC4R 1AG

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2019

		Unrestricted funds	Restricted funds	Endowment funds	Total funds 2019	As restated Total funds 2018
	Note	£	£	£	£	£
<b>Income and endowments from:</b>						
Donations and legacies						
- Common Fund		883,885	-	-	883,885	687,817
- Archbishops' Council grant		161,500	-	-	161,500	156,474
- Other donations	3	57,324	218,348	100,000	375,672	190,288
Investments	4	194,714	161,476	-	356,190	356,188
Other	5	10,448	-	-	10,448	13,359
<b>Total income before exceptional items</b>		<b>1,307,871</b>	<b>379,824</b>	<b>100,000</b>	<b>1,787,695</b>	<b>1,404,126</b>
<b>Exceptional items</b>						
	10					
- Donation of property		97,033	-	-	97,033	-
- Donation of funds		648,913	-	-	648,913	-
- Gain on disposal of property		-	-	-	-	318,475
		<b>745,946</b>	<b>-</b>	<b>-</b>	<b>745,946</b>	<b>318,475</b>
<b>Total income</b>		<b>2,053,817</b>	<b>379,824</b>	<b>100,000</b>	<b>2,533,641</b>	<b>1,722,601</b>
<b>Expenditure on:</b>						
Charitable activities	6	(1,521,892)	(414,117)	-	(1,936,009)	(1,803,739)
<b>Net surplus / (deficit) before gain/(loss) on investments</b>		<b>531,925</b>	<b>(34,293)</b>	<b>100,000</b>	<b>597,632</b>	<b>(81,138)</b>
Net gain / (loss) on fixed asset investments	12	623,874	-	776,108	1,399,982	(241,289)
Gain on current asset investments	13	-	-	-	-	156,022
(Loss) on remeasurement equity share loan	15	-	-	-	-	(147,445)
		<b>623,874</b>	<b>-</b>	<b>776,108</b>	<b>1,399,982</b>	<b>(232,712)</b>
<b>Net income / (expenditure) in year</b>		<b>1,155,799</b>	<b>(34,293)</b>	<b>876,108</b>	<b>1,997,614</b>	<b>(313,850)</b>
<b>Transfers between funds</b>		<b>(26,873)</b>	<b>26,873</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net movement in funds</b>		<b>1,128,926</b>	<b>(7,420)</b>	<b>876,108</b>	<b>1,997,614</b>	<b>(313,850)</b>
<b>Total funds brought forward</b>		<b>3,375,126</b>	<b>288,992</b>	<b>5,351,379</b>	<b>9,015,497</b>	<b>9,329,347</b>
<b>Total funds carried forward</b>	17	<b>4,504,052</b>	<b>281,572</b>	<b>6,227,487</b>	<b>11,013,111</b>	<b>9,015,497</b>

All activities derive from continuing activities. The Notes on pages 31 to 53 form part of these financial statements.

## THE DIOCESE IN EUROPE BOARD OF FINANCE

### INCOME AND EXPENDITURE ACCOUNT

*for the year ended 31 December 2019*

		<b>2019</b>	<b>As restated 2018</b>
	Note	£	£
Total income before exceptional items		1,687,695	1,275,589
Total expenditure		(1,936,009)	(1,675,202)
<b>Operating deficit before exceptional items</b>		<b>(248,314)</b>	<b>(399,613)</b>
Exceptional items	10		
- Donation of property		97,033	-
- Donation of funds		648,913	-
- Gain on disposal of property		-	318,475
		<u>745,946</u>	<u>318,475</u>
<b>Net income / (deficit) before gain / (loss) on investments</b>		<b>497,632</b>	<b>(81,138)</b>
Net gain / (loss) on investments	12	623,874	(30,811)
Gain on current asset investments	13	-	156,022
(Loss) on remeasurement equity share loan	15	-	(147,445)
<b>Net income / (expenditure) for the year</b>		<b>1,121,506</b>	<b>(103,372)</b>
<b>Other comprehensive income:</b>			
Net assets transferred (to)/from endowments		-	-
<b>Total comprehensive income / (expenditure)</b>		<b>1,121,506</b>	<b>(103,372)</b>

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 DIOCESE IN EUROPE BOARD OF FINANCE

## BALANCE SHEET

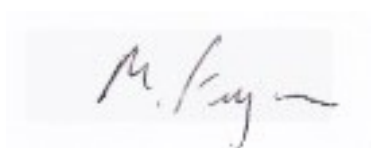
as at 31 December 2019

	Note	2019		2018	
		£	£	£	£
<b>Fixed Assets</b>					
Tangible fixed assets	11		560,687		574,439
Investments	12		10,590,083		8,556,817
			<u>11,150,770</u>		<u>9,131,256</u>
Current asset investments	13	-		179,445	
Debtors	14	755,034		722,477	
Short term deposits and cash at bank		<u>486,003</u>		<u>623,546</u>	
		1,241,037		1,525,468	
Creditors: amounts falling due within one year	15	<u>(1,373,273)</u>		<u>(1,621,760)</u>	
<b>Net current liabilities</b>			<u>(132,236)</u>		<u>(96,292)</u>
<b>Total assets less current liabilities</b>			11,018,534		9,034,964
Creditors: amounts falling due after one year	16		(5,423)		(19,467)
<b>Net Assets</b>	17		<u><b>11,013,111</b></u>		<u><b>9,015,497</b></u>
<b>Funds</b>					
Unrestricted Funds					
- General		4,255,170		3,032,929	
- Designated Funds		<u>248,882</u>		<u>342,197</u>	
	17		4,504,052		3,375,126
Restricted Funds	17		281,572		288,992
Endowment Funds	17		6,227,487		5,351,379
			<u><b>11,013,111</b></u>		<u><b>9,015,497</b></u>

The notes on pages 31 to 53 form part of these financial statements.

The financial statements were approved by the Board of Trustees, and authorised for issue on 23 June 2020.

