

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Registered Number: 00239561
Charity Number: 1107827

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
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REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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CHAIRSMAN'S INTRODUCTION

In 2019 LDBF recorded an operating deficit of £0.328m. A major factor in this result was the reduction in parish contributions received to 93.81% of the amount requested compared to 93.99% in 2018. Total income and endowments amounted to £18.196m (2018: £18.371). Total expenditure amounted to £18.521m (2019: £19.034m).

However, as a consequence of net gains on investments and property revaluations of £7.13m and a gain on pension adjustments of £2.917m, Total Funds rose in the year to £150.169m (2018: £140.449m).

We were grateful to receive continued financial support from the Archbishops' Council amounting to £2.628m (2018: £2.698m). Statutory Fees received from parishes for weddings and funerals remained an important part of diocesan income: they amounted to £1.131m (2018: 1.273m). The costs of resourcing Ministry and Mission within the diocese (including clergy stipends, pensions and housing) amounted to £12.796m (2018: £12.88m). They represented 69% of total expenditure, of which housing costs were £2.30m. Central administration costs amounted to £1.204m (2018: £1.117m) which represented 6.5% (2018: 6.2%) of expenditure.

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

Over the past decade our strategy has been to build our reserves as and when any surpluses have occurred, although in the recent past the diocese has drawn modestly on financial reserves to balance annual budgets. This prudent policy has so far stood us in good stead in the face of the financial impact of the COVID-19 pandemic on the diocese.

However, financial pressures on our parishes, on our investments, and an absence of fee income during the national lockdown period will inevitably contribute to a significant deficit in 2020. Whilst the Board has adequate reserves to absorb such deficits overall, there is an ongoing challenge (which we expect to meet) to maintain a sufficiency of cashflow to support our regular mission within Lichfield Diocese.

Normally the Board's Annual Report and Accounts would only contain the financial results of 2019. Exceptionally, this document also reports on the strategies and actions which are currently being taken to safeguard the diocese's finances, and I commend them to you.

Once again, I would like to record the Board's grateful thanks to all those who contribute to the financial health of our diocese. The resilience of our people, our clergy and our diocesan staff in adapting to very difficult circumstances has been extraordinary.

It is inevitable that the church post Covid 19 will need to be different from the years before, and this will apply especially to our financial structure: some rebalancing will be required to return to balanced budgets.

In the meantime we should be aware that although our finances remain fundamentally sound, they will continue to come under stringent pressure in the time ahead,

John Naylor
Chairman

1st October 2020

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REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 31 DECEMBER 2019

President	The Bishop of Lichfield,
Chair	Mr J T Naylor
Vice Chair	The Archdeacon of Stoke upon Trent
Ex-Officio	The Bishop of Shrewsbury (from 03 July 2019) The Bishop of Stafford (vacant from 30 November 2019) The Bishop of Wolverhampton The Dean of Lichfield The Archdeacon of Lichfield The Archdeacon of Salop The Archdeacon of Walsall The Revd Preb B Whitmore Mr J Wilson
Elected	The Revd P Cansdale The Revd J Cody The Revd Canon P Hawkins The Revd Preb B Leathers The Revd M Rutter Mrs P Allen Mr D Beswick Mr A Charles Mr J Clark Dr J Fawn Mr C Gill Mr P Graetz Mr D Litchfield Mrs J Locke Mr R Pithers Mrs L Rawling
Nominated by the Bishop	None as at 31 December 2019
Co-opted Member	None as at 31 December 2019
Company Registered Number	00239561
Charity Registered Number	1107827
Registered Office	St Mary's House The Close Lichfield Staffordshire WS13 7LD
Chief Executive Officer & Company Secretary	Mrs J Jones BSc FCIPD
Director of Finance	Mr J R L Hill FCMA CGMA

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REFERENCE AND ADMINISTRATIVE DETAILS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

Independent auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG
Bankers	Lloyds Bank Plc 22 Conduit Street Lichfield WD13 6JS
Solicitors	FBC Manby Bowdler LLP Routh House Hall Court Hall Park Way Telford TF3 4NQ
Investment Advisors	CCLA Investment Management Ltd Senator House 85 Queen Victoria Street London EC4V 4ET Canaccord Genuity Saggar House Princes Drive Worcester WR1 2PG EdenTree Investment Management Ltd 24 Monument Street London EC3R 8AJ
Surveyors	Mr C Glenn – Internal Diocesan Surveyor
Insurers	Ecclesiastical Insurance Group Beaufort House Brunswick Road Gloucester GL1 1JZ Brokers: D E Ford

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TRUSTEES' ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Trustees Annual Report 2019

The Directors, who are also Trustees for the purposes of charity, present their annual report, together with the audited financial statements, for the year ended 31 December 2019.

The directors/trustees are one and the same and in signing as trustees they are also signing the strategic report sections in their capacity as directors.

This combined report satisfies the legal requirements for:

- a. Directors Report of a charitable company,
- b. Strategic Report under the Companies Act 2006 and
- c. Trustees Annual Report under the Charities Act 2011

Vision Statement

"As we follow Christ in the footsteps of St Chad, we pray that the two million people in our diocese encounter a church that is confident in the gospel, knows and loves its communities, and is excited to find God already at work in the world. We pray for a church that reflects the richness and variety of those communities. We pray for a church that partners with others in seeking the common good, working for justice as people of hope."

Legal Objects

The diocese is arranged as four Archdeaconries, in three Episcopal Areas, with a total 28 Deaneries.

The Diocese of Lichfield serves a population of approximately two million covering 1,744 square miles throughout Staffordshire, the northern half of Shropshire and much of the Black Country. The diocese has 280 benefices, 437 parishes and 569 churches.

Company Status

The Lichfield Diocesan Board of Finance was incorporated as a company on 14 May 1929 under the company number 00239561 in accordance with the Diocesan Boards of Finance Measure 1925. It is a company limited by guarantee not having share capital and registered as a charity on 25 January 2005 with the charity number 1107827.

It is governed by its Memorandum and Articles of Association as amended by Special Resolutions dated 28 April 1960, 6 February 1968, 18 June 2003, 13 March 2004 and 7th July 2015.

Principal Activities

The principal activity is to promote assist and advance the work of the Church of England in the Diocese of Lichfield and elsewhere, by acting as the financial executive of the Diocesan Synod. It oversees the resourcing of ministry within the diocese and the financing of the work of the various diocesan bodies (constituted under ecclesiastical statute or established voluntarily by the Bishop and Diocesan Synod), which also have the object of advancing the aims of the Church of England in the diocese and elsewhere.

There has been no change in those activities during the year.

Strategic Aims

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

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TRUSTEES' ANNUAL REPORT Continued

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OBJECTIVES AND ACHIEVEMENTS FOR THE YEAR

Direction of Travel

In May 2017 the Diocesan Bishop led the vision and strategy for the Diocese through Directions of Travel, at a launch entitled "First Steps". It was based around "Come Follow Christ, in the footsteps of St Chad". The mission and ministry of the Diocese will be focused around the three key areas of Discipleship, Vocation and Evangelism - following in the footsteps of the first bishop of Lichfield, St Chad.

To develop on this theme and to work with parishes to enable the Diocese to have a flourishing and sustainable future the Direction of Travel Steering Group was set up as a strategic and visionary to bring all aspects of Diocesan departments together and has been collaborating with groups all over the Diocese to ensure our vision statement and three priorities are at the heart of all we do and say.

Strategic Development Funding (SDF) Project

The National Church has made available Strategic Development Funding that supports major change projects which lead to a significant difference in dioceses' mission and financial strength. It is only available to dioceses and the projects should fit with their strategic plans. In October 2019 the Diocese received confirmation that a grant of £1.690M had been awarded for the Telford New Minster Project over a six-year period 2019 to 2025,

Telford New Minster Church is a carefully thought-out project to revive Christian life in a complex and emerging new town in the Midlands. Based in Meeting Point House in Telford town centre, the church will provide the spark for ten new Christian communities each with the simple mandate to encounter the story of Jesus for themselves. These communities will meet regularly for discipleship and mission, to pray for and build social outreach in their own areas; they will also gather in a town centre church for formation, nurture, celebration and worship. Gathered and scattered church are on an equal footing. Telford New Minster will reach young people and children through schools and youth work and some of the ten new Christian communities are youth communities. The project will also provide missional oxygen for existing churches.

The total requested from the Strategic Development Fund is £1,690M over six years from 2019 to 2025. The total project value is £3,986M with Board investing £2,296M over the period.

Central Support

There are two main mechanisms to the Central Support of the Diocese. The Central Administration Team; known as CAST (Central Administration Support Teams) is based at St Marys House; consisting of Governance, Communications, Safeguarding, Finance and Property.

The Discipleship, Vocations and Evangelism Team; (DVE) based at Three Spires House in Lichfield, comprises of Education, Mission, Open to All, Transforming Church and Communities and Vocations & Training.

The two teams are joined with the main objectives and support the parishes through: -

- Welcoming and Training People and Groups;
- Supporting Clergy Well Being;
- Alleviating parish statutory duties;
- Preventing escalation of issues
- Asset Management

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FUTURE PLANS

In recent years with falling congregational numbers and income at parish level; it was becoming apparent that future budgets were becoming more difficult to balance – the costs are simply rising at a quicker rate than income. Despite this the Board continue to support the Diocese in looking for new and alternative ways of Mission and Ministry and build on the good work and news stories around the Diocese. It is always appreciated that there is a transitional period during any change; especially with new areas of work and how this can be managed and financed.

One option are further SDF bids that can help generate new churches and fresh expressions around the Diocese, including a presence in New Housing Estates and these are being explored and reported back through the Direction of Travel Steering Group and the Setting Gods People Free initiatives.

In order to develop these models further there is a requirement to undertake an exercise in realigning resources that are available, both in terms of human resources, material available and also financial constraints. Part of this exercise is to review each parish and look at the sustainability of the current deployment models and investment in areas around the Diocese. This whole exercise has been expedited by the COVID 19 pandemic that happened in 2020 and more details are given below on page 6.

Resourcing Future Ministry (2019 -2025)

The main part of this strategy is to build a new restricted fund from either historical resources or surplus resources, that will be ring fenced and initially accumulate dividends to hopefully grow until the fund is required. From 2020 the fund will start to support the overall Diocesan Finances through additional income into the Diocesan Budget. This will help to support the Diocesan Budget and also any reductions in cash or real terms of Allocation from the National Church through the transitional period which is due to end in 2025. Once the transitional period is complete the income generated will then be available to help support the Diocesan Budget in future years – or support other areas of Mission and Ministry that is felt necessary at the time. Details are still being worked on, but the initial thoughts are generating a fund that is close to £7m, generating around £350,000 per annum.

This fund will not be financed from the Parish Share. The aim is that at some stage in the future it will be designed to ease the burden on parishes through share requests. At the year-end £2.069M (2018:£1.816M) had been invested for this fund. The investments will be held in accumulated share options until income is required. In addition, there are investment properties that are valued at £1.952M at the year end (2018: £1.901M).

Due to the COVID 19 pandemic below the strategy on the fund has had to change as explained in the following note on page 6.

Low Income Communities (National Church) Allocation

The new triennium of funding from the National Church commenced in January 2017. The new allocation is based on deprivation and population and despite transitional factors being included. The allocation is now known as Low Income Communities funding and Lichfield Diocese is one of the highest recipients of the new allocation formula. Despite being in the top five recipients the forecast shows the Lichfield Diocese will receive around £2.0m per annum for the next ten years; which is lower in cash terms as well as real terms. It should be noted that the Mission Development Funding, a grant of £277,000 for the Board over recent years ceased at the end of 2016 and will not be replaced. Rather than the Mission development funding, the Church Commissioners have made a large pot available for Dioceses to make grant applications for funding for specific projects. In essence it is centralising the fund rather than allocating the fund to Dioceses to apportion accordingly – all part of being more accountable.

In order to help with reporting and accounting to the National Church on the allocation, the Board is looking at integrating the IMD (indices of multiple deprivation) into the Share formula to replace the current Property Category. It is believed this gives a fairer reflection of the deprivation across the Diocese and complies with the systems that the National Church use and favour. It must be noted that this is a measure of deprivation and not a measure of affluence, which is an issue that has to be overcome before it can be introduced into the Share formula.

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COVID 19

In March 2020 as the country was forced into lockdown due to the COVID 19 pandemic, the Board had to make considerable changes to the way that it operates, especially in supporting churches and parishes whilst the church buildings were closed from 25th March 2020 until 4th July 2020.

The Diocesan Office was closed on 18th March 2020 and is scheduled to re-open on Monday 7th September 2020 with rotational bubbles to protect the health and well being of the staff. Fortunately due to the pro active strategy on IT; all staff were able to work from home within a couple of days, as all staff are issued with laptops and a Virtual private Network (VPN) connection – this enables staff to work from home as in the office provided they have a wi-fi connection.

Virtual Meetings could be hold using either the corporate MS Teams network or Corporate Zoom accounts within a short period after lockdown – so the Business Continuity strategy for staff and ability to work should the office close was successful; naturally there were a few issues along the way.

In response to the situation and potential financial impact, an emergency group was set up called the Finance Core Group that consisted of the Chair and Deputy Chair of the board, the Chief Executive Officer, the Director and Deputy Direct of Finance. The group meet every Friday morning to review the Boards liquidity and cashflow forecasts; and put in place a strategy to assist the Board through the developing financial challenges. It became apparent from an early stage in April 2020 the Board would be facing a significant loss in 2020 if predictions of reduction in income, in particular Parish Share and Fees; that there would need to be a tripartite approach where the National church would need to support Diocese, Diocese would need to look at expendable reserves and ask parishes to likewise utilise available reserves.

The Board was grateful that the National Church decided to pay the remaining Low-Income Communities Allocation in advance, and a receipt of just over £1.5M was received in mid-April. Immediate actions by the Board placed 35 members of staff on furlough from 9th April 2020, whilst two returned during June 2020 and a further six returned in July 2020, the remainder were left on furlough until 31 August 2020. The Board agreed to top up salaries by 20%.