The financial statements are signed on behalf of the Board of Trustees by:



Mike Fegan  
Chairman

Company reg. number: 106580

## THE DIOCESE IN EUROPE BOARD OF FINANCE

### CASH FLOW STATEMENT

for the year ended 31 December 2019

	2019		2018	
	£	£	£	£
<b>Cash flows from operating activities</b>				
Net cash (outflow) from operating activities		<b>(508,738)</b>		<b>(871,129)</b>
<b>Cash flows from investing activities</b>				
Interest and dividends received	356,190		356,188	
Interest paid	-		(2,517)	
Proceeds from the sale of:				
Fixed assets	-		402,504	
Investments	295,074		-	
Purchase of:				
Tangible fixed assets	(624)		(8,132)	
Investments	<u>(100,000)</u>		<u>-</u>	
<b>Net cash provided by investing activities</b>		550,640		748,043
<b>Cash flows from financing activities</b>				
Repayment of equity share loan	<u>(179,445)</u>		<u>-</u>	
<b>Net cash used in financing activities</b>		<b>(179,445)</b>		<b>-</b>
<b>Change in cash and cash equivalents in the year</b>		<b>(137,543)</b>		<b>(123,086)</b>
Cash and cash equivalents at 1 January		<u>623,546</u>		<u>746,632</u>
<b>Cash and cash equivalents at 31 December</b>		<b><u>486,003</u></b>		<b><u>623,546</u></b>
<b>Reconciliation of net cash flow from operating activities</b>				
<b>Net income / (expenditure)</b>		<b>1,997,614</b>		<b>(313,850)</b>
<b>Adjustments for:</b>				
Depreciation		14,376		14,675
Gain on disposal of fixed asset		-		(318,475)
(Gain) / loss on investments		(1,399,982)		241,289
(Gain) on revaluation of current asset investment		-		(156,022)
Loss on revaluation of equity share loan		-		147,445
Insurance receipts included in exceptional gain on disposal		-		34,800
Investment funds transferred from USPG		(648,913)		-
Investment income		(356,190)		(356,188)
Interest payable		-		2,517
Decrease in current asset investment		179,445		-
(Increase) in debtors		(32,557)		(337,817)
(Decrease) / increase in creditors		<u>(262,531)</u>		<u>170,497</u>
<b>Net cash (outflow) from operating activities</b>		<b><u>(508,738)</u></b>		<b><u>(871,129)</u></b>
<b>Analysis of cash and cash equivalents</b>				
Short term deposits and cash at bank		<b><u>486,003</u></b>		<b><u>623,546</u></b>

No separate analysis of charges in net funds has been presented as these are incorporated in the cash flow statement and notes above.



# THE DIOCESE IN EUROPE BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

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### 1. Accounting Policies

#### a) General information

The DBF is a charitable Company limited by guarantee incorporated in England and Wales and registered with the Charity Commission.

#### b) Accounting convention and basis of preparation

The financial statements have been prepared under the historical cost convention, with the exception of fixed and current asset investments, which are included at their market value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP FRS 102), second edition effective 1 January 2019, the Companies Act 2006, and applicable accounting standards (FRS102). The DBF meets the definition of a public benefit entity under FRS102.

#### c) Going concern

The Trustees consider that there are no material uncertainties regarding the DBF's ability to continue as a going concern (see page 16 for further details).

#### d) Income

All incoming resources are included in the Statement of Financial Activities ("SOFA") when the Board is legally entitled to them as income or capital respectively, when ultimate receipt is reasonably certain and the amount to be recognised can be quantified with reasonable accuracy.

The principal source of income of the DBF is Common Fund donations. These monies are recognised in the SOFA in the period for which they are receivable. Monies received after the new Common Fund request is made are included in the current year on an entitlement basis.

Grants received which are subject to pre-conditions for entitlement or where use is specified by the donor are included in creditors where these pre-conditions have not been met at the balance sheet date.

Legacies, contributions and other donations are accounted for when conditions for their receipt have been met.

Investment income is recognised when receivable.

#### e) Expenditure

Expenditure is accounted for on an accruals basis and has been aggregated under the relevant SOFA category. Expenditure includes irrecoverable VAT.

*Charitable expenditure* consists of expenditure on resourcing ministry and mission in the chaplaincies of the Diocese.

*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 the DBF. These grants are recognised as expenditure when the conditions attaching to the grant are fulfilled. Grants offered which are subject to conditions which have not been met at the year-end are noted as commitments, but not accrued as expenditure.

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

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### 1 Accounting Policies (continued)

#### e) Expenditure (continued)

**Support costs** consist of central management, administration and governance costs. Administrative support associated with making grants is insignificant and all costs are allocated to resourcing ministry and mission charitable expenditure.

#### f) Prior Year adjustment

The Ministry Division of Archbishops' Council has paid to the DBF a block grant for Resourcing Ministerial Education ("RME") to fund the training costs of ordinands who began their training from September 2017. In previous years these training costs and their reimbursement have been aggregated with other financial support received in respect of ordinands, and therefore the amounts received and spent were held in a balance sheet control account and were not included in the Statement of Financial Activities. However, the Ministry Division's guidance specifies that the amounts received must be paid into a restricted fund for ministerial education training for the ordinands sponsored by the DBF, and that the DBF has flexibility to manage these funds on a continuous basis. Therefore, it is view of management, that the appropriate treatment of these funds is for block grant received to be accounted for as income and for the costs to be recognised as expenditure in the Statement of Financial Activities, within a restricted fund in respect of Ministry Division RME Ordinands' grant. This change of presentation has been reflected in the current year and the comparative figures have been restated in these accounts.

The impact of this change on the previous year has been an increase of restricted income from other donations of £128,537, and an increase in direct ministry and missions' costs of the same amount. There has been no impact on the previous year net result for the year or the brought forward funds as at 1 January 2018 or 1 January 2019.

#### g) Tangible fixed assets

Assets in excess of £300 are capitalised as tangible fixed assets and are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	100 years
Leasehold property	Over the term of lease
Leasehold improvements	21 years or term of lease
Equipment	5 years

Properties included in fixed assets only include those properties acquired after 1974. The details of properties owned by the DBF prior to 1974 are recorded in a property register, but the historic cost is not known and therefore not included in the balance sheet. None of these are "Heritage Assets".

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 December 2019*

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### **1 Accounting Policies (continued)**

#### **h) Investments**

Investments are included in the balance sheet at market value with the gain or loss taken to the SOFA.

#### **i) Leases**

The DBF is only party to operating leases and has no finance leases. The rental on these operating leases is charged in full as expenditure in the year to which it relates. Where rent free periods are given as part of an operating lease, the impact of this rent free period is included in the SOFA over the shorter of the overall lease term or the period until the first break clause.

#### **j) Foreign exchange**

Transactions in foreign currencies are translated at the rate ruling on the date of the transaction. Foreign currency balances are translated at the balance sheet date and any differences are included in the SOFA.

#### **k) Chaplaincy accounts**

Where the Diocese invests money on behalf of individual chaplaincies, these assets and the associated liability to the chaplaincy are not included in the balance sheet. However, where the Diocese operates a "current account" with a chaplaincy, and the amount owed to a chaplaincy is not covered with specific assets in the chaplaincy name, these liabilities to the chaplaincies are recorded in creditors. If these obligations to chaplaincies were required to be settled, they would be settled out of the general unrestricted assets of the Diocese.