Statutory Funeral Fees due to the Board were waived from 25 March until 30 June 2020 due to the restrictions at Funerals. This had a large impact on income. With Share forecasted originally to be closer to a 70% collection rate compared to the budget figure of 94%; with the loss of fee income; despite reductions in costs and the sue of the furlough scheme, that generated in the region of £0.20M, the Board was forecasting a deficit in the region of £3M to £3.5M.

Parish Share to the end of July had held up better than forecasted, although it is likely to be under 80% by the year end and will result in a likely loss in excess of £2.5M. The impact of the pandemic will also affect future years budget forecasts and it is anticipated that the Board will make a further loss in 2021 in the region of £1.5M to £2M.

Whilst the Board has significant reserves to absorb such deficits, the challenge is cash flow. As previously reported that the percentage of liquidity is relatively small amongst the reserves, somewhere in the region of 2%. The Board needs in the region of £1.5M each month to meet its liabilities. In order to try and managed the situation and considering the volatility in the investment stock markets it was agreed to take the following approach: -

1. To obtain an overdraft with the Church Commissioners of £2M in respect of the Stipend Account (approved and operated between June and September 2020). The funds to be repaid by September 2021
2. To review the Diocesan property Asset Register and identify excess marketable properties that are classed as DBF property and place them on the market in hope of a sale – three properties were sold by the end of June raising over £1M, and a further two properties sold subject to contract raising a further £1M. All properties were sold in conjunction with the requirements of the Charities Act and sold at market value.
3. A meeting with Glebe Agents to review the position on potential sales and review the current situation
4. To sell specifically targeted Investments.

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The decision on the sale of Property and to use the sale proceeds to subsidise the Board's liquidity has meant that the strategy behind Resourcing The Future will have to be rethought. It is possible in order to help finance the Board through the pandemic the fund is utilised but hoped not to be required. However, the fact that the proceeds of property sales can not be reinvested means less investment income in future budgets than originally forecasted. In addition, if Investments are required to be sold this will have similar impact.

The Finance Core Group are fully aware that all the decisions made will have impact on future years budget, it is a case of trying to minimise or mitigate the impact, in order to assist the parishes in the future.

In addition to the measures above it was agreed to suspend all new loans and applications for loans until 31 December 2020. It was also agreed to suspend Diocesan Loan repayments from parishes until 2021 in order to help parishes with their cash flow and concentrate on Parish Share; unless a parish was able to repay their loan from specifically restricted funds and would not disrupt their cash flow projections.

All Property quinquennials were suspended until 2021 – this meant that those due in 2020 would become the 2021 Quinquennial repairs and all future quinquennials put back one year. Before the decision was made all the Quinquennials were reviewed to ensure there was no essential works included. A list of essential repairs was drawn up, defined by repairs that needed attention due to Health and Safety. All other repairs continued. The delay of the Quinquennial repairs saved £0.300M.

All Grants were suspended from 01 April 2020. From 01 July some were released subject to specific conditions being met, one of them relating to Parish Share.

Planned increases in Stipends and Salaries from 01 April 2020 were frozen; it was agreed to review these later in 2020.

As Churches were closed, the Finance Department (Parish Resources) enabled parishes to raise funds by a centralised Just Giving Page, in addition to Giving Direct and other methods already available. The largest success was the creation of an online donation button in Mid-July that enable parishes to create their own donations button on their website or direct parishes to a link on the Diocesan Website. All these functions as well as increasing the number of parishes who can pay their share; fees or other payments due to the Board by Direct Debit are designed to be tools to assist parishes into the future.

As reported earlier, prior to the pandemic expenditure was rising at a quicker rate than income, and as a result some form of rebalance would need to be introduced. A paper was discussed at Bishop's Council in May entitled a Church Post Covid 19 and within it pertained a recommendation to review over a period every post and parish on sustainability. There were five categories across all different areas as follows: -

1. Congregational Strength
2. Viability of church buildings, including fit for purpose in the 21st Century
3. Financial Strength
4. Strategic Significance
5. Missional engagement

A traffic light system is used, Red, Amber and Green, in each of the categories with an overall summary score. In August trial deaneries have been selected and further communications with Rural Deans will take place in the last quarter of 2020 to roll out the exercise across the Diocese over the forthcoming 12 months.

Financial Impact

Whilst it is too early to give precise figures on the size of potential loss the Board will face in 2020 and 2021, early indications of a combined total of £6M was indicated in the original forecasts. It is hoped that this will be reduced but it is still likely to be around £5M over the forthcoming years. The principal reason behind the deficit is the expected fall in Parish Share receipts. Initially the National Church were indicating that forecasts be based on a 40% reduction between April and December 2020. Indications at the end of July 2020 suggested this figure to be closer to 25%; although this

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would result in a significant reduction in share receipts in 2020 between 20% and 25%. In addition, the loss of fee income will have a significant impact, this is estimated at around £0.25M. The final concern is that of investment income. Many companies withdrew dividends for 2020; although following discussions with the Investment Managers and encouraging reports from CCLA, the impact is not quite as severe as originally anticipated. The financial forecasts indicate a drop of around 10% or £0.20M.

The investment markets have been particularly volatile – the significant gains made in 2019 disappeared in the new year, however it only brought the investment values back to the around September 2019 level. By the middle of May, investment values had fallen 6.60%, the equivalent of £2.075M. In order to compare with the movements in property values, figures were taken at the end of quarter 2, 30 June 2020, and these showed that investments had fallen by around 5.30% the equivalent of £1.668M - this was predominantly in the nominees account whilst the vast majority of the Board investments in the CCLA had seen a stand still affect or in the case of the Global Fund, actual growth. **Since June, investment values have continued to recover.**

In respect of Property values, these have stayed static, a marginal increase of 0.7% which equates to about £700,000. Reports are that prices will rise further in quarter 3 of 2020.

Overall due to careful management by the Finance Core Group, the finance forecasts indicate that there are plans in place to ensure liquidity remains positive through this period; but there are challenges that face the Board over the coming 24 months. It is recommended that there is no increase in Share Requests in 2021 considering COVID 19.

FINANCIAL REVIEW 2019

Financial Performance

Parish Share, the money given by Parishes to the Diocese to fund its mission and ministry, is the main income resource for the Diocese. The amount of cash received in the year increased by around £0.072M, (2018: increased £0.051M). This resulted in the recognised income figure in the statements increased to £11.062M compared to £11.057M in 2018. Current year share collections marginally decreased to 92.32% from 93.35% in the previous year. Overall receipts for the year represented 93.81% of the share requested in 2018, compared to 93.99% in 2018. The budget target is 94% for 2019 and 96% for 2018. In light of the results and the current trends the Budget for 2020 includes a Budget target of 94%. Expectation caused by COVID 19 naturally lowered this figure.

The Parish Share formula is based on a Cost of Ministry model that does contain elements of Mutual Support and apportionment of the Commissioners Allocation to support Ministry in areas of deprivation, plus support for smaller parishes. This system was introduced in January 2013 and replaced a more complicated formula model that was predominantly based on attendance. It appears to have been well received by parishes, and allows them options regarding deployment and affordability, plus the added advantage of being able to forecast their share requests for up to ten years in advance, which assist with their budgeting. As reported earlier work is currently on going to change the Parish Category from the current property valuation to IMD (Indices of Multiple Deprivation). It is intended to operate a shadow version for the 2021 Share requests.

The Trustees are grateful to all the parishes who completed their Parish Share payments during the year, and especially to those parishes that make their parish share payments by monthly instalments, which is essential in keeping the Diocese's need to maintain a cash flow reserve to a minimum. In total 384 out of 449 (86%) parish paying units paid their allocation in full compared to 390 out of 450 (87%) in the previous year.

In addition to the Parish Share, there was an additional £1.131m (2018: £1.273m) that has come from parishes in way of Statutory fees from Weddings and Funerals.

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The Board are fortunate to have received £2.628m in 2018 (2018: £2.698m) from the National Church in way of support. As agreed, £2.168M was directly allocated to stipends, whilst £0.189M was set aside to support Resourcing Parish Mission and strategic posts approved by the Trustees. A further £0.271M was received in respect of Resourcing Ministerial Education (2018: £0.256M)

Overall consolidated income, excluding the pensions adjustment, decreased in the year to £18.196M (2018 £18.371M), whilst consolidated expenditure decreased to £18.524M (2018: £19.034M). Expenditure in 2018 included a loss of £0.132M for the Clergy Pensions Fund; in 2019 there was a Pension Gain of £2.917M).

The Board as a consolidated charity therefore made a deficit before Net Gains on Investments of £0.663m (2017: surplus £0.312m). This is represented by the loss of £0.531m Net Income before Investment Gains, plus the loss on Pension Adjustments of £0.132m, as shown on page 20.

The Board charity made a deficit before Net Gains on Investments of £0.435M (2018: Deficit £0.658M). Unrestricted or General Funds made a deficit before Net Gains on Investments of £0.262M (2018 deficit £0.668M).

The Trustees have prepared a small deficit budget for 2020. The key financial challenge will be receiving parish share contributions and set the Diocesan Base increase at 2.50% for 2020 – same as in 2018. The budget includes a 94% collection rate for the year and the Trustees consider that this is achievable based on historical data and consultations with Deaneries.

The capital values of charity properties continued to increase – properties by £2.661M (2018: £2.892M), whilst investments increased by £4.449M (2018: decrease £1.067M) – resulting in an overall increase in funds of the charity of £9.594M (2018: £1.168M). Consolidated reserves increased by £9.719M (£2018: £1.174M)

Significant Property Transactions

In the year the Board sold Nil property (2018: 1). This raised £NIL (2018: £0.518M) in net house proceeds.

In the year the Board purchased 2 properties (2018: 3) costing £0.575M (2018: £0.746M). In addition, in the year, Three Spires House, a second Diocesan Office, was further refurbished at a cost £0.108M (2018: purchase at a cost of £0.687M)

The current policy on purchases and sales of properties remains:

- to replace unsuitable properties;
- to accommodate the changing geographical deployment of clergy within the Diocese;
- to purchase strategically placed curates houses to allow greater flexibility in appointments
- to realise development potential in some properties, thereby using our resources more effectively for the ministry of the Church.
- In light of Covid 19 the asset management and importance of reviewing property assets has been expediated

Balance sheet position

The Trustees consider that the balance sheet together with details in note 23 show broadly that the restricted and endowment funds are held in an appropriate mix of investment and current assets given the purposes for which the funds are held. While the net assets at the Consolidated balance sheet date totalled £150.168m (2018: £140.449M) it must be remembered that included in this total are properties, mostly in use for the ministry, and other Tangible Fixed Assets with a total value amounting to £103.809M (2017: £100.358M). Much of the remainder of the assets shown in the balance sheet are held in restricted funds and cannot necessarily be used for the general purposes of the Board. These reserves which are considered to be free reserves are set out below.

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Reserves Policy

When forming and reviewing the reserves policy, the Board has to take into consideration that the reserves fundamentally serve two purposes. Firstly, the level of retained reserves generates income that helps with additional income throughout the year, thus easing some of the burden on the parishes. Secondly, there needs to be sufficient reserves available to assist with the erratic cash flow that is experienced throughout the year. This in turn can be divided into two sections: a) liquidity or short term reserves and b) contingency funds/going concern, to allow the Board to operate in times of crisis. The Board has considerable responsibilities including the remuneration of 300 parochial stipendiary clergy, the upkeep of over 390 houses and the employment of approx. 80 full or part time staff.

The Board has identified in its risk management review that it is heavily reliant on Parish Share contributions and suspects that parishes may find it increasingly difficult to maintain the required level of payment – this will only be exacerbated by the current economic climate. It is therefore important that the DBF adopts a reserves policy as well as an investment policy that takes liquidity seriously into consideration.

Approximately 67% of the income available for day-to-day activities is financed from the Parish Share, and only 8% from Investment Income, although this increased significantly in recent years from 3%.

Free (Unrestricted) Reserves – Liquidity

Having considered financial risk, liquidity requirement and the timing of cash flows throughout the year, the Trustees' policy is to hold a balance of readily realisable assets in the general fund equivalent to 3 months requested Parish Share for 2020. At 31 December 2019 the amount required under this policy totalled £3.022M (2018: £2.953M). Actual free reserves as at 31 December totalled £2.368M (2018: £2.709M). This is slightly less than anticipated (2019: 2.35 months; 2018: 2.75 months) but the Stipend Reserve; including Designated funds, shows a strong position and the Trustees therefore feel that whilst this is not ideal it is satisfactory. In light of the fall in free reserve liquidity and the impact of Covid 19 pandemic in 2020 it was agreed that in November 2020 there would be a full review of the reserves policies currently in place.

This level of Free Reserves gives the Board some flexibility in future years against potential increases in expenditure or a fall in income. In light of the fall in free reserve liquidity and the impact of Covid 19 pandemic in 2020 it was agreed that in November 2020 there would be a full review of the reserves policies currently in place.

Reserves tied up in fixed assets

The charity unrestricted fund comprises net assets amounting to £2.549M (2018 £2.745M) of which £0.331M (2018: £0.683M) is tied up in tangible fixed assets. Consolidated unrestricted funds amount to £3.074M (2018: £3.224M) of which £0.853M (2018: £0.728m) is tied up in tangible fixed assets.

Designated funds

The Trustees may, with the approval of the board, designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed on an annual basis and returned to the general fund in the event that the purpose of their designation is no longer considered to be adequate justification for their retention. A description of each reserve together with the intended use of the reserve is set out in note 23. At 31 December 2019 total designated reserves were £14.377M (2018: £13.175M).

It should be highlighted that £11.322M (2018: £10.155M) of this reserve relates to DBF Property, and £3.871M (2018: £4.715M) relates to Investments that generate investment income to support the Diocesan Budget.

Restricted and endowment funds

As set out in note 23 the Board holds and administers a large number of restricted and endowment funds. As at 31 December 2019 restricted funds totalled £88.076M (2018: £84.371M) and endowment funds totalled £44.243M (2018: £39.357M). Neither are available for the general purposes of the Board. Consolidated restricted reserves amount to £88.474M (2018: £84.693M).

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Within the Restricted Fund, £66.511M (2018 £65.204M) is invested in Property required to house the clergy of the Diocese and is therefore not readily accessible. Within the Endowment Fund £25.155M (2018 £24.286M) is invested in Property required to house the clergy of the Diocese and is therefore not readily accessible. These assets are integral to delivering the Board's mission.

Stipend Reserve

This reserve originates from legacies left to the Board - *Ashworth/Lowe Stipends Fund (Designated Fund)* and *Fothergill Bequest (inc other Legacies) (Designated Fund)*. The legacies were left to the Board for general purposes and a stipends reserve fund created to hold sufficient funds in cash or "near cash" to cover the cost of six months' clergy stipends. With the transfer of National Insurance and Pension liabilities from the Central Church, the reserve varied between four and five months of the accumulated Stipend costs.

Policy

With the creation of the Free Reserve and the relevant limits, it was agreed that the Stipend reserve be reset at a minimum of 5.0 months of the Stipend, NI and Pension Costs (£4.377m). It is also believed to be an appropriate level of investment to generate a required amount of income to assist with the Diocesan Budget income. Due to the restructure of Designated Reserves in 2019, the policy has slightly changed and now only includes the designated legacies and compared to the monthly Stipend payroll plus Pensions and Interim Ministers on the local payroll.

Year End Position

In order to maintain the capital value of the Reserve in line with regular increasing Pension liabilities, and, to a lesser extent, stipend increases, the reserve is heavily invested in equities and other capital growth investments.

At the year end, the total reserve was valued at £5.167M (2018: £4.516M), which represented the equivalent of 5.90 months of related costs.

Grant making policy

The Memorandum of Association of the Board explicitly permits the Board to make grants in pursuance of its objects, and the nature of grants made in 2019 is indicated in note 15. Grants of up to £50,000 are considered by the Finance and Central Services Committee from budgets set aside for specific purposes. Grants over £50,000 are considered by Bishop's Council, on recommendation by the Finance Committee.

Investment Powers

The Board is granted power to invest in suitable investments under its Memorandum and Articles of Association. As a charity, the Trustees have a duty of care to take such advice as is appropriate before investments are undertaken. This advice is sought from the Central Board of Finance (CCLA) in London, Eden Tree Investment Managers and Canaccord who provide a free Nominee service. The Diocesan Investment Group considers the advice and the assets available at their discretion and then makes recommendations to the Finance and Central Services Committee.

Investment Policy

The Board's investment policies are based on two key principles: -

- Ethical Investment – this includes ensuring that investments are held in companies which have high standards of corporate governance and act in a responsible way towards stakeholders.
- Long-term responsibilities – the Trustees are aware of their long-term responsibilities in respect of the Restricted and Unrestricted reserves and as a result follow a prudent approach to investment decisions.

Investment policy for long-term funds is aimed primarily at generating a sustainable income, with due regard to the need for the preservation of capital value, and the possible need to realise investments to meet operational needs. The Board

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does not have a policy of generating income at excessive or high risk – known as “purchasing income”, where high returns are guaranteed at the expense of capital.

The Glebe Land Investments are held for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis. The Glebe Land is constantly under review and it is anticipated prime land will be sold if it is deemed to be economically viable in obtaining a better rate of investment return.

Unrestricted and Restricted fund investments are invested to balance income, liquidity and the maintenance of capital.

In summary, the Board's overall policy is to maximise income while preserving the real value of its funds. As a member of the Christian Ethical Investment Group, the Board adheres to the principle of seeking not only good financial returns but also high ethical standards from companies which use its money.

In light of the continued low interest rates and the predictions from the City that these would only move marginally in the short term, the Diocesan Investment Group do not use deposit or Cash as part of the Investment Portfolio at the current time. This also protects the capital from inflation when it is higher than the interest base rate.

The Diocesan investment Group produced guidance notes and a revised policy in consultation with the Investment Advisers. This is reviewed annually.

Ethical Policy

CCLA own ethical policy adheres to the Church of England Ethical Investment Policy that is overseen by the Ethical Investment Advisory Group (EIAG). The Board endorses and follows this guidance which includes the following:

“ The use of positive ethical criteria in assessing companies is firmly incorporated within the ethical investment policy through a process of constructive engagement with business. Criteria have been identified across five broad areas as: responsible employment practices; best corporate governance practice; conscientiousness with regard to human rights ; sustainable environmental practice; sensitivity towards the communities in which business operates ”

The EIAG recommends against investment in any company that derives more than 3% of revenues from the production or distribution of pornography. It recommends against investment in any company, a major part of whose business activity or focus (defined as more than 25% of group turnover) is tobacco, gambling, alcoholic drinks, high interest rate lending or human embryonic cloning. The full report can be found at www.churchofengland.org

The investments held and their return during the year are set out in the following table:

	Funds at 31 December 2019 £'000s	Proportion of Portfolio	Income yield in year	Capital Return
CCLA Managed				
CBF Investment Fund	14,298	46%	2.98%	15.79%
CBF Investment Fund Acc.	406	1%	n/a	18.31%
CBF Property Fund	3,230	10%	5.46%	-2.69%
CBF Global Equity	3,131	10%	3.30%	+18.81%
CBF Global Equity Acc.	420	1%	n/a	+21.50%
Managed Portfolio	6,548	21%	4.33%	+12.27%
Eden Tree				
Amity Balanced	1,591	5%	5.54%	+9.57%
Amity Global	1,880	6%	3.30%	+13.68%
	<u>31,504</u>	100.0%	4.11%	+13.11%

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In addition, the Board has 1,960 acres (2018: 1,960) of Glebe Land that is classified as investments. Due to the current land market it was considered there was no increase in value in 2019 (2018 £Nil). The land value for investment purposes is £10.597M (2018: £10.555M). The yield for the year was 2.46% (2018: 1.91%), giving a Total Return for the year of 2.46% (2018: 1.91%).

Furthermore, there are 7 Investment properties owned by the Board, totalling a market value of £1.585M (2018: £1.535M). The yield on the investment properties for 2019 was 3.24% (2018: 4.67%). This gave a Total Return of 5.92% (2018: 7.48%). In addition, Dovedale House which is leased to St Chads Retreats Centre is treated as an Investment Property as required by FRS102 and as at 31 December 2019 was valued at £0.376M (2018: £0.366M).

The Diocesan Investment Advisory Group regularly reviews the performance of the funds and makes recommendations to the Trustees on investments. The Investment Group historically set a benchmark of around 8% each year in Total Return although monitor this over an agreed period of time due to fluctuating markets. In June 2016, this was lowered due to the low inflation rate in the UK and was reset to 4% plus CPI. So, the benchmark in 2019 was 5.96% (2018: 6.48%). Each June there is an Investment appraisal with all the investment managers.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees are responsible for the identification, mitigation and or management of risk. To achieve this, a register of all the risks identified is maintained by the Risk and Audit Committee who report directly to the Finance and Central Services Committee. Each Risk is assessed and alongside it, a management and mitigation strategy formed. This is subject to review by the Trustees on an annual basis with the responsibility for delivery of the mitigation strategies identified by it, being delegated to the Risk and Audit Committee.

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

Parish Share: Collection is considerably less than the Budget figure (i.e. 94%) – See Covid 19 Pandemic below

- Collection statistics are produced and circulated on a monthly basis
- Parish Assessors and Diocesan Staff are tasked with identifying, reporting on and supporting those parishes where there is considered to be a significant risk of under-collection
- A provision is made within the accounts for those overdue share payments that have a significant risk of proving uncollectable

Safeguarding & Inclusion: Where there is an occurrence of child, vulnerable adult or domestic abuse by someone working for or on behalf of the Church.

- The diocese employs a safeguarding officer and sufficient support administration as required.
- Policies are aligned with those of the national church
- All parishes are required to review, endorse and implement the diocesan safeguarding policy
- Training is compulsory for all relevant staff

Communications: Adverse local or national publicity. Failure to keep pace with media developments.

- The Board appoints a Communications Officer with specific skills in dealing with Media enquiries and issues that may arise
- Staff are regularly reminded that they are not to speak to the press on any matters of a sensitive nature
- A policy on use of Social Media is also enforced

IT: System failure or the Diocesan office is becoming uninhabitable.

- Insurance is in place
- Backups are made on a regular basis
- The disaster recovery plan is reviewed on an annual basis

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Pandemic: COVID 19

- Administration and Governance can operate if the Diocesan offices are closed at short notice
- Meetings and Committees can continue through virtual conferencing
- Systems are in place to assist parishes with Giving and Donations
- Conversations and systems are in place for support from the National Church
- Creation of a Finance Core Group to oversee the liquidity of the Board during a time where income falls rapidly and emergency measures and contingencies need to be put in place.

STRUCTURE AND GOVERNANCE

Summary Information about the structure of the Church of England

The Church of England is the established church and HM The Queen is the Supreme Governor. It is organised into two provinces (Canterbury and York) and 40 Dioceses. Each Diocese is a See under the care of a Bishop who is charged with the cure of souls of all the people within that geographical area. This charge is shared with priests within benefices and parishes which are sub-divisions of the Diocese.

The National Church has a General Synod comprised of ex-officio and elected representations from each Diocese and it agrees and lays before Parliament, Measures for the governance of the church's affairs which, if enacted by Parliament, have the force of statute law. In addition to the General Synod, the Archbishops' Council has a coordinating role for work authorised by the Synod; the Church Commissioners manage the historic assets of the Church of England; and the Church of England Pension Board administers the pension schemes for clergy and lay workers. Within each Diocese, overall leadership lies with the Diocesan Bishop, who exercises that input as Bishop within the Diocesan Synod.

The Diocese is itself divided into twenty nine deaneries, each with its own Synod and within each parish there is a parochial church council which shares with the parish priest responsibility for the mission of the church in that place, in a similar way to that in which the Bishop shares responsibilities with the Diocesan Synod.

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

Organisation

Diocesan Governance

The diocese is governed by the latest Standing Orders approved on 05 November 2016. Its statutory governing body is the Diocesan Synod which is elected with representation from all parts of the diocese.

Diocesan Synod

The Synod has broadly equal numbers of clergy and lay people meeting, normally three times a year, together in Diocesan Synod with the Diocesan Bishops and Archdeacons. Its role is to:

- consider matters affecting the Church of England in the diocese;
- act as a forum for debate of Christian opinion on matters of religious or public interest;
- advise the Diocesan Bishop where requested;
- deal with matters referred by General Synod;
- Provide for the financing of the diocese.

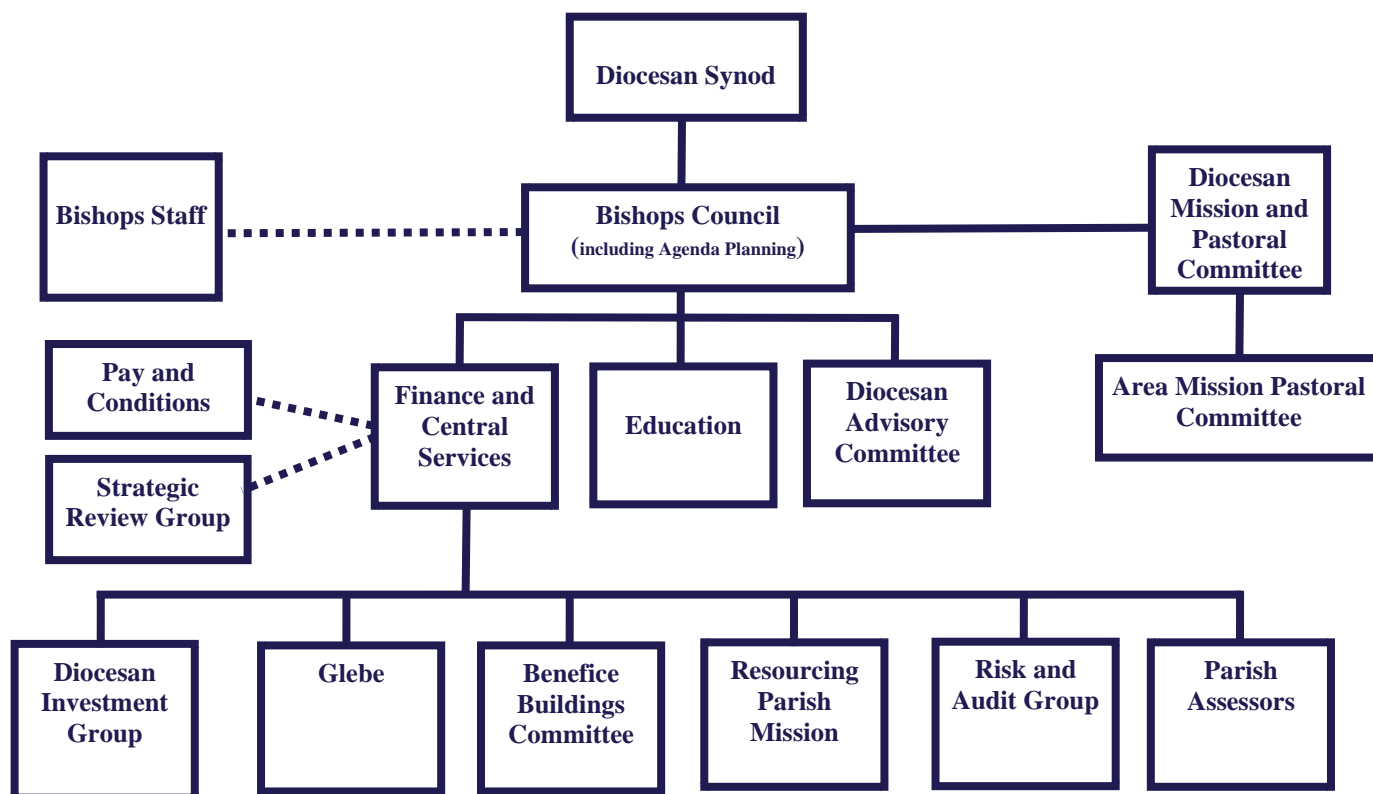
Every member of Diocesan Synod is also a member of the Lichfield Diocesan Board of Finance ("the Board"). The members of the Standing Committee of Diocesan Synod (Bishop's Council) comprise the Board of Trustees of the Board and under company law the Board of Directors. The Board of Directors under company law have a personal liability of £1 in the event of the Board being wound up. The membership of Diocesan Synod and therefore Bishop's Council is part ex-officio and part elected: elections are held every three years, the last occasion being in 2018. The current Synod will serve until 31 July 2021.