#### **l) Pensions**

The accounting treatment for the pension schemes in which the DBF participates is described in Note 23.

**1 Accounting Policies (continued)**

**m) Financial instruments – assets and liabilities**

***Debtors***

Debtors are recognised at the settlement amount due.

***Cash and cash equivalents***

Cash at bank and cash in hand held in short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

***Creditors and provisions***

Creditors and provisions are recognised where the DBF has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

***Equity share loan***

The DBF had one loan for which the settlement proceeds were based on the value of the equity in a property. As this constituted a non-basic financial instrument under FRS 102 this loan was recognised at fair value and revalued at each reporting date. Any gains and losses arising at each year end were recognised in the SOFA.

**n) Fund balances**

***Unrestricted Funds***

Unrestricted Funds are the DBF's corporate funds and they are freely available for any purpose within the Company's objects, at the discretion of the DBF. There are two types of unrestricted funds:

*General Funds* which the Diocese intends to use for the general purposes of the Diocese.

*Designated Funds* which are allocated to a specific purpose but which are, nonetheless, unrestricted.

***Restricted Funds***

Restricted Funds are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.

***Endowment Funds***

Endowment funds are held on trust to be retained for the benefit of the donor charity as a capital fund. In the case of endowment funds administered by the DBF, there is no provision for expenditure of capital and all are classed as permanent endowments.

A management charge of 5% of income is applied to all funds to cover accountancy and administration costs.

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 December 2019*

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### 2 Critical accounting judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the DBF's accounting policies and the reported assets, liabilities, income and expenditure and the disclosures made in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key areas subject to judgement and estimation are as follows:

#### ***Recognition of defined benefit pension scheme creditor***

The DBF is different to many other English diocesan boards of finance in that the clergy for overseas churches are legal employees of those local churches in order to comply with the different legal and tax frameworks in place across the wide geographical area in which the DBF operates. Consistent with this practice the relevant stipendiary and pension expenses for overseas clergy are recognised in the financial statements of the local churches and not in the financial statements of the DBF.

FRS102 requires an entity that has entered into an agreement to reduce the historic deficit on a multi-employer pension scheme, to recognise the liability in accordance with FRS102 section 28.13 and 28.13A. The DBF has a payment plan with the Church of England's Pensions Board to make additional contributions to the clergy pension scheme to fund the estimated deficit under the recovery plan until 31 December 2022 (reduced from 2025 as at 31 December 2018).

The Trustees consider that, while the DBF is the legal member of the scheme responsible for making contributions to the Church of England pension scheme, the substance of the arrangements in place is that the DBF only acts as a conduit for pension contributions for overseas clergy and therefore the liability lies with those overseas churches. On this basis the Trustees consider it appropriate to recognise the deficit only for those members of the clergy that the DBF is directly responsible for. At the balance sheet date this was one individual.

The DBF has estimated the liability to be recognised in its financial statements by pro-rating the calculations provided by the Church of England pension scheme actuaries for the current year. This has resulted in the recognition of a liability at the balance sheet date of £5,423 (2018: £19,467). If the full liability to make deficit repayments was to be recognised in these accounts, the liability at the balance sheet date would be £244,000 (2018: £876,000). A full explanation of the DBF's pension arrangements and the presentation in the financial statements is included in Note 23.

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 3 Other Donations Income

	Unrestricted funds 2019 £	Designated funds 2019 £	Restricted funds 2019 £	Endowment funds 2019 £	Total funds 2019 £
Ordination candidates donations	-	34,169	-	-	<b>34,169</b>
Other donations	23,155	-	-	100,000	<b>123,155</b>
Ministry division RME Ordinands' grant	-	-	218,348	-	<b>218,348</b>
	<b>23,155</b>	<b>34,169</b>	<b>218,348</b>	<b>100,000</b>	<b>375,672</b>
					<b>As restated</b>
	<b>2018</b> £	<b>2018</b> £	<b>2018</b> £	<b>2018</b> £	<b>2018</b> £
Ordination candidates donations	-	35,251	-	-	35,251
Other donations	26,500	-	-	-	26,500
Ministry division RME Ordinands' grant	-	-	128,537	-	128,537
	<b>26,500</b>	<b>35,251</b>	<b>128,537</b>	<b>-</b>	<b>190,288</b>

### 4 Investment Income

	Unrestricted funds 2019 £	Designated funds 2019 £	Restricted funds 2019 £	Endowment funds 2019 £	Total funds 2019 £
Income from listed investments	177,904	-	161,476	-	<b>339,380</b>
Interest receivable	16,810	-	-	-	<b>16,810</b>
	<b>194,714</b>	<b>-</b>	<b>161,476</b>	<b>-</b>	<b>356,190</b>
					<b>As restated</b>
	<b>2018</b> £	<b>2018</b> £	<b>2018</b> £	<b>2018</b> £	<b>2018</b> £
Income from listed investments	181,047	-	155,510	-	336,557
Interest receivable	19,631	-	-	-	19,631
	<b>200,678</b>	<b>-</b>	<b>155,510</b>	<b>-</b>	<b>356,188</b>

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 5 Other Income

	Unrestricted funds 2019 £	Designated funds 2019 £	Restricted funds 2019 £	Endowment funds 2019 £	Total funds 2019 £
Sundry income	10,448	-	-	-	10,448
	2018 £	2018 £	2018 £	2018 £	2018 £
Rental income	1,350	-	-	-	1,350
Sundry income	12,009	-	-	-	12,009
	13,359	-	-	-	13,359

### 6 Expenditure on Charitable Activities

	Unrestricted funds 2019 £	Designated funds 2019 £	Restricted funds 2019 £	Endowment funds 2019 £	Total funds 2019 £
Direct ministry and mission costs	650,833	-	245,221	-	896,054
Housing costs	9,456	-	-	-	9,456
Grants	15,438	127,484	163,989	-	306,911
Allocated support costs	718,681	-	4,907	-	723,588
	1,394,408	127,484	414,117	-	1,936,009
	2018 £	2018 £	2018 £	2018 £	As restated 2018 £
Direct ministry and mission costs	683,318	-	128,537	-	811,855
Housing costs	16,811	-	-	-	16,811
Grants	30,703	40,736	147,752	-	219,191
Allocated support costs	748,258	-	7,624	-	755,882
	1,479,090	40,736	283,913	-	1,803,739

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 7 Analysis of expenditure including allocation of support costs