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Decision Making Structure



Diocesan Synod has delegated the following functions to the Board of Directors/Trustees (Bishop's Council):

- Planning the business of Synod including preparation of agendas and papers;
- Initiation of proposals for action by the Diocesan Synod and provision of policy advice;
- Transacting the business of the Diocesan Synod when not in session;
- Management of the funds and property of the diocese;
- Preparation of annual estimates of expenditure through the Budget;
- Advising on action needed to raise income necessary to finance expenditure;
- Oversight of expenditure by bodies in receipt of Diocesan Synod's funds against estimates of expenditure approved by Diocesan Synod;
- Advising Diocesan Synod of the financial aspects of its policy and on any other matters referred to it;
- Appointing members of committees or nominating members for election to committees, subject to the directions of Diocesan Synod;
- Carrying out any other functions delegated by Diocesan Synod;

The Board of Directors (Trustees) has delegated responsibility for the day-to-day management of the company to the Chief Executive Officer/Diocesan Secretary who is supported by a number of heads of departments and their staff.

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Key Personnel

Key Management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During the year they were the Diocesan Secretary/Chief Executive Officer, Director of Finance, Director of Property, Director of Education and Director of Communications.

The policy for setting the remuneration of Key Management personnel is under the remit of the Diocesan Pay and Condition Committee and is determined by several factors including reference to similar sized charities and current recommended rates for equal posts in other Diocese and in the wider non for profit sector.

Bishop's Council

The members of the Bishop's Council are the Board of Trustees. Bishop's Council consists of 12 ex-officio members, including the Diocesan and 3 Area Bishops and the four Archdeacons, 8 clergy elected by the House of Clergy from among their members and 12 lay persons elected by the members of the House of Laity representing Deaneries, 1 co-opted member and a maximum of 3 members nominated by the Diocesan Bishop.

Committee Structure

Agenda Planning: ensure a smooth flow of business to the Bishop's Council and Diocesan Synod aiming for lively, focused debate and to review periodically Synod's Standing Orders. It reports direct to Bishop's Council.

Diocesan Mission and Pastoral Committee: responsible for approving pastoral reorganisation, taking into account available clergy numbers and making use of new patterns of ministry. It is responsible for assisting in making better provision for the Cure of Souls in the diocese and oversees arrangements for pastoral supervision and care. Since August 2009 this committee is also responsible for the oversight of closed churches and for overseeing finding appropriate alternative uses for church buildings, which have been declared redundant. The membership of this Committee is now the same as Bishop's Council.

Finance and Central Services Committee (FACS) - oversees the day-to-day financial activity which receives regular reports on Parish Share receipts, liquidity, staffing levels and both capital and revenue expenditure. The committee also oversees the Budget process and assists in submitting the Diocesan Budget and annual financial statements to the Board of Directors (Trustees). Their terms of reference include agreeing Accounting Policy and recommend any changes to Bishop's Council and recommend the Reserves Policies to the Bishop's Council;

There are a number of sub committees that influence the operations of the Board.

The following are sub-committees of the Finance and Central Services Committee:

Benefice Buildings Committee (Statutory): responsible for determining policy and making major decisions concerning the management of parsonage houses in each benefice, including setting the policy for repairing and maintaining all parsonage, team vicarages and houses owned by the Board. It also makes recommendations to the Diocesan Investment Group (see below) concerning the purchase and disposal of all houses owned by the Board, as well as identifying and recommending to the Diocesan Investment Group potential development sites.

Glebe Committee (Statutory): responsible for determining policy and making, decisions concerning the management of Glebe Land. It also makes recommendations to the Diocesan Investment Group concerning the investment of land and annual returns of such investments for the benefit of the Diocesan Stipends Fund.

Strategic Review Group: responsible for overseeing the construction of the Diocesan Budget and future forecasts and ensuring that there is synergy between Diocesan Strategy and Finance.

Parish Assessors Committee: responsible for the oversight of the Parish Share formula. This includes making recommendations about the management of arrears and the operation of the current Parish Share formula.

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Diocesan Investment Group: responsible for overseeing all the Investments and Assets of the Board in order to ensure that the reserves of the Board are utilised efficiently and to the best benefit of the diocese, both in the short term and medium to long term. The group recommend the expected Investment Income the Board can expect each year in line with the current Diocesan Financial Strategy.

Risk and Audit Committee: responsible for identifying and monitoring risk to the organisation and overseeing both internal and external audit requirements.

Pay and Conditions Committee: responsible for overseeing the working conditions and remuneration of lay staff and Central Sector Ministry.

Resourcing Parish Mission: responsible for the award and distribution to of grants to parishes for Growth initiatives across the diocese in deaneries and parishes, including reviewing and analysing the effectiveness of the grant with the aims and objectives of the project and in accordance with the deanery or parish *Mission Action Plan* and to encourage new and/or *Fresh Expressions* of Christian faith. In addition, the Committee are responsible for the management of loans and grants to parishes required either to maintain or to improve church buildings and halls and overseeing parish project reviews as well grants to Community based projects.

In addition, there are other Statutory Committees that report directly to Diocesan Synod:

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

Diocesan Board of Patronage: constituted under the provisions of the Patronage (Benefices) Measure 1986. It is sole patron or joint patron of a number of benefices.

Finally, there is a group whose role is to ensure there is cohesion and joined up thinking across the spectrum of the diocesan organisation and report directly to the Bishop's Council:

Bishop's Staff: a monthly meeting of Senior Staff (Bishops, Archdeacons, Dean, CEO/Diocesan Secretary and Director of Women's Ministry), who pray together for the mission and set the vision for the diocese. The meeting considers the pastoral, disciplinary issues or special needs of parishes and decides on action to be taken. They are also responsible for ensuring the co-ordination across the areas and divisions so that policies are applied equitably across the diocese as well as remaining within the overall Stipend Budget.

Appointment of Trustees (Directors)

Trustees (and therefore Directors) are appointed by election every three years, with the exception of the ex-officio members. The last election was in August 2018, and current Trustees will serve until 31 August 2021. Following the Diocesan Synod elections, a new Bishop's Council was elected, and which members will serve until 31 August 2021.

Trustees are given induction training at the first meeting of the new triennium and receive ongoing training as appropriate. The training is tailored to the individual needs of the Trustees and may include introductions to church, company and charity law, an overview of the current programmes and plans of the diocese and an introduction to any special areas of the diocese with which they will be working (e.g. Board of Education, Parsonages Board). Trustees are encouraged to visit diocesan operations. Meetings are held around the diocese either in church buildings or at Christian Centres. Some senior staff have job titles incorporating the title *Director*, but they are not Directors of the Company for the purpose of company law and so therefore do not count as *Charity Trustees*.

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Custodian Trustees

The diocese is fortunate to have a separate legal entity in the Lichfield Diocesan Trust (see Connected Charities) to act as custodian to parish funds. There are however six trusts that have been transferred to the main Board to act as custodian. These relate to the former Moore Memorial and Tyrell Selwyn Trusts, where the income is to be used to assist financially members of the clergy. The fund is divided into four distinct funds, one allocated to each Archdeaconry. In addition, there is a trust to support Women's Ministry and also the capital funds held to support the Diocesan Bishop's Discretionary Fund. The total funds held in the Custodianship of the Board as at 31 December 2019 was £436,709 (2018: £366,940).

Related Parties

The Board has to comply with Measures passed by General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council towards the running costs of the National Church. The stipends of the Diocesan and Area Bishops are borne by the Church Commissioners and are therefore not included in these financial statements.

Parochial Church Councils (PCCs)

The diocese is required by Measure to be custodian trustee in relation to PCC Property and certain Endowment Trust funds but the Board has no controls over PCCs, which are independent charities. The diocese has a separate charitable company called the Lichfield Diocesan Trust that operates as Custodian Trustee in these circumstances. The administration costs of the Lichfield Diocesan Trust are borne by the Board and these administration costs are shown in the financial statements. However the accounts of PCCs and Deaneries do not form part of these financial statements.

PCCs are able to influence the decision-making within the Board of Finance and at Diocesan Synod level through representations to those bodies and through the input of their Deanery Synod.

Subsidiary Undertakings

The Board has no trading subsidiary companies as at the year-end. The Board however is the sole member of St Chads Retreats Centre, a charitable company incorporated on 4th March 2014 registered at Companies House in England and Wales under reference 08922281 and a registered charity number 1157619. The accounts for this subsidiary are consolidated in these financial statements.

The Board also the Body with total control over the Mercian Community Trust with effect from January 2017, a charitable company incorporated 24 December 2001 registered at Companies House in England and Wales under reference 04345177 and a registered charity number 1090596. The accounts for this subsidiary are consolidated in these financial statements.

Connected Charities

The Directors and Trustees of the Board consider the following to be connected charities:

Lichfield Diocesan Board of Education, a registered charitable company, which has responsibility for 205 church schools across the diocese, provides pastoral and professional support to all its schools and has a particular commitment to enhancing the quality of provision for religious education, collective worship and spiritual, moral, social and cultural development of all pupils. The Board of Education also helps to promote this work through a trading subsidiary that operates a Service Level Agreement. Only the grant paid to the Board of Education is enclosed within these financial statements.

Lichfield Diocesan Trust, a registered charitable company that acts as Custodian Trustee on behalf of the diocese as stated above. Only the grant given to the Trust to cover administration costs is included in the financial statements. The Diocesan Trust also operates a central Gift Aid Department to assist parishes in reclaiming Gift Aid. Again, only the costs of administering the scheme and commission received are enclosed in these financial statements.

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Trustees' Responsibilities Statement

The Trustees (who are also directors of the Lichfield Diocesan Board of Finance (Incorporated) for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and the group of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Haysmacintyre LLP has indicated its willingness to be reappointed as Statutory Auditors.

Each of the persons who are members of board of Trustees at the time when this Trustee's annual report is approved has confirmed that:

- so far as that member of the board of Trustees is aware, there is no relevant audit information of which the charitable company's auditors are unaware; and
- that the board of Trustees has taken all the steps that ought to have been taken as a board in order to be aware of any information needed by the charitable company's auditors in connection with preparing their report and to establish that the charitable company's auditors are aware of that information.

Website

Further details on the Lichfield Diocesan Board of Finance and its programmes can be obtained from the website: www.lichfield.anglican.org. The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustees Annual Report which includes the Strategic Report was approved by the Trustees on 07 October 2020 and signed on their behalf by:

John Naylor
Chairman

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)

Opinion

We have audited the financial statements of Lichfield Diocesan Board of Finance (Incorporated) for the year ended 31 December 2019 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet and the Company Balance Sheet, the Summary Income and Expenditure Accounts, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2019 and of the group's and parent charitable company's net movement in funds, including the 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 group 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 set out on page 19, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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 group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)

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

Other information

The 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material 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 parent charitable company; or
- the parent 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.

Use of Our Report

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

Steven Harper (Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP, Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

Date

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Unrestricted Funds 2019 £'000	Restricted Funds 2019 £'000	Endowment Funds 2019 £'000	Total Funds 2019 £'000	Total Funds 2018 £'000
Income and endowments from:						
Parish contributions	4	11,062	-	-	11,062	11,057
Archbishops' Council	5	2,168	460	-	2,628	2,698
Other donations	6	279	334	-	613	575
Other trading activities	8	497	-	-	497	396
Investments	9	488	660	344	1,492	1,490
Charitable activities	7	1,830	16	-	1,846	1,950
Other income	10	(2)	60	-	58	205
Total income and endowments		16,322	1,530	344	18,196	18,371
Expenditure on:						
Raising funds	11	92	3	8	103	93
Charitable activities	13	17,209	1,002	102	18,313	18,703
Other expenditure	12	7	-	101	108	238
Total expenditure		17,308	1,005	211	18,524	19,034
Net (expenditure)/income before investment						
Gains		(986)	525	133	(328)	(663)
Net gains on investments and Property		1,275	4,169	1,686	7,130	1,837
Net (expenditure) income before transfers						
		289	4,694	1,819	6,802	1,174
Gain on Pension Adjustments	10	-	-	2,917	2,917	-
Transfers between funds	17	763	(913)	150	-	-
Net movement in funds		1,052	3,781	4,886	9,719	1,174
Reconciliation of funds:						
Total funds at 1 January 2019	23	16,399	84,693	39,357	140,449	139,275
Total funds at 31 December 2019	23	17,451	88,474	44,243	150,168	140,449

All activities relate to continuing operations.

The notes on pages 27 to 60 form part of these financial statements.