	Activities undertaken directly	Grant funding of activities	Support Costs	Total Costs
	2019 £	2019 £	2019 £	2019 £
<u>Charitable Activities</u>				
Direct ministry, mission and support	896,054	-	723,588	1,619,642
Housing	9,456	-	-	9,456
Grants	-	306,911	-	306,911
	<b>905,510</b>	<b>306,911</b>	<b>723,588</b>	<b>1,936,009</b>
				<b>As restated</b>
	2018 £	2018 £	2018 £	2018 £
<u>Charitable Activities</u>				
Direct ministry, mission and support	811,855	-	755,882	1,567,737
Housing	16,811	-	-	16,811
Grants	-	219,191	-	219,191
	<b>828,666</b>	<b>219,191</b>	<b>755,882</b>	<b>1,803,739</b>

### 8 Analysis of Support Costs

	Unrestricted funds	Designated funds	Restricted funds	Total funds
	2019 £	2019 £	2019 £	2019 £
Central staff costs	420,649	-	-	420,649
Central office and premises	76,583	-	-	76,583
Depreciation	14,376	-	-	14,376
Legal and professional fees	60,834	-	-	60,834
Pension deficit creditor mvt	(14,044)	-	-	(14,044)
Trust management costs	-	-	4,907	4,907
Publications	139	-	-	139
Other support costs	70,708	-	-	70,708
Governance				
Auditors fee:				
- Current year	14,160	-	-	14,160
- Prior year	568	-	-	568
- Non audit fee including taxation services	1,944	-	-	1,944
Synod and Bishop's Council	72,764	-	-	72,764
	<b>718,681</b>	<b>-</b>	<b>4,907</b>	<b>723,588</b>



# THE DIOCESE IN EUROPE BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 8 Analysis of support costs (continued)

	2018	2018	2018	2018
	£	£	£	£
Central staff costs	402,957	-	-	402,957
Central office and premises	74,648	-	-	74,648
Depreciation	14,675	-	-	14,675
Legal and professional fees	62,839	-	-	62,839
Pension deficit creditor movement	(4,116)	-	-	(4,116)
Trust management costs	-	-	7,624	7,624
Publications	17,373	-	-	17,373
Other support costs	74,130	-	-	74,130
Governance				
Auditors fee:				
- Current year	12,000	-	-	12,000
- Adjustment for prior year	14,398	-	-	14,398
- Non audit fee including taxation services	4,260	-	-	4,260
Synod and Bishop's Council	75,094	-	-	75,094
	<u>748,258</u>	-	<u>7,624</u>	<u>755,882</u>

### 9 Staff costs

	2019	2018
	£	£
Salaries	549,218	424,422
Social security costs	48,319	58,259
Other pension costs	44,149	43,088
Redundancy	-	12,370
	<u>641,686</u>	<u>538,139</u>

	2019	2018
Average number of staff employed by the Diocese during the year:	<u>14.6</u>	<u>15.1</u>
Average number of staff employed during the year (Full Time Equivalents):	<u>12.2</u>	<u>12.2</u>

The number of staff whose emoluments (including benefits in kind but excluding pension contributions) amounted to more than £60,000 were as follows:

	2019	2018
	Number	Number
£60,001 - £70,000	-	1
£70,001 - £80,000	<u>1</u>	<u>-</u>

#### Remuneration of Key Management Personnel

Key management personnel are deemed to be members of the Bishop's senior staff. During the year remuneration for these employees totalled £127,425 (2018: £96,730).

#### Trustees reimbursed expenses and remuneration

All trustees attend a minimum two meetings a year, in May and October. They are reimbursed for travel and accommodation costs. During the year 23 trustees were reimbursed expenses totalling £14,664 (2018: 14 Trustees reimbursed £7,970).

## THE DIOCESE IN EUROPE BOARD OF FINANCE

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

#### 10 Exceptional items

	2019 £	2018 £
Donation of property	97,033	-
Donation of funds	648,913	-
Gain on disposal of property	-	318,475
	<u>745,946</u>	<u>318,475</u>

In the year the Diocese received two material donations that, due to their size, have been shown as exceptional as such income is not anticipated to re occur in the future

In 2018 the Diocese was gifted a one third interest of a property which was sold in 2019 generating proceeds for the Diocese of £97,033. Due to the materiality, this income has been shown as exceptional (2018: £318,475)

In March USPG passed its final interests in the chaplaincies of the Diocese over to the Diocese in Europe, including church buildings and various trusts for which they had been hitherto responsible. £648,913 was received and is held as an investment.

In 2018, a freehold property was sold generating proceeds of £402,504. The DBF also received additionally insurance proceeds of £34,800 in respect of a flood at the same property. The combined gain on disposal of the property and net insurance receipts totalled £318,475.

#### 11 Tangible Fixed Assets

	Freehold £	Leasehold £	Equipment £	Total £
<b>COST</b>				
Brought forward 1st January 2019	685,012	53,390	41,134	779,536
Additions	-	-	624	624
Disposals	-	-	(2,832)	(2,832)
Carry forward 31st December 2019	<u>685,012</u>	<u>53,390</u>	<u>38,926</u>	<u>777,328</u>
<b>DEPRECIATION</b>				
Brought forward 1st January 2019	128,420	46,102	30,575	205,097
Depreciation charge for the year	6,850	4,534	2,992	14,376
Written back on disposal	-	-	(2,832)	(2,832)
Carry forward 31st December 2019	<u>135,270</u>	<u>50,636</u>	<u>30,735</u>	<u>216,641</u>
<b>NET BOOK VALUE</b>				
At 31st December 2019	<u>549,742</u>	<u>2,754</u>	<u>8,191</u>	<u>560,687</u>
At 1st January 2019	<u>556,592</u>	<u>7,288</u>	<u>10,559</u>	<u>574,439</u>

## THE DIOCESE IN EUROPE BOARD OF FINANCE

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

#### 12 Investments

	2019	2018
	£	£
Market value at 1st January	8,556,817	8,798,106
Additions	748,913	-
Disposals	(115,629)	-
Net gains on investments	1,399,982	(241,289)
Market value at 31st December	<b>10,590,083</b>	<b>8,556,817</b>

The majority of investments are held in collective investment funds managed by CCLA.  
The historic cost of these investments at 31st December 2019 was £6,530,179 (2018: £5,923,585).