A comparative Statement of Financial Activities is included at note 33.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

SUMMARY INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 Unrestricted Funds £'000	2019 Restricted Funds £'000	2019 Total Funds £'000	2018 Total Funds £'000
Income		16,322	1,530	17,852	18,029
Gains on investments		1,275	4,169	5,444	1,227
Gross income in the reporting period		<u>17,597</u>	<u>5,699</u>	<u>23,296</u>	<u>19,256</u>
Less: Total expenditure		17,308	1,005	18,313	18,724
Net income for the year before Transfers		289	4,694	4,983	532
Transfers between funds	17,23	763	(913)	(150)	(405)
Net income for the year after transfers		<u>1,052</u>	<u>3,781</u>	<u>4,833</u>	<u>127</u>
Net income for the financial year	23	<u><u>1,052</u></u>	<u><u>3,781</u></u>	<u><u>4,833</u></u>	<u><u>127</u></u>

The income and expenditure account is derived from the Statement of Financial Activities with movements in endowment funds excluded to comply with company law. All income and expenditure is derived from continuing activities.

The notes on pages 25 to 60 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	2019		2018	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	18		103,809		100,358
Investments	19		44,165		41,603
			<u>147,974</u>		<u>141,961</u>
Current assets					
Debtors: amounts falling due after more than one year	20	902		992	
Debtors: amounts falling due within one year		1,924		1,539	
Cash at bank and in hand	26	3,596		3,513	
		<u>6,422</u>		<u>6,044</u>	
Creditors: Amounts falling due within one year	21	<u>(1,935)</u>		<u>(1,537)</u>	
Net Current Assets			<u>4,487</u>		<u>4,507</u>
Total assets less current liabilities			<u>152,461</u>		<u>146,468</u>
Creditors: amounts falling due after more than one year	22		<u>(2,293)</u>		<u>(6,019)</u>
Net assets			<u>150,168</u>		<u>140,449</u>
Charity Funds					
Endowment funds	23		44,243		39,357
Restricted funds	23		88,474		84,693
Designated funds	23	14,377		13,175	
Unrestricted funds	23	3,074		3,224	
		<u>17,451</u>		<u>16,399</u>	
Total funds			<u>150,168</u>		<u>140,449</u>

No separate SOFA has been presented for the company alone as permitted by section 408 of the Companies Act 2006. The unconsolidated surplus/(deficit) of the parent charity was £9.594m (2018: surplus £1.168m).

The financial statements were approved by the Trustees on 07 October 2020 and signed on their behalf by:

John Naylor
Chairman

The notes on pages 27 to 60 form part of these financial statements.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	2019		2018	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	18		103,321		99,881
Investments	19		44,077		41,522
			<u>147,398</u>		<u>141,403</u>
Current assets					
Debtors: amounts falling due after more than one year	20	982		1,097	
Debtors: amounts falling due within one year	20	1,862		1,548	
Cash at bank		3,051		3,047	
		<u>5,895</u>		<u>5,692</u>	
Creditors: Amounts falling due within one year	21	<u>(1,756)</u>		<u>(1,427)</u>	
Net Current Assets			<u>4,139</u>		<u>4,265</u>
Total assets less current liabilities			<u>151,537</u>		<u>145,668</u>
Creditors: amounts falling due after more than one year	22		<u>(2,294)</u>		<u>(6,019)</u>
Net assets			<u>149,243</u>		<u>139,649</u>
Charity Funds					
Endowment funds	23		44,243		39,357
Restricted funds	23		88,076		84,371
Designated funds	23	14,375		13,176	
Unrestricted funds	23	2,549		2,745	
		<u>16,924</u>		<u>15,921</u>	
Total funds			<u>149,243</u>		<u>139,649</u>

The financial statements were approved by the Trustees on 07 October 2020 and signed on their behalf by:

John Naylor
Chairman

The notes on pages 27 to 60 form part of these financial statements.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Net cash used in operating activities	25	(2,287)	(1,935)
Cash flows from investing activities:			
Dividends, interest and rents from investments		1,492	1,490
Proceeds from the sale of fixed assets		4	633
Purchase of fixed assets		(857)	(1,491)
Interest paid		(105)	(75)
Purchase of investments		(571)	(1,102)
Proceeds from Sale of Investments		2,465	692
Net cash provided by/(used in) investing activities		<u>2,428</u>	<u>147</u>
Cash flows from financing activities:			
Repayments of borrowings		(58)	(110)
Cash inflows from new borrowing		-	-
Net cash provided by financing activities		<u>(58)</u>	<u>(110)</u>
Change in cash and cash equivalents in the year			
Cash and cash equivalents brought forward		83	(1,898)
		3,513	5,411
Cash and cash equivalents carried forward	26	<u>3,596</u>	<u>3,513</u>
Analysis of Net Funds:			
	01 Jan 2019	Cashflow	31 Dec 2019
	£'000	£'000	£'000
Cash at bank in hand	3,513	83	3,596
Loans and mortgages	(510)	58	(452)
Total	<u>3,003</u>	<u>141</u>	<u>3,144</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The Lichfield Diocesan Board of Finance (Incorporated) is a charitable company incorporated in England and Wales under the Companies Act and registered as a charity with the Charity Commission in England and Wales. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given in the reference and administration details of these financial statements. The nature of the charity's operations and principal activities are detailed in the trustees' report.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Second Edition effective 1 January 2019) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006

The Lichfield Diocesan Board of Finance (Incorporated) meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The Statement of Financial Activities (SOFA) and Balance Sheet consolidate the financial statements of the company and its subsidiary undertakings. The results of the subsidiaries are consolidated on a line by line basis.

1.2 Going concern

After making appropriate enquiries, the trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. See Note 1.16 for further detail.

1.3 Company status

The company is a company limited by guarantee. The members of the company are the Trustees named on page 1. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the company.

1.4 Income

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

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

1.5 Income (continued)

- ii) **Parish Share** is recognised as income of the year in respect of which it is receivable.
- ii) **Rent receivable** is recognised as income in the period with respect to which it relates.
- iii) **Interest and dividends** are recognised as income when receivable.
- iv) **Grants** received which are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are included in creditors to be carried forward to the following year.
- v) **Parochial fees** are recognised as income of the year to which they relate.
- vi) **Donations** other than grants are recognised when receivable.
- vii) **Gains on disposal of fixed assets for the LDBF's own use** (i.e. non-investment assets) are accounted for as other incoming. Losses on disposal of such assets are accounted for as other expenditure.
- viii) **Stipends fund income.** The Stipends Fund Capital account is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and the (normally much larger) related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.

1.6 Expenditure

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

- i) **Costs of raising funds** are constrained to costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.
- ii) **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese, expenditure relating to the running of the diocesan retreat centre, and expenditure on education and Church of England schools in the diocese.
- iii) **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the LDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- iv) **Support costs** consist of central management, administration and governance costs. The amount spent on raising funds and other activities is considered to be immaterial and all support costs are allocated to the purpose of charitable activities. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on an approximate staff time basis.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

1.6 Expenditure (continued)

- v) **Pension contributions.** The LDBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pensions Scheme (see note 29). The pension costs charged as resources expended represent the LDBF's contributions payable in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes to which LDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

1.7 Tangible fixed assets and depreciation

Freehold Property

All properties, including glebe and parsonage houses, are stated at valuation, except for redundant churches that are held at a nil valuation reflecting uncertainty as to their future ownership and use. Valuations are undertaken annually as at 31 December each year by reference to values for detached houses in various areas covered by the Nationwide Building Society monthly house price index data. All properties are subject to an annual impairment review by the Director of Buildings; properties are written down to net realisable value where that is lower than carrying value.

The overall net gain or loss for the year on revaluation is shown in the Statement of Financial Activities. Included under unrestricted funds are properties that have been acquired using general funds and are represented by the designated Board Properties Fund.

Additions are at cost but subject to an annual valuation adjustment at the end of the financial year. Extensions to buildings are capitalised.

No depreciation is provided on buildings as any charge would not be material due to the very long expected useful economic life and because their expected residual value is not materially less than their carrying value. LDBF has a policy of regular repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are therefore unlikely to suffer obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value.

Sales and purchases of properties are recognised on the date of exchange of contract.

The majority of transfers occur following pastoral reorganisation. A benefice house may be transferred to diocesan glebe or general funds for disposal or to be held as a corporate property, as determined by the particular pastoral scheme. In the majority of such cases, houses are required as functional fixed assets for housing team vicars (in a team ministry) or other members licensed to a benefice and as such are held as corporate property under unrestricted designated funds.

Properties subject to value linked loans

Properties which have been bought with the assistance of value-linked loans from the Church Commissioners are stated using the value of the related loan at the balance sheet date. Each year end the respective property and loan are carried at an index linked current valuation basis.

Investment properties

Glebe properties which are held for investment purposes and rented out have been included at their fair value.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

1.7 Tangible fixed assets and depreciation (continued)

Parsonage houses

Parsonage houses and glebe assets were incorporated into the financial statements for the first time as at January 1997 at an initial carrying value (ICV). All residential properties at that date, including team vicarages held as glebe, were valued by the Director of Buildings, an architect, by reference to Council Tax bandings, and to find the appropriate level within the band, to insurance rebuild value after adding 50% to the latter for land value.

Parsonage houses, also known as benefice houses, are legally vested in the incumbent. However, an incumbent is not free to dispose of the house for his/her own benefit, cannot make alterations or improvements to the property and is not responsible for maintaining the house. In spite of the complex tenure of parsonage houses, LDBF is responsible for the maintenance and insurance of the houses in the same way as for other houses and they are assets of LDBF within the FRS 102 definition as they are 'rights or other access to economic benefits controlled by an entity' and are therefore recognised as fixed assets in the balance sheet.

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles	20% straight line, no depreciation charge in the year of acquisition
Office equipment	20% straight line, no depreciation charge in the year of acquisition

1.8 Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. The Statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year.

1.9 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the company; this is normally upon notification of the interest paid or payable by the Bank.

1.10 Glebe land

Glebe Land of almost 2,100 acres was included on the balance sheet for the first time in 1998 using an average agricultural land valuation. 2,017 acres remain at the balance sheet date. It is accepted that there are likely to be certain holdings with development potential but until such time that they are considered for disposal when the market value will be professionally ascertained, the more prudent agricultural value will be used. This land was revalued for the first time in 2007. Where planning permission has been received, the land in question is specifically revalued at a maximum of 50% of the sale value (forced sale value), subject to certain conditions agreed with the land agents.

Investment property

Properties that are identified as Investment opportunities are classified as Investment properties. These are revalued annually using Diocesan Investment Properties are revalued each year using the Nationwide Regional Quarterly Series - All Properties, Regional Quarterly Indices (West Midlands Region).

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

1.10 Glebe land (continued)

Redundant church property fund

The Redundant Church Property Fund which represents redundant churches vested in the Board was also included in the Balance Sheet for the first time in 1998. The properties have been professionally valued and included in the accounts at two-thirds of that value. The Board is responsible for the maintenance of these properties and any costs are borne by the Pastoral Fund.

There are also seven properties that the Board have interest in, although they have been transferred and vested in the Churches Conservation Trust (CCT). These properties are as follows: -

Addersley S Peters (except Nave and Tower)	Battlefield
Longford	Patshull S Mary
Preston Gubbals	Shrewsbury S Mary
Stirchley S James	Wroxeter S Andrew

These are not included at any value and should any financial transaction take place in the future then the proceeds will be treated as either funds introduced or gain on sale of tangible asset depending on the circumstances of the transaction.

1.11 Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.12 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.13 Taxation

The company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.14 Fund balances

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

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES (continued)

1.14 Fund balances (continued)

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the endowment funds administered by the LDBF (Stipends Fund Capital, Parsonage Houses and Schools), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Endowment funds where there is no provision for expenditure of capital are classified as permanent endowment.

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

1.15 Pensions

The company participates in the Church of England Funded Pensions Scheme for stipendiary clergy and the Defined Benefits Scheme section of Church Workers Pension Fund (CWPF) for lay staff. The pension charges are based on a full actuarial valuation dated 31 December 2018 for the Church of England Funded Pensions scheme and 31 December 2019 for Church Workers Pension Fund. The CWPF is a defined benefit pensions scheme, as required by FRS102 agreed deficit repayment plans are reflected a liability in the Balance Sheet. Further details are provided in note 29.

1.16 Post Balance Sheet Events

The worldwide outbreak of the COVID-19 virus represents a significant event since the end of the financial year. As set out in note 1.2, the Charity has reviewed its cash flow forecasts and considered the impact on going concern, concluding that the going concern basis remains an appropriate basis of preparation for these financial statements given the likely cash flow impact of operations for 12 months from the date of signing this report. In addition consideration has been given to any movement in property and investment values during the year and as at the date of signing property values had increased by at least 1% and investment values had decreased by less than 5%. Please refer to note 1 for further detail on the Charity's going concern basis of preparation. COVID-19 is considered to be a non-adjusting post balance sheet event and therefore has not been taken into account in preparing the balance sheet as at 31 December 2019.

2. JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements in conformity with generally accepted accounting practice requires the directors to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditures during the reporting period. Actual results in the future could differ from those estimates. In this regard, the directors believe that the most significant areas of judgement relate to the valuation of properties.

Valuation

Given the size of the property portfolio valuation is an area of judgement. The Board use in house expertise and the valuation methods are detailed above. Actual results of sold properties are compared to valuations to identify potential issues

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

3. INCOME FROM DONATIONS AND LEGACIES	Total 2019 £'000	Total 2018 £'000
Parish contributions	11,062	11,057
Archbishops' Council	2,628	2,698
Other	613	575
	<u>14,303</u>	<u>14,330</u>
	<u><u>14,303</u></u>	<u><u>14,330</u></u>
4. PARISH CONTRIBUTION	Total 2019 £'000	Total 2018 £'000
Current year apportionment requested	11,811	11,715
Less share written off not provided for	(437)	(427)
Less increase in provision for doubtful debts	(312)	(231)
	<u>11,062</u>	<u>11,057</u>
	<u><u>11,062</u></u>	<u><u>11,057</u></u>
Provision for doubtful debts	2019 £'000	2018 £'000
Total share arrears as at 31 December	1,700	1,784
Arrears received in January	(238)	(255)
	<u>1,462</u>	<u>1,529</u>
	<u><u>1,462</u></u>	<u><u>1,529</u></u>
Provision for doubtful debts as at 1 January	1,529	1,548
Written off in the year	(380)	(250)
	<u>1,149</u>	<u>1,298</u>
	<u><u>1,149</u></u>	<u><u>1,298</u></u>
Increase in provision for doubtful debts in the year	312	231
	<u><u>312</u></u>	<u><u>231</u></u>
	<u><u>312</u></u>	<u><u>231</u></u>
5. ARCHBISHOP'S COUNCIL	Total 2019 £'000	Total 2018 £'000
Low Income Communities	2,168	2,195
Resourcing Ministerial Education	271	256
Transitional Funding	189	247
	<u>2,628</u>	<u>2,698</u>
	<u><u>2,628</u></u>	<u><u>2,698</u></u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

6. OTHER DONATIONS	Total 2019 £'000	Total 2018 £'000
All Churches Trust	234	233
Walter Stanley Trust	91	108
Other donations	92	143
St Chad's Retreat Centre	15	12
Mercian Community Trust	181	79
	<u>613</u>	<u>575</u>
	<u><u>613</u></u>	<u><u>575</u></u>
7. CHARITABLE ACTIVITIES	Total 2019 £'000	Total 2018 £'000
Statutory fees	1,131	1,273
Chaplaincy income	180	196
Guaranteed annuities	1	1
Conferences and Related Fees	52	50
St Chad's Retreat Centre	468	430
Mercian Community Trust	14	
	<u>1,846</u>	<u>1,950</u>
	<u><u>1,846</u></u>	<u><u>1,950</u></u>
8. OTHER TRADING ACTIVITIES	Total 2019 £'000	Total 2018 £'000
Housing income	425	336
Parish services	32	19
St Chad's Retreat Centre	40	41
Mercian Community Trust	-	-
	<u>497</u>	<u>396</u>
	<u><u>497</u></u>	<u><u>396</u></u>
9. INVESTMENT INCOME	Total 2019 £'000	Total 2018 £'000
Rents receivable	261	271
Dividends receivable	1,194	1,184
Interest receivable	32	31
St Chad's Retreat Centre	4	3
Mercian Community Trust	1	1
	<u>1,492</u>	<u>1,490</u>
	<u><u>1,492</u></u>	<u><u>1,490</u></u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

10. OTHER INCOME

	Total 2019 £'000	Total 2018 £'000
Gains on sale of assets	(2)	(3)
Sale of Rickerscote Hall in accordance with the Pastoral Measure	-	115
Funds introduced from Lichfield Diocesan Trust	60	40
Grants written back from previous years	-	53
	<u>58</u>	<u>205</u>

11. RAISING FUNDS

	Total 2019 £'000	Total 2018 £'000
Agents fees	93	62
Rental costs	10	31
	<u>103</u>	<u>93</u>

12. OTHER EXPENDITURE

	Total 2019 £'000	Total 2018 £'000
Extra-ordinary costs relating to Pensions	108	238
	<u>108</u>	<u>238</u>

13. CHARITABLE ACTIVITIES

	Total 2019 £'000	Total 2018 £'000
Contribution to Archbishops' Council		
Training for Ministry	432	419
National Church responsibilities	380	370
Agency Pension Contributions	4	4
Retired Clergy Housing Costs	148	141
Pooling of Candidates Grants	23	25
	<u>987</u>	<u>959</u>
Resourcing Ministry and Mission		
Parish Ministry		
Stipends and related costs	7,444	7,366
Pensions	1,660	1,642
Housing costs	2,801	2,772
Removal, resettlement Grants	230	253
Other expenses	661	847
	<u>12,796</u>	<u>12,880</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

13. CHARITABLE ACTIVITIES (continued)

	Total 2019 £'000	Total 2018 £'000
Support for Ministry		
Support for Ministry	3,654	4,071
St Chad's Retreat Centre	491	445
Mercian Community Trust	126	125
	<u>4,271</u>	<u>4,641</u>
Expenditure on Education		
Education	259	223
Total	<u><u>18,313</u></u>	<u><u>18,703</u></u>

14. ANALYSIS OF SUPPORT COSTS

	Total 2019 £'000	Total 2018 £'000
Central administration	1,204	1,170
Support schools	259	223
Governance		
- Audit	23	23
- Registrar and chancellor	93	83
- Synodical costs	30	26
	<u>1,609</u>	<u>1,525</u>

15. ANALYSIS OF EXPENDITURE INCLUDING SUPPORT COSTS

	Activities Undertaken £'000	Grants 2019 £'000	Support 2019 £'000	Total 2019 £'000
2019				
Raising funds	103	-	-	103
Charitable activities	-	987	-	987
Resources parish summary	13,436	2,022	1,609	17,067
Education	250	9	-	259
Other	108	-	-	108
	<u>13,897</u>	<u>3,018</u>	<u>1,609</u>	<u>18,524</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

ANALYSIS OF EXPENDITURE INCLUDING SUPPORT COSTS
2018 - Comparative

	<i>Activities Undertaken £'000</i>	<i>Grants 2018 £'000</i>	<i>Support 2018 £'000</i>	<i>Total 2018 £'000</i>
<i>Raising funds</i>	93	-	-	93
<i>Charitable activities</i>	-	959	-	959
<i>Resources parish summary</i>	14,002	1,994	1,525	17,521
<i>Education</i>	214	9	-	223
<i>Other</i>	238	-	-	238
	<u>14,547</u>	<u>2,962</u>	<u>1,525</u>	<u>19,034</u>
	=====	=====	=====	=====

16. STAFF COSTS

	2019 £'000	2018 £'000
Employee costs were as follow:		
Wages and salaries	1,868	2,064
Social security costs	165	180
Other pension costs	267	296
	<u>2,300</u>	<u>2,540</u>
	=====	=====

The wages and salaries include termination costs of £11,070 (2018: £77,086)

The average number of persons employed by the group during the year was as follows:

	2019 No.	2018 No.
Management and administration	32	32
Addition for mission	-	3
Archdeacons and Bishop's support staff	9	9
Central sector ministers/advisers and support staff	31	35
St Chad's Retreat Centre	19	20
Mercian Community Trust	1	1
	<u>92</u>	<u>100</u>
	=====	=====

The number of employees whose emoluments exceeded £60,000 was:

	2019 No.	2018 No.
£60,000 - £70,000	-	-
£70,000 - £80,000	2	1
£80,000 - £90,000	1	1
£90,000 - £100,000	1	1
	<u>4</u>	<u>3</u>
	=====	=====

Parochial stipendiary clergy are not employees of the Lichfield Diocesan Board of Finance and therefore their stipends, pensions and social security costs are not included in this note.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

16. STAFF COSTS (continued)

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During 2019 they were:

Diocesan Secretary and Company Secretary	Mrs J Jones
Director of Finance	Mr J Hill
Director of Property	Mr A Mason
Director of Education	Mrs C Shaw
Director of Communications	Mr P Bate

Remuneration, National Insurance and pensions for these 5 employees amounted to £420,025 (2018: £384,755).

Trustees' emoluments

No Trustee received any remuneration for services as Trustee, 11 trustees (2018: 11 trustees) received travelling and out of pocket expenses, totalling £22,732 (2018: £13,438) in respect of General Synod duties, duties as archdeacon or area/rural dean, and other duties as trustees.

Trustees expenses by stipend and housing detail

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

		Housing	Stipend	
The Rt. Rev. Michael Ipgrave	Bishop of Lichfield	No	No	
The Rt. Rev. Sarah Bullock	Bishop of Shrewsbury	Yes	No	From 03 Jul 2019
The Rt. Rev. Geoff Annas	Bishop of Stafford	Yes	No	To 30 Nov 2019
The Rt. Rev. Clive Gregory	Bishop of Wolverhampton	Yes	No	
The Very Rev. Adrian Dorber	Dean of Lichfield	No	No	
The Ven. Dr Susan Weller	Archdeacon of Lichfield	No	Yes	
The Ven. Paul Thomas	Archdeacon of Salop	Yes	Yes	
The Ven. Matthew Parker	Archdeacon of Stoke	Yes	Yes	
The Ven. Julian Francis	Archdeacon of Walsall	No	Yes	From 08 Nov 2019
The Rev Preb Ben Whitmore	Chair, House of Clergy	Yes	Yes	
The Rev Philip. Cansdale		Yes	Yes	
The Rev. Julia Cody		Yes	Yes	
The Revd Canon Pat Hawkins		No	No	
The Revd Preb Brian Leathers		Yes	Yes	
Revd. Martin Rutter		Yes	Yes	

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

In 2019 one trustee made a donation to the Board, totalling £1,800. In 2018, one trustee made donations to the Board totalling £1,800.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

16. STAFF COSTS (continued)

Stipends cost note

The LDBF paid an average of 260 (2018: 262) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2019	2018
	£'000	£'000
Stipends	6,554	6,483
National insurance contributions	526	519
Pension costs - current year	1,768	1,761
- deficit reduction	754	748
	<u>9,602</u>	<u>9,511</u>
	<u><u>9,602</u></u>	<u><u>9,511</u></u>

The stipends of the four Bishops were paid and funded by the Church Commissioners.

The stipends of the Diocesan Bishop and Area/Suffragan Bishops are funded by the Church Commissioners and are in the range £ 36,930 - £45,560 (2018: £36,210 - £44,380). The annual rate of stipend, funded by the LDBF, paid to Archdeacons in 2019 was in the range £36,100 - £52,345 (2018: range £35,400 - £46,975) and other clergy who were Trustees were paid in the range £26,230 – £28,545 (2017: £25,220 - £27,450). The Central Stipend Authority (CSA) has taken the decision to cease the practice of calculating a national figure for the estimated value of provided housing. Based on dashboard information provided it is estimated the value to the occupant, gross of income tax and national insurance, of church provided housing in 2019 at £12,750 (2018: £12,400).

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

17. ANALYSIS OF TRANSFERS BETWEEN FUNDS

	General Unrestricted Funds £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000
Investment income towards General Costs	981	(179)	(463)	(339)
Transfer of Property Classification	-	421	(421)	-
Transfer of Property Costs	100	-	-	(100)
Support to Mission Projects	(168)	168	-	-
Transfer support Transitional Budget changes	130	(130)	-	-
Support costs incurred in restricted funds	110	(60)	(16)	(34)
To support relevant Stipend costs	130	-	-	(130)
Transfer re Clergy Pensions deficit payments	(754)	-	-	754
Transfer re DBS Pension Deficit Payments	(80)	80	-	-
Bishops Ordination Fund	24	-	(24)	-
Mercian Community Trust	3	-	(3)	-
St Chad's Retreat Centre	(4)	-	4	-
Other transfers	(11)	2	10	(1)
	<u>461</u>	<u>302</u>	<u>(913)</u>	<u>150</u>

ANALYSIS OF TRANSFERS BETWEEN FUNDS
2018 - Comparative

	General Unrestricted Funds £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000
<i>Investment income towards General Costs</i>	856	(280)	(233)	(343)
<i>Transfer of Property Classification</i>	-	536	(536)	-
<i>Transfer of Property Costs</i>	43	(43)	-	-
<i>Support to Reaching New Generations</i>	26	(26)	-	-
<i>Transitional support to Education Budget</i>	50	(50)	-	-
<i>Transfer re Clergy Pensions deficit payments</i>	(748)	-	-	748
<i>Transfer re DBS Pension Deficit Payments</i>	49	(49)	-	-
<i>Bishops Ordination Fund</i>	24	-	(24)	-
<i>Mercian Community Trust</i>	4	-	(4)	-
<i>St Chad's Retreat Centre</i>	(4)	-	4	-
<i>Other transfers</i>	-	62	(62)	-
	<u>300</u>	<u>150</u>	<u>(855)</u>	<u>405</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

18. TANGIBLE FIXED ASSETS	Freehold land and building £'000	Motor Vehicles £'000	Office Equipment £'000	Total £'000
Group				
Cost or valuation				
At 1 January 2019	100,101	9	804	100,914
Additions	683	-	174	857
Disposals	-	(9)	(31)	(40)
Revaluation surplus	2,674	-	-	2,674
At 31 December 2019	<u>103,458</u>	<u>-</u>	<u>947</u>	<u>104,405</u>
Depreciation				
At 1 January 2019	-	6	550	556
Charge for the year	-	-	74	74
On disposals	-	(6)	(28)	(34)
At 31 December 2019	<u>-</u>	<u>-</u>	<u>596</u>	<u>596</u>
Net book value				
At 31 December 2018	<u>103,458</u>	<u>-</u>	<u>351</u>	<u>103,809</u>
At 31 December 2017	<u>100,101</u>	<u>3</u>	<u>254</u>	<u>100,358</u>
Company		Freehold Land and building £'000	Office Equipment £'000	Total £'000
Cost or valuation				
At 1 January 2019		99,643	783	100,426
Additions		683	165	848
Disposals		-	(30)	(30)
Revaluation surplus/(deficit)		2,661	-	2,661
At 31 December 2019		<u>102,987</u>	<u>918</u>	<u>103,905</u>
Depreciation				
At 1 January 2019		-	545	545
Charge for the year		-	68	68
On disposals		-	(29)	(29)
At 31 December 2019		<u>-</u>	<u>584</u>	<u>584</u>
Net book value				
At 31 December 2019		<u>102,987</u>	<u>334</u>	<u>103,321</u>
At 31 December 2018		<u>99,643</u>	<u>238</u>	<u>99,881</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