#### 13 Current asset investment

	2019	2018
	£	£
Brought forward 1st January	179,445	-
Reclassified from tangible fixed assets	-	23,423
Gains on revaluation		156,022
Disposal	(179,445)	-
Carry forward 31st December	-	<b>179,445</b>

In January 2019 an asset, held previously in Fixed Assets under leasehold property, was disposed of. It was therefore transferred to Current Asset Investment and remeasured at fair value, reflecting the net sale proceeds received. The gain of £156,022 was recognised in the Statement of Financial Activities.

#### 14 Debtors

	2019	2018
	£	£
Amounts due from chaplaincies	325,000	325,000
Prepayments and accrued income	110,701	90,425
Other debtors	319,333	307,052
	<b>755,034</b>	<b>722,477</b>

Of the amounts due from chaplaincies noted above, £325,000 is due after more than 1 year, unchanged for both 2019 and 2018. These are made up by interest-bearing loans to Florence £200,000, Venice £75,000 and Prague £50,000. These loans are secured on property. Included in other debtors is £271,722 (2018: £262,714) in respect of pooled Ordination Candidates funding, £92,042 of which is recoverable in more than 1 year.

## THE DIOCESE IN EUROPE BOARD OF FINANCE

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

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#### 15 Creditors: falling due within 1 year

	<b>2019</b>	<b>2018</b>
	£	£
Amounts owed to chaplaincies	1,143,861	1,158,273
Equity share loan	-	179,445
Other creditors	76,451	70,765
Taxation and social security	-	8,926
Accruals	152,961	204,351
	<u><b>1,373,273</b></u>	<u><b>1,621,760</b></u>

Grants from Unrestricted and Endowed Funds are often given over a period of three years. As at 31st December 2019 amounts committed, in aggregate from Diocesan & Development Fund resources which will become payable after the balance sheet date is £ 13,600 for 2020.

The equity share loan was advanced under an "equity sharing" arrangement with the Church Commissioners, based on the % of loan advance to the agreed value of the property at the time of the advance. The Commissioners had a 100% share. Any profit or loss arising from the subsequent sale were to be shared in the same proportion. The loan was secured by a charge on the property. Interest was payable at varying rates, quarterly in arrears. In 2018, prior to the sale in January 2019, this loan was fair valued from £32,000 to £179,445, reflecting the settlement proceeds of the sale of asset to which it related. The loss of £147,445 on remeasurement was recognised in the SOFA for 2018 after operating results for the year.

#### 16 Creditors: falling due after more than 1 year

	<b>2019</b>	<b>2018</b>
Pension deficit repayment creditor (see note 23)	<u><b>£ 5,423</b></u>	<u><b>£ 19,467</b></u>

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 17(a) Summary of fund movements - current year

	As at 1.1.19	Income	Grants & Expenditure	Other gains and losses	Transfers	As at 31.12.19
	£	£	£	£	£	£
<b>Unrestricted Funds:</b>						
<i>General funds:</i>						
Diocesan Fund	3,032,929	2,019,648	(1,394,408)	623,874	(26,873)	4,255,170
<i>Designated funds:</i>						
Ordination Candidates Fund	56,005	34,169	(45,987)	-	-	44,187
Mission Opportunities Fund	286,192	-	(81,497)	-	-	204,695
<b>Total Unrestricted Funds</b>	<b>3,375,126</b>	<b>2,053,817</b>	<b>(1,521,892)</b>	<b>623,874</b>	<b>(26,873)</b>	<b>4,504,052</b>
<b>Restricted funds</b>						
Diocesan Development Fund	68,729	15,270	(18,749)	-	-	65,250
MMS (Gibraltar & Marseilles)	(9,496)	9,752	(11,488)	-	-	(11,232)
Overseas Bishoprics Fund	14,296	5,677	(2,136)	-	-	17,837
Armstrong Trust (Istanbul)	66,021	5,962	(6,298)	-	-	65,685
Clement Jones (Suffragan Bishop)	1,471	2,978	(2,647)	-	-	1,802
Daphne Willoughby - Waters (Palma)	4,119	2,197	(110)	-	-	6,206
Spicer Trust (Needy clergy)	6,403	3,032	(851)	-	-	8,584
Stephenson Bequest (Malaga)	-	3,473	(3,473)	-	-	-
Philip Coleman Trust (Palma)	-	1,932	(1,932)	-	-	-
Ackland Troyte Trust (Pau)	-	1,214	(1,214)	-	-	-
Bagneres de Bigorre Fund (France)	-	1,308	(1,308)	-	-	-
Crimean Memorial Church (Istanbul)	-	2,338	(2,338)	-	-	-
All Saints (Dresden) Trust (Germany)	-	4,377	(4,377)	-	-	-
Houlton Fund (Malta)	-	1,128	(1,128)	-	-	-
Emma Tebbs Trust (Rome)	-	3,411	(3,411)	-	-	-
Frank Pratt Barlow (Monte Carlo)	-	39,816	(39,816)	-	-	-
Lindley Fund (Germany)	-	1,562	(1,562)	-	-	-
Col Doughty Wylie Fund (FCO)	14,717	2,624	(1,594)	-	-	15,747
St Andrew's (Tangier)	9,799	10,915	(18,455)	-	-	2,259
St Georges (Berlin)	-	2,775	(2,775)	-	-	-
Riga Mission Trust	16,415	25,708	(29,256)	-	-	12,867
Bertie Watson (Algarve)	96,518	14,027	(13,978)	-	-	96,567
Ministry division RME Ordinands' grant	-	218,348	(245,221)	-	26,873	-
	<b>288,992</b>	<b>379,824</b>	<b>(414,117)</b>	<b>-</b>	<b>26,873</b>	<b>281,572</b>
<b>Balance c/f</b>	<b>3,664,118</b>	<b>2,433,641</b>	<b>(1,936,009)</b>	<b>623,874</b>	<b>-</b>	<b>4,785,624</b>

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 17(a) Summary of fund movements - current year (continued)