19. FIXED ASSET INVESTMENTS	Agricultural Land £'000	Residential property £'000	Listed Investments £'000	Total £'000	
Group					
Market value					
At 1 January 2019	10,555	1,901	29,147	41,603	
Additions	58	-	513	571	
Disposals	(8)	-	(2,457)	(2,465)	
Transfers/Reclassification	-	-	-	-	
Revaluations	(8)	51	4,413	4,456	
At 31 December 2019	<u>10,597</u>	<u>1,952</u>	<u>31,616</u>	<u>44,165</u>	
Historical cost	<u>3,911</u>	<u>1,571</u>	<u>19,253</u>	<u>25,215</u>	
Company					
Market value					
At 1 January 2019	10,555	1,901	29,066	41,522	
Additions	58	-	513	571	
Disposals	(8)	-	(2,457)	(2,465)	
Transfer	-	-	-	-	
Revaluations	(8)	51	4,406	4,449	
At 31 December 2019	<u>10,597</u>	<u>1,952</u>	<u>31,528</u>	<u>44,077</u>	
Historical cost	<u>3,911</u>	<u>1,571</u>	<u>19,189</u>	<u>25,151</u>	
	At 1 January 2019 £'000	Additions £'000	Disposals £'000	Change in Market Value £'000	At 31 December 2019 £'000
Group					
Unrestricted funds					
Unlisted investments	6,554	-	(1,591)	1,043	6,006
Investment properties	206	-	-	6	212
	<u>6,760</u>	<u>-</u>	<u>(1,591)</u>	<u>1,049</u>	<u>6,218</u>
Restricted funds					
Unlisted investments	15,097	513	(352)	2,393	17,651
Investment properties	870	-	-	23	893
	<u>15,967</u>	<u>513</u>	<u>(352)</u>	<u>2,416</u>	<u>18,544</u>
Endowment funds					
Unlisted investments	7,496	-	(514)	976	7,958
Investment Properties	825	-	-	23	848
Land investments	10,555	58	(8)	(8)	10,597
	<u>18,876</u>	<u>58</u>	<u>(522)</u>	<u>991</u>	<u>19,403</u>
Total	<u>41,603</u>	<u>571</u>	<u>(2,465)</u>	<u>4,456</u>	<u>44,165</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

19. FIXED ASSETS INVESTMENTS (continued)

Company	At 1 January	Additions	Disposals	Change in	At 31 December
	2019			Market	2019
	£'000	£'000	£'000	Value	£'000
				£'000	
Unrestricted funds					
Unlisted investments	6,520	-	(1,591)	1,044	5,973
Investment properties	206	-	-	6	212
	<u>6,726</u>	<u>-</u>	<u>(1,591)</u>	<u>1,050</u>	<u>6,185</u>
Restricted funds					
Unlisted investments	15,050	513	(352)	2,385	17,596
Investment properties	870	-	-	23	893
	<u>15,920</u>	<u>513</u>	<u>(352)</u>	<u>2,408</u>	<u>18,489</u>
Endowment funds					
Unlisted investments	7,496	-	(514)	976	7,958
Investment Properties	825	-	-	23	848
Land investments	10,555	58	(8)	(8)	10,597
	<u>18,876</u>	<u>58</u>	<u>(522)</u>	<u>991</u>	<u>19,403</u>
	<u><u>41,522</u></u>	<u><u>571</u></u>	<u><u>(2,465)</u></u>	<u><u>4,449</u></u>	<u><u>44,077</u></u>
Total					

20. DEBTORS

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Due after more than one year				
Other debtors	6	-	6	-
Loans	896	992	976	1,097
	<u>902</u>	<u>992</u>	<u>982</u>	<u>1,097</u>
Due within one year				
Parish share (net of provision)	238	255	238	255
Amounts owed by group undertakings	-	-	37	6
Assigned fees	131	160	131	160
Loans	245	310	272	340
Prepayments	370	289	370	289
Recharges	224	105	224	105
Due from Board of Education	65	11	65	11
Other Debtors	651	409	525	382
	<u>1,924</u>	<u>1,539</u>	<u>1,862</u>	<u>1,548</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

20. DEBTORS (continued)	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Loans				
Due in under one year				
Staff loans	32	36	32	36
Clergy loans	11	10	11	10
Cathedral	50	50	50	50
Loans to Parishes	152	214	179	244
	<u>245</u>	<u>310</u>	<u>272</u>	<u>340</u>
Due in more than one year				
Staff loans	48	52	48	52
Clergy loans	31	31	31	31
Loans to the Cathedral	150	200	150	200
Loans to Parishes	667	709	747	814
Secured Loan on Property	6	-	6	-
	<u>902</u>	<u>992</u>	<u>982</u>	<u>1,097</u>
Total	<u>1,147</u>	<u>1,302</u>	<u>1,254</u>	<u>1,437</u>
			2019 £'000	2018 £'000
Provision for doubtful debt				
Parish Share			1,462	1,529
Diocesan Loan Fund			352	352
Sundry sales accounts			5	-
			<u>1,819</u>	<u>1,881</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

21. CREDITORS: amounts falling due within one year	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Loans from Church Commissioners – CCLA	50	50	50	50
Loans from Church Commissioners - Mortgage	3	8	3	8
Payments received on account	-	-	-	-
Trade creditors	1,570	1,177	1,274	1,067
Amounts owed to group undertakings	-	-	-	-
Deferred Expenditure Grants	172	172	201	172
Other taxation and social security	83	77	77	77
Accruals	57	53	151	53
	<u>1,935</u>	<u>1,537</u>	<u>1,756</u>	<u>1,427</u>

22. CREDITORS: amounts falling due after more than one year	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Loans from Church Commissioners – CCLA	150	200	150	200
Loans from Church Commissioners - Mortgage	2	5	2	5
Loans from Church Commissioners – Value Linked loans	247	247	247	247
DBS pension	1,831	5,459	1,831	5,459
Deferred grants	64	108	64	108
	<u>2,294</u>	<u>6,019</u>	<u>2,294</u>	<u>6,019</u>

Included within the above are amounts falling due as follows:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Between one and two years				
Loans from Church Commissioners – CCLA	50	50	50	50
Loans from Church Commissioners - Mortgages	2	5	2	5
	<u>52</u>	<u>55</u>	<u>52</u>	<u>55</u>
Between two and five years				
Loans from Church Commissioners – CCLA	100	150	100	150
Loans from Church Commissioners - Mortgages	-	-	-	-
	<u>100</u>	<u>150</u>	<u>100</u>	<u>150</u>
Over five years				
Loans from Church Commissioners – CCLA	-	-	-	-
Loans from Church Commissioners - Mortgages	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

22. CREDITORS: amounts falling due more than one year (continued)	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Creditors include amounts not wholly repayable within 5 years as follows:				
Repayable by instalments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Mortgages

Although the mortgages carry a charge against the properties they relate to, they are not secured loans. In accordance with the charge, when a property is sold that has a mortgage attached to it, then the outstanding balance plus any outstanding or accrued interest is taken from the sale proceeds. All mortgages at the year-end are with the Church Commissioners.

CCLA - value linked loans

Value-linked loans (VLLs) represent amounts advanced to the DBF for the purchase of properties on an equity sharing basis and are repayable on the disposal of the related property. As at 31st December 2019 the Board had no intention of disposing of any of those properties funded via VLLs.

Church of England Defined Benefits Scheme (DBS)

The Charity participated in the DBS, part of the Church Workers Pension Fund until 30 September 2012, when the Charity ceased to use the scheme and transferred to the Pension Builder Scheme. Amounts outstanding represent the shortfall on the employer sub pool.

23. 2019: STATEMENT OF FUNDS

	Brought Forward	Income & Pensions	Expenditure	Transfers in/out	Gains/ (losses)	Carried forward
	£'000	£'000	£'000	£'000	£'000	£'000
Designated funds						
Legacies	4,517	171	-	(171)	651	5,168
Strategic	116	1	(214)	123	-	26
Projects & Events	73	21	(12)	1	-	83
DBF Designated houses	8,358	11	(20)	414	289	9,052
Resourcing The Future	111	-	-	(64)	-	47
	<u>13,175</u>	<u>204</u>	<u>(246)</u>	<u>303</u>	<u>940</u>	<u>14,376</u>

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FOR THE YEAR ENDED 31 DECEMBER 2019

23. 2019: STATEMENT OF FUNDS (continued)

	Brought forward £'000	Income& Pensions £'000	Expenditure £'000	Transfers in/out £'000	Gains/ (losses) £'000	Carried Forward £'000
General funds						
General	2,746	15,684	(16,669)	462	326	2,549
St Chad's Retreat Centre	483	524	(478)	(4)	8	533
Mercian Community Trust	(5)	-	(5)	3	-	(7)
	<u>3,224</u>	<u>16,208</u>	<u>(17,152)</u>	<u>461</u>	<u>334</u>	<u>3,075</u>
Total unrestricted funds	<u>16,399</u>	<u>16,322</u>	<u>(17,308)</u>	<u>763</u>	<u>1,275</u>	<u>17,451</u>
Endowment funds						
Diocesan Stipends Fund	44,149	329	(110)	(589)	1,621	45,400
Endowment & Gift	402	15	-	(15)	65	467
Clergy pensions	(5,194)	-	(101)	754	2,917	(1,624)
	<u>39,357</u>	<u>344</u>	<u>(211)</u>	<u>150</u>	<u>4,603</u>	<u>44,243</u>
Restricted funds						
Property reserve	3,321	-	-	-	75	3,396
Restricted Trust Reserve	5,684	270	(71)	(144)	809	6,548
Benefice Houses	61,623	-	-	(418)	1,639	62,844
Pastoral Fund	8,246	326	(119)	(335)	1,018	9,136
Diocesan Loan Fund	2,270	8	-	-	-	2,278
Clergy Widows & Orphans	936	32	(33)	-	168	1,103
Interior decoration scheme	292	23	(7)	-	64	372
Lent appeal	1	36	(36)	-	-	1
Ordination	97	24	(6)	(24)	19	110
Parish Mission Project	44	1	-	-	6	51
Church Building Support Officer	(10)	1	(33)	12	-	(30)
Misc. Projects	45	6	(38)	-	-	13
Resourcing the Future	1,705	54	(1)	(5)	362	2,115
Res Ministerial Education	44	270	(263)	-	-	51
Direction of Travel	73	279	(247)	-	-	105
Telford New Minster (SDF)	-	-	(18)	-	-	(18)
St Chad's Retreat Centre	25	3	(12)	4	9	29
Mercian Community Trust	297	197	(121)	(3)	-	370
	<u>84,693</u>	<u>1,530</u>	<u>(1,005)</u>	<u>(913)</u>	<u>4,169</u>	<u>88,474</u>
Total funds	<u>140,449</u>	<u>18,196</u>	<u>(18,524)</u>	<u>-</u>	<u>10,047</u>	<u>150,168</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF FUNDS

2018 Comparative

	Brought Forward £'000	Income & Pensions £'000	Expenditure £'000	Transfers in/out £'000	Gains/ (losses) £'000	Carried forward £'000
Designated funds						
<i>Legacies</i>	4,690	178	-	(178)	(173)	4,517
<i>Strategic</i>	168	-	(422)	370	-	116
<i>Projects & Events</i>	205	32	(110)	(54)	-	73
<i>DBF Designated houses</i>	7,602	8	(19)	475	292	8,358
<i>Resourcing The Future</i>	608	-	(34)	(463)	-	111
	<u>13,273</u>	<u>218</u>	<u>(585)</u>	<u>150</u>	<u>119</u>	<u>13,175</u>
General funds						
<i>General</i>	3,315	15,685	(16,436)	300	(118)	2,746
<i>St Chad's Retreat Centre</i>	430	485	(439)	(4)	11	483
<i>Mercian Community Trust</i>	(4)	-	(5)	4	-	(5)
	<u>3,741</u>	<u>16,170</u>	<u>(16,880)</u>	<u>300</u>	<u>(107)</u>	<u>3,224</u>
Total unrestricted funds	<u>17,014</u>	<u>16,388</u>	<u>(17,465)</u>	<u>450</u>	<u>12</u>	<u>16,399</u>
Endowment funds						
<i>Diocesan Stipends Fund</i>	43,639	327	(103)	(328)	614	44,149
<i>Endowment & Gift</i>	406	15	-	(15)	(4)	402
<i>Clergy pensions</i>	(5,735)	-	(207)	748	-	(5,194)
	<u>38,310</u>	<u>342</u>	<u>(310)</u>	<u>405</u>	<u>610</u>	<u>39,357</u>
Restricted funds						
<i>Property reserve</i>	3,242	-	-	-	79	3,321
<i>Restricted Trust Reserve</i>	5,821	479	(285)	(130)	(201)	5,684
<i>Benefice Houses</i>	60,784	-	(10)	(988)	1,837	61,623
<i>Pastoral Fund</i>	8,463	362	(229)	13	(363)	8,246
<i>Diocesan Loan Fund</i>	2,262	8	-	-	-	2,270
<i>Clergy Widows & Orphans</i>	959	30	(39)	-	(14)	936
<i>Interior decoration scheme</i>	281	20	(5)	-	(4)	292
<i>Lent appeal</i>	11	32	(42)	-	-	1
<i>Ordination</i>	110	26	(13)	(24)	(2)	97
<i>Parish Mission Project</i>	43	1	-	-	-	44
<i>Church Building Support Officer</i>	-	22	(44)	12	-	(10)
<i>Misc. Projects</i>	42	11	(4)	(4)	-	45
<i>Resourcing the Future</i>	1,496	65	(6)	267	(117)	1,705
<i>Res Ministerial Education</i>	(38)	257	(175)	-	-	44
<i>Direction of Travel</i>	108	247	(281)	(1)	-	73
<i>St Chad's Retreat Centre</i>	26	1	(6)	4	-	25
<i>Mercian Community Trust</i>	341	80	(120)	(4)	-	297
	<u>83,951</u>	<u>1,641</u>	<u>(1,259)</u>	<u>(855)</u>	<u>1,215</u>	<u>84,693</u>
Total funds	<u>139,275</u>	<u>18,371</u>	<u>(19,034)</u>	<u>-</u>	<u>1,837</u>	<u>140,449</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

Designated funds

1. Legacies

This fund arose from legacies left to the Board for general purposes and a stipends reserve fund created to hold sufficient funds in cash or "near cash" to cover the cost of 6 months' clergy stipends, National Insurance and pensions. It provides the Board with a contingency fund equivalent to a minimum of 4.7 months' stipends and is considered to be an appropriate level of investment to generate a required amount of income to assist the Diocesan Budget.