	As at 1.1.19	Income	Grants & Expenditure	Other gains and losses	Transfers	As at 31.12.19
	£	£	£	£	£	£
<b>Balance c/f</b>	<b>3,664,118</b>	<b>2,433,641</b>	<b>(1,936,009)</b>	<b>623,874</b>	<b>-</b>	<b>4,785,624</b>
<b>Endowment Funds:</b>						
Diocesan Development Fund	323,357	-	-	60,729	-	384,086
MMS (Gibraltar & Marseilles)	306,856	-	-	44,982	-	351,838
Overseas Bishoprics Fund	194,727	-	-	30,731	-	225,458
Continental Chaplaincies	970,579	-	-	114,826	-	1,085,405
Armstrong Trust (Istanbul)	120,517	-	-	24,584	-	145,101
Clement Jones (Suffragan Bishop)	78,093	-	-	10,155	-	88,248
Daphne Willoughby - Waters (Palma)	96,924	-	-	13,829	-	110,753
Spicer Trust (Needy clergy)	25,877	-	-	3,763	-	29,640
Stephenson Bequest (Malaga)	80,942	-	-	6,722	-	87,664
Philip Coleman Trust (Palma)	46,826	-	-	1,031	-	47,857
Ackland Troyte Trust (Pau)	35,087	-	-	6,570	-	41,657
Bagneres de Bigorre Fund (France)	37,826	-	-	7,083	-	44,909
Crimean Memorial Church (Istanbul)	67,598	-	-	12,656	-	80,254
All Saints (Dresden) Trust (Germany)	125,478	-	-	23,495	-	148,973
Houlton Endowment Fund (Malta)	32,606	-	-	6,105	-	38,711
Emma Tebbs Trust (Rome)	98,623	-	-	18,466	-	117,089
Frank Pratt Barlow (Monte Carlo)	1,186,775	-	-	187,547	-	1,374,322
Lindley Endowment Fund (Germany)	45,150	-	-	8,454	-	53,604
Col Doughty Wylie Fund (FCO)	117,991	-	-	14,704	-	132,695
St Andrew's (Tangier)	303,574	100,000	-	56,743	-	460,317
St. George's (Berlin)	136,764	-	-	14,016	-	150,780
Riga Mission Trust	487,650	-	-	38,988	-	526,638
Bertie Watson (Algarve)	431,559	-	-	69,928	-	501,487
	<b>5,351,379</b>	<b>100,000</b>	<b>-</b>	<b>776,108</b>	<b>-</b>	<b>6,227,487</b>
<b>Total funds</b>	<b>9,015,497</b>	<b>2,533,641</b>	<b>(1,936,009)</b>	<b>1,399,982</b>	<b>-</b>	<b>11,013,111</b>

#### Diocesan Fund

The general fund is the DBF's unrestricted undesignated fund available for any of the DBF's purposes without restriction.

#### Ordination Candidates Fund

This designated fund is available to support ordination candidates.

#### Mission Opportunities Fund

The Mission Opportunities Fund has been established to fund projects which have the specific objective of growing congregations in the Diocese.

#### Diocesan Development Fund

The Diocesan Development Fund is a Special Trust for the purposes of Charities Act 2011.

#### Ministry Division RME Ordinand's Grant

Block grant received from the ministry division, Archbishops' Council to fund the training of Ordinands

Restricted funds may only be applied for the purposes specified in the measures, trust deeds and the ecclesiastical statutory regulations. Generally all income generated on restricted funds is paid to the chaplaincies to which the fund relates. Grants and expenditure includes a 5% management fee levied by the Diocese.

The management charge is applied to all trusts to cover accountancy and administration for those trusts. This charge has been accounted for as income to the unrestricted general fund, and as a cost to the funds concerned. The total charge within restricted funds was £4,907 (2018: £7,624).

Endowment funds may only be applied for the purposes specified in the measures, trust deeds and the ecclesiastical statutory regulations. They are only generally available for specified purposes.

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 17(b) Summary of fund movements - previous year (as restated) (continued)

	As at 1.1.18	Income	Grants & Expenditure	Other gains and losses	As at 31.12.18
	£	£	£	£	£
<b>Balance c/f</b>	<b>3,767,490</b>	<b>1,722,601</b>	<b>(1,803,739)</b>	<b>(22,234)</b>	<b>3,664,118</b>
<b>Endowment Funds:</b>					
Diocesan Development Fund	327,573	-	-	(4,216)	323,357
MMS (Gibraltar & Marseilles)	310,151	-	-	(3,295)	306,856
Overseas Bishoprics Fund	197,214	-	-	(2,487)	194,727
Continental Chaplaincies	988,157	-	-	(17,578)	970,579
Armstrong Trust (Istanbul)	124,248	-	-	(3,731)	120,517
Clement Jones (Suffragan Bishop)	80,267	-	-	(2,174)	78,094
Daphne Willoughby - Waters (Palma)	98,952	-	-	(2,027)	96,925
Spicer Trust (Needy clergy)	26,595	-	-	(718)	25,877
Stephenson Bequest (Malaga)	83,703	-	-	(2,761)	80,942
Philip Coleman Trust (Palma)	49,045	-	-	(2,219)	46,826
Ackland Troyte Trust (Pau)	35,619	-	-	(532)	35,087
Bagneres de Bigorre Fund (France)	38,399	-	-	(573)	37,826
Crimean Memorial Church (Istanbul)	68,622	-	-	(1,024)	67,598
All Saints (Dresden) Trust (Germany)	127,379	-	-	(1,901)	125,478
Houlton Endowment Fund (Malta)	33,100	-	-	(494)	32,606
Emma Tebbs Trust (Rome)	100,117	-	-	(1,494)	98,623
Frank Pratt Barlow (Monte Carlo)	1,283,056	-	-	(96,281)	1,186,775
Lindley Endowment Fund (Germany)	45,834	-	-	(684)	45,150
Col Doughty Wylie Fund (FCO)	127,796	-	-	(9,805)	117,991
St Andrew's (Tangier)	308,033	-	-	(4,459)	303,574
St. George's (Berlin)	138,126	-	-	(1,362)	136,764
Riga Mission Trust	532,653	-	-	(45,003)	487,650
Bertie Watson (Algarve)	437,218	-	-	(5,659)	431,559
	<b>5,561,857</b>	<b>-</b>	<b>-</b>	<b>(210,479)</b>	<b>5,351,378</b>
<b>Total funds</b>	<b>9,329,347</b>	<b>1,722,601</b>	<b>(1,803,739)</b>	<b>(232,713)</b>	<b>9,015,496</b>

#### Diocesan Fund

The general fund is the DBF's unrestricted undesignated fund available for any of the DBF's purposes without restriction

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#### Diocesan Development Fund

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#### Ministry Division RME Ordinand's Grant

Block grant received from the ministry division, Archbishops' Council to fund the training of Ordinands

# THE DIOCESE IN EUROPE BOARD OF FINANCE

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 17(b) Summary of fund movements - previous year (as restated) (continued)

	As at 1.1.18	Income	Grants & Expenditure	Other gains and losses	As at 31.12.18
	£	£	£	£	£
<b>Balance c/f</b>	<b>3,767,490</b>	<b>1,722,600</b>	<b>(1,803,739)</b>	<b>(22,234)</b>	<b>3,664,118</b>
<b>Endowment Funds:</b>					
Diocesan Development Fund	327,573	-	-	(4,216)	323,357
MMS (Gibraltar & Marseilles)	310,151	-	-	(3,295)	306,856
Overseas Bishoprics Fund	197,214	-	-	(2,487)	194,727
Continental Chaplaincies	988,157	-	-	(17,578)	970,579
Armstrong Trust (Istanbul)	124,248	-	-	(3,731)	120,517
Clement Jones (Suffragan Bishop)	80,267	-	-	(2,174)	78,094
Daphne Willoughby - Waters (Palma)	98,952	-	-	(2,027)	96,925
Spicer Trust (Needy clergy)	26,595	-	-	(718)	25,877
Stephenson Bequest (Malaga)	83,703	-	-	(2,761)	80,942
Philip Coleman Trust (Palma)	49,045	-	-	(2,219)	46,826
Ackland Troyte Trust (Pau)	35,619	-	-	(532)	35,087
Bagneres de Bigorre Fund (France)	38,399	-	-	(573)	37,826
Crimean Memorial Church (Istanbul)	68,622	-	-	(1,024)	67,598
All Saints (Dresden) Trust (Germany)	127,379	-	-	(1,901)	125,478
Houlton Endowment Fund (Malta)	33,100	-	-	(494)	32,606
Emma Tebbs Trust (Rome)	100,117	-	-	(1,494)	98,623
Frank Pratt Barlow (Monte Carlo)	1,283,056	-	-	(96,281)	1,186,775
Lindley Endowment Fund (Germany)	45,834	-	-	(684)	45,150
Col Doughty Wylie Fund (FCO)	127,796	-	-	(9,805)	117,991
St Andrew's (Tangier)	308,033	-	-	(4,459)	303,574
St. George's (Berlin)	138,126	-	-	(1,362)	136,764
Riga Mission Trust	532,653	-	-	(45,003)	487,650
Bertie Watson (Algarve)	437,218	-	-	(5,659)	431,559
	<b>5,561,857</b>	<b>-</b>	<b>-</b>	<b>(210,479)</b>	<b>5,351,378</b>
<b>Total funds</b>	<b>9,329,347</b>	<b>1,722,600</b>	<b>(1,803,739)</b>	<b>(232,713)</b>	<b>9,015,496</b>

#### Diocesan Fund

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#### Ministry Division RME Ordinand's Grant

Block grant received from the ministry division, Archbishops' Council to fund the training of Ordinands



## THE DIOCESE IN EUROPE BOARD OF FINANCE

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

#### 18 Commitments under operating leases

At 31 December 2019, the company had future minimum payments under non cancellable operating leases as follows:

Land and Buildings	2019 £	2018 £
Not later than 1 year	50,303	50,303
Later than 1 year and not later than 5 years	-	50,303
	<u>50,303</u>	<u>100,606</u>

#### 19 Net assets by fund

	Tangible fixed assets £	Investments £	Current assets £	Current liabilities £	Amounts falling due after 1 year £	Total Funds £
<b><u>2019</u></b>						
<b>Unrestricted</b>						
General	560,687	4,722,641	350,538	(1,373,273)	(5,423)	4,255,171
Designated	-	-	248,882	-	-	248,882
<b>Endowment</b>	-	5,867,442	360,044	-	-	6,227,486
<b>Restricted</b>	-	-	281,572	-	-	281,572
<b>Total Funds</b>	<b>560,687</b>	<b>10,590,083</b>	<b>1,241,037</b>	<b>(1,373,273)</b>	<b>(5,423)</b>	<b>11,013,111</b>
<b><u>2018</u></b>						
Unrestricted						
General	574,439	3,565,481	534,236	(1,621,760)	(19,467)	3,032,929
Designated	-	-	342,197	-	-	342,197
Endowment	-	4,991,336	360,043	-	-	5,351,379
Restricted	-	-	288,992	-	-	288,992
<b>Total Funds</b>	<b>574,439</b>	<b>8,556,817</b>	<b>1,525,468</b>	<b>(1,621,760)</b>	<b>(19,467)</b>	<b>9,015,497</b>

## THE DIOCESE IN EUROPE BOARD OF FINANCE

### NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 December 2019*

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#### 20 Funds held as custodian trustee

	2019	2018
	£	£
Investments (at Market Value 31st December)	1,640,804	1,455,287
Cash on deposit	567,046	604,541
<b>Total assets held on behalf of chaplaincies</b>	<b><u>2,207,851</u></b>	<b><u>2,059,828</u></b>

#### 21 Capital commitments

As at 31<sup>st</sup> December 2019 there were no capital commitments.

#### 22 Post balance sheet events and contingent liabilities

Early in 2020, COVID-19, a global pandemic, took hold effecting continental Europe earlier than in the United Kingdom. It has had a major impact on all aspects of the Diocese as churches had to close with the resulting impact on their income. Slowly the lock down in Europe is being released but there is no certainty that things will be the same as they were before. The consequence of this is that the Diocese's income will be reduced both this year and possibly in the years ahead. A hardship fund has been established to help those Chaplaincies badly affected. Although difficult to determine the financial cost at this point, it is estimated to be up to £700,000 in total which is to be met out of reserves. The FPAC are now meeting frequently to consider the most up to date situation. To date the investments have held up well, regaining much of the initial losses suffered in March, and are now at 97.7% of the year end value. There have however been some incredible positives to this with the Diocese pulling together in a way that has not been seen before. A lot of fortitude has been shown as well as gratitude and this new resolve will serve the Diocese well in the future.

Greater detail on COVID-19 and its impact, and what has been achieved to date is given in greater detail on Pages 10 to 12 of the Annual Report.

## THE DIOCESE IN EUROPE BOARD OF FINANCE

### NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 December 2019*

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#### **23 Pensions**

The DBF 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 DBF and the other participating employers. These are:

Church of England Funded Pensions Scheme (“CEFPS”) for stipendiary clergy and Church Workers Pension Fund (“CWPF”) for diocesan employees. The Pension Builder Scheme of the CWPF has two sections known as the Pension Builder Classic, and the Pension Builder 2014, both of which are classified as defined benefit schemes.

#### **23 (a) Church of England Funded Pensions Scheme (“CEFPS”)**

The Diocese in Europe participates in the Church of England Funded Pensions Scheme for stipendiary clergy, a defined benefit pension scheme. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Responsible Bodies.