2. Strategic

This group of funds, includes short term strategic work funded by guaranteed short term funding. These include Addition for Mission posts, that are funded for a maximum of three years before review from the additional allocation received from the Church Commissioners, as well as Mission Development work, financed partly by the Mission Development Grant from the Commissioners plus a proportion of the grant from the All Churches Trust. Also included in this fund is the Double Glazing project to ensure all vicarages have adequate double glazing and a small fund for Pension Administration costs. Finally the fund includes additional funding that has been set aside to help with the Recruitment Strategy and improvement on our housing stock.

3. Projects & Events

This group of funds covers unrestricted funds set aside for various projects and events within the diocese. These included, Vacancy in See contingencies, accumulated funds towards the next Lambeth Conference, Swanwick, the Chairman's Fund (for clergy holidays) and a variety of specific areas of work that are due to either take place or be completed in later years, funded from Budget surpluses in previous years.

4. DBF Designated Houses Fund

The fund is represented by property purchased from Unrestricted Funds, including providing housing for deserted clergy spouses. There are twelve properties in this class, of which the fund has less than 50% interest in six properties, four of which are wholly owned by the Church Commissioners via an Equity Sharing Loan. Details of the Loan Agreements are shown under Accounting Policies Section 2b.

5. Resourcing The Future (RTF)

This includes identified surplus funds that are being invested to generate income to support Mission Orientated Projects in future years. The concept is the fund (including the restricted RTF) will raise sufficient capital to help generate approx. £350,000 per annum with effect from January 2019. This income will be used to support Mission, potential Pension liabilities and any short term additional deployment in future years.

23. STATEMENT OF FUNDS (continued)

Restricted Funds

1. Property Reserve

This fund derives from historical Pastoral Schemes, where property has been transferred to the DBF, but within it there are clauses pursuant to the relevant section of the Pastoral Measure. Consequently any sale proceeds may be subject to various restrictions.

2. Restricted Trust Reserve

This fund originates from Trust funds, either left direct to the Board of Finance, or vested in the Diocesan Authority and wound up under the Charities Act 2011. The main purpose is to support the diocesan Budget towards stipend costs; however some are specific to support areas of work within the Diocese or parishes.

3. Benefice Property

This fund only contains Benefice Property - Vicarages etc. for Incumbents and Team Rectors. When a property is sold, the proceeds are transferred to the Pastoral Fund. When a property is purchased the funds are transferred from the Pastoral Fund Account back into this fund.

4. Pastoral Fund (Restricted Fund)

Under the Pastoral Measure 1983 section 78(3), dioceses are allowed to use this fund for the repair of parsonage houses and for the payment of clergy stipends. It is the Board's policy to apply the fund as follows:

- Invest liquid assets, the income from which will support the Parish Share;
- Retain the balance to cover expenditure for other liabilities of the Pastoral Fund such as redundant churches' costs and the purchase of new houses for clergy.

5. Diocesan Loan Fund

The fund originates from the Diocesan Bishop's Million Shilling Fund at the turn of the 20th Century. The funds are made available to be loaned out to parishes to assist with the cost of church buildings. No grants are permitted from this fund, solely loans that are charged at a Variable Debit Rate of 1% above that earned on CBF Deposit. The rates and terms of the loans are governed and overseen by the Resourcing Parish Mission Committee (previously Parish Projects and Loans Committee to 31 December 2016).

6. Clergy Widows and Orphans

The fund derives from numerous legacies. Only the income can be used to support Widows and Dependent Children of deceased clergy. The income may also be used to support clergy infirmed or disabled. Initial grants are traditionally given at the time of the clergy person's death and the widows and dependents are supported further by annual Christmas grants.

7. Interior Decoration Scheme

The fund is designed to assist parishes in meeting the costs of internal decoration of either Benefice or Glebe Houses. The parishes are requested to contribute £250 per annum, and provided the money remains in the possession of the fund for 12 months, a bonus of 25% is awarded.

8. Lent Appeal

Each year the Diocesan Bishop launches his Lent Appeal across the diocese. The donations received in the year are awarded to specific areas of work specified at the time of the launch. Historically 50% of the donations are used for Local projects in the diocese and 50% to Overseas Mission.

23. STATEMENT OF FUNDS (continued)

Restricted Funds

9. Ordination Candidates Fund

This fund supports the training of Ordinands in the diocese. Each year the surplus in the fund is transferred to the Unrestricted Training Budget to assist with the costs. The donations arrive from collections at Licensing and Confirmation services and are shared between this fund and local projects once the costs of the service have been met.

10. Church Mission

The fund was created by the World Mission officer in 2001 - to help support parish overseas and mission projects. The fund gives grants to assist with projects and receives donations from participating parishes.

11. Church Building Support Officer

Due to funding made available from English Heritage, an Officer has been employed to help churches both raise funds for their church building but also offer advice on how the properties can be used more effectively and efficiently. It is currently a three year funded post supported by funds made available from the Designated Projects and Events Budget and therefore the deficit on this fund will be reversed in future accounting periods.

12. Miscellaneous Projects (Restricted)

The fund derives from donations or grants to support specific areas of work, including Evangelism & Discipleship, Newchapel Hub, Ministry @ Work and Lichfield Theological Forum.

13. Resourcing The Future (RTF)

This includes identified restricted surplus funds that are being invested to generate income to support Mission Orientated Projects in future years. The concept is the fund (including the designated RTF) will raise sufficient capital to help generate approx. £350,000 per annum with effect from January 2025. This income will be used to support Mission, potential Pension liabilities and any short term additional deployment in future years.

14. Direction of Travel

The fund represents restricted funds from the National Church under Transitional Funding that supports four main Mission Initiatives in the Diocese as well as some miscellaneous projects or Areas of work that promote the Bishops First Steps and Direction of Travel across the Diocese under Come Follow Christ in the footsteps of St Chad.

15. Telford New Minster – SDF Bid

This fund represents the first Diocesan Strategic Funding Bid from the National Church. The new Telford Minster is a new Church based at Meeting Point House and will serve the Telford Deanery and wider diocese. This currently has a negative reserve, however it will be cleared once the SDF funding is drawn down from the National Church once the project has commenced the building work.

16. Resourcing Ministerial Education

This fund represents grants received and paid in furthering the Education in Ordinands. This new initiative which was piloted in the Diocese in the previous years is part of the strategy between the National Church and the Theological Training establishments in supporting Ordinands in Training.

17. St Chads Retreat Centre

The fund represents restricted funds for Development and Mission work at both Dovedale and Shallowford House, including donations received from the Friends of both sites.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

18. Mercian Community Trust

The fund represents restricted funds for Projects and also the Diocesan Community Fund. The Diocesan Community Fund awards grants for communities within the Diocese that have a high level of deprivation. Also under the Mercian Community Trust is the Telford Christians Against Poverty project at Wellington All Saints.

In addition to the Restricted Funds, the Board also has three Endowment Funds as follows: -

Endowment & Gift Fund

The fund originates from anonymous donations in 1955. The fund was set up as an Endowment to support the furtherance of the charitable objectives of the Board and as a result the income generated in the year is transferred to the Unrestricted Funds. Although the fund is an endowment there are terms and conditions which allow the capital to be spent in the same manner as the income. However, the Board's policy is to retain the capital in investments for the time being to generate income to support the overall work of the Board.

Diocesan Stipends Fund (Restricted)

In accordance with the Diocesan Stipends Fund Measure 1953, as amended by Section 9, 35(1) and (2), 47 (4) and schedule 8 of the Endowments and Glebe Measure 1976, and various other later Measures, the reserves in the Diocesan Stipends Fund (or Stipends Capital) must be retained, with the income made available towards meeting the cost of the clergy stipends in the year. Therefore the income generated assists with reducing the burden on the parishes through the amount required in Parish Share.

This fund is also used for purchasing Curates Houses and Team Vicarages, and it receives the proceeds of sales of any Glebe Land.

Clergy Pensions

The fund represents the Lichfield apportionment of the Clergy Pensions (CFPS) deficit.

24. 2019: ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2019 Total Funds £'000
Tangible fixed assets	12,131	66,522	25,156	103,809
Fixed asset investments	6,218	18,544	19,403	44,165
Debtors due after more than 1 year	242	660	-	902
Current assets	1,398	2,798	1,324	5,520
Creditors due within one Year	(1,871)	(48)	(16)	(1,935)
Creditors due in more than one year	(667)	(2)	(1,624)	(2,293)
	<u>17,451</u>	<u>88,474</u>	<u>44,243</u>	<u>150,168</u>

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FOR THE YEAR ENDED 31 DECEMBER 2019

2018: ANALYSIS OF NET ASSETS BETWEEN FUNDS

	<i>Unrestricted Funds £'000</i>	<i>Restricted Funds £'000</i>	<i>Endowment Funds £'000</i>	<i>2018 Total Funds £'000</i>
<i>Tangible fixed assets</i>	10,868	65,204	24,286	100,358
<i>Fixed asset investments</i>	6,760	15,967	18,876	41,603
<i>Debtors due after more than 1 year</i>	283	709	-	992
<i>Current assets</i>	538	3,104	1,410	5,052
<i>Creditors due within one Year</i>	(1,235)	(281)	(21)	(1,537)
<i>Creditors due in more than one year</i>	(815)	(10)	(5,194)	(6,019)
	<u>16,399</u>	<u>84,693</u>	<u>39,357</u>	<u>140,449</u>

25. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2019 £'000	2018 £'000
Net income for the year (as per Statement of financial activities)	9,719	1,174
Adjustment for:		
Depreciation charges	74	74
Dividends, interest and rents from investments	(1,492)	(1,490)
Gains/(Losses) on investments	(7,130)	(1,837)
Loss/(profit) on the sale of fixed assets	2	3
Decrease/(Increase) in debtors	(295)	473
Increase/(decrease) in creditors	(3,165)	(332)
Net cash used in operating activities	<u>(2,287)</u>	<u>(1,935)</u>

26. ANALYSIS OF GROUP CASH AND CASH EQUIVALENTS

	2019 £'000	2018 £'000
Cash in hand	3,596	3,513
Notice deposits (less than 3 months)	-	-
	<u>3,596</u>	<u>5,411</u>

27. RELATED PARTY TRANSACTIONS

In respect of St Chads Retreat Centres, the Charity uses the centres on an occasional basis for continuing work activities. The amounts are minimal and paid for at normal commercial rates. However there are four loans from the Board to St Chads Retreat Centres totalling £136,100 as at 31 December 2019. There are no transactions between the Board and the Mercian Community Trust. There are no other related party transactions.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

28. CAPITAL COMMITMENTS

At 31 December 2019 and 2018 the group and company had no capital commitments.

29. PENSION COMMITMENTS

The Lichfield Diocesan Board of Finance 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. One of these is the Church of England Funded Pensions Scheme for stipendiary clergy. The other is the Church Workers Pension Fund. The Church Workers Pension Fund has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

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

Church of England Funded Pensions Scheme (CEFPS)

Lichfield Diocesan Board of Finance 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 employer 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 specific employers and that 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 (2019:£1,562M, 2018: £1.596M), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £2.316M for 2019 (2018 £2.344M).

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

- An average discount rate of 3.2% per annum;
- 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 tables, with allowances for improvement in mortality cover rates in line with the CMI 2018 extended model with a long term annual rate of improvement of 1.50%, a smoothing parameter of 7 and an initial addition to mortality improvements of 0.5% per annum.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

29. PENSIONS COMMITMENT (continued)
Church of England Funded Pensions Scheme (CEFPS) (continued)

Following the 31 December 2018 valuation, a recovery plan was put in place until 31 December 2022 and the deficit repair contributions payable (as a percentage of pensionable stipends) are set out in the table below.

% of pensionable stipends	1 January 2018 to 31 December 2020	1 January 2021 to 31 December 2022
Deficit repair contributions	11.9%	7.1%

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 officer holders, pensionable stipends are adjusted in the calculation by a multiple, as set out in the Scheme's rules.

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the balance sheet liability over 2017 and over 2018 is set out in the table below.

	2019 £'000	2018 £'000
Balance sheet liability at 1 January	5,194,000	5,735,000
Deficit contribution paid	(754,000)	(748,000)
Interest cost (recognised in SOFA)	101,000	75,000
Remaining change to the balance sheet liability* (recognised in (SOFA))	(2,917,000)	132,000
Balance sheet liability at 31 December	<u>1,624,000</u>	<u>5,194,000</u>

* Comprises change in agreed deficit recovery plan and change 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%	2.1%	1.4%
Price inflation	2.8%	3.1%	3.0%
Increase to total pensionable payroll	1.3%	1.6%	1.5%

The legal structure of the scheme is such that if another employer fails, the employer could become responsible for paying.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

29. PENSIONS COMMITMENT (continued)

Lichfield DBF (DBS) participates in the **Defined Benefits 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.

Defined Benefits Scheme

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

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

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

The scheme is a multi-employer scheme as described in Section 28 of FRS 102. It is not possible to attribute DBS assets and liabilities to specific employers, since each employer, through the Life Risk Section, is exposed to actuarial risks associated with the current and former employees of other entities participating in DBS. This means that contributions are accounted for as if DBS were a defined contribution scheme. The pensions costs charged to the SoFA during the year are contributions payable towards benefits and expenses accrued in that year (2019: £Nil, 2018: £Nil) plus the figures in relation to the DBS deficit highlighted in the table below as being recognised in the SoFA, giving a total charge of £65,000 for 2019 (2018: £49,000).

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

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

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay expenses of £14,500 per year. In