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

The 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 each specific Responsible Body, therefore contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SOFA in the year are contributions payable towards benefits and expenses accrued in that year. In 2019 these amounted to £3,445 (2018: £11,156), plus the figures highlighted in the table below as being recognised in the SOFA, giving a total credit in the year of £(10,599) (2018: charge £7,040).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at as 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% p.a.;
- 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 CMI2018 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 until 31 December 2022 and the deficit recovery contributions (as a percentage of pensionable stipends) are as set out in the table below.

## THE DIOCESE IN EUROPE BOARD OF FINANCE

### NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 December 2019*

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#### **23 (a) Church of England Funded Pensions Scheme (“CEFPS”) (continued)**

% of pensionable stipends	January 2018 to December 2020	January 2021 to December 2022
Deficit repair contributions	11.9%	7.1%

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As at 31 December 2017 and 31 December 2018 the deficit recovery contributions under the recovery plan in force at that time were 11.9% of pensionable stipends until December 2025.

As at 31 December 2019 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

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

Normally entities are required to bring on to the balance sheet the assets and liabilities (and therefore the surplus or deficit) relating to defined benefit schemes. However, an exception to this is where the scheme is considered to be a multi-employer scheme as described in section 28 of FRS 102. In this case, where the assets and liabilities within a scheme are pooled, they cannot be separately ascribed to individual participating employers. Where this is the case section 28.11A of FRS 102 requires the DBF to account for deficit recovery payments as a liability. These liabilities are discounted and the figures included in these accounts are supplied by the scheme actuary.

The scheme actuaries have calculated that the total liability for deficit payments relating to the DBF’s 39 (2018: 45) members of the scheme amounts to £244,000 (2018: £876,000) including a change in agreed deficit recovery plan, and change in discount rate and assumptions between year-ends.

The DBF is different to many other English diocesan Boards of Finance in that the clergy for overseas churches are legal employees of those local churches in order to comply with the different legal and tax frameworks in place across the wide geographical area in which the DBF operates. Consistent with this practice the relevant stipendiary and pension expenses for overseas clergy are recognised in the financial statements of the local churches and not in the financial statements of the DBF.

The Trustees consider that, while the DBF is the legal member of the scheme responsible for making contributions to the Church of England Pension scheme, the substance of the arrangements in place is that the DBF only acts as a conduit for pension contributions for overseas clergy and therefore the liability lies with those overseas churches. On this basis the Trustees consider that it is appropriate to only recognise the deficit for those members of the clergy that the DBF is directly responsible for. At the Balance Sheet date and prior year this was one individual.

The DBF has estimated the liability to be recognised in its financial statements by pro-rating the calculations provided by the Church of England Pension Scheme actuaries for the current and prior year.

## THE DIOCESE IN EUROPE BOARD OF FINANCE

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

#### 23 (a) Church of England Funded Pensions Scheme (“CEFPS”) (continued)

The movement in the provision is set out in the table below.

	2019	2018
	£	£
Balance sheet liability at 1 January	19,467	23,583
Deficit contribution paid	(2,733)	(2,955)
Interest cost (recognised in SoFA)	378	333
Remaining change to the balance sheet liability* (recognised in SoFA)	(11,689)	(3,067)
Change in proportion of liability recognised by the DBF (recognised in SoFA)	-	1,573
Balance sheet liability at 31 December	5,423	19,467

\* Comprises change in agreed deficit recovery plan in discount rate and assumptions between year ends.

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments:

	December 2019	December 2018	December 2017
Discount rate	1.1% pa	2.1% pa	1.4% pa
Price inflation	2.8% pa	3.1% pa	3.0% pa
Increase to total pensionable payroll	1.3% pa	1.6% pa	1.5% pa

The legal structure of the scheme is such that if another Responsible Body fails, the Diocese in Europe could become responsible for paying a share of that Responsible Body’s pension liabilities.

## THE DIOCESE IN EUROPE BOARD OF FINANCE

### NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 December 2019*

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#### **23 (b) Church Workers Pension Fund (“CWPF”)**

The DBF participates in the Pension Builder Scheme section of CWPF 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 the Employer and the other participating employers.

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.

#### **Pension Builder Scheme**

The Pension Builder Scheme of the Church Workers Pension Fund is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which 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 on investment returns and other factors.

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 sub-division of assets between employers in each section of the Pension Builder Scheme.

The scheme is 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 SOFA in the year are contributions payable of £41,924 (2018: £24,893).

A valuation of the Pension Builder Scheme is carried out once every three years. The most recent was carried out as at 31 December 2016.

For the Pension Builder Classic section, the valuation revealed a deficit of £14.2m on the ongoing assumptions used. At the most recent annual review, the 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 the current time.

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

The legal structure of the scheme is such that if another employer fails, the DBF could become responsible for paying a share of that employer’s pension liabilities.

## THE DIOCESE IN EUROPE BOARD OF FINANCE

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

#### 24 Related party transactions

The Chair of the DBF received £6,300 for professional consultancy provided during the year. This sum was unpaid at the end of the financial year and included in accruals. There were no other related party transactions. See Note 9.

#### 25 Prior year comparative SOFA - as restated

	Note	Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds 2018 £
<b>Income and endowments from:</b>					
Donations:					
Common Fund		687,817	-	-	687,817
Archbishops Council grant		156,474	-	-	156,474
Other donations	3	61,751	128,537	-	190,288
Investments	4	200,678	155,510	-	356,188
Other	5	13,359	-	-	13,359
<b>Total income before exceptional items</b>		<b>1,120,079</b>	<b>284,047</b>	<b>-</b>	<b>1,404,126</b>
Exceptional Item - gain on disposal of property	10	318,475	-	-	318,475
<b>Total income</b>		<b>1,438,554</b>	<b>284,047</b>	<b>-</b>	<b>1,722,601</b>
<b>Expenditure on:</b>					
Charitable activities	6	(1,519,826)	(283,913)	-	(1,803,739)
<b>Net (expenditure)/income before (loss) on investments</b>		<b>(81,272)</b>	<b>134</b>	<b>-</b>	<b>(81,138)</b>
Net (loss) on fixed asset investments	12	(30,811)	-	(210,478)	(241,289)
Gain on current asset investments	13	156,022	-	-	156,022
(Loss) on remeasurement equity share loan	15	(147,445)	-	-	(147,445)
		<b>(22,234)</b>	<b>-</b>	<b>(210,478)</b>	<b>(232,712)</b>
<b>Net (expenditure) / income</b>		<b>(103,506)</b>	<b>134</b>	<b>(210,478)</b>	<b>(313,850)</b>
Transfers between funds	17	-	-	-	-
<b>Net movement in funds</b>		<b>(103,506)</b>	<b>134</b>	<b>(210,478)</b>	<b>(313,850)</b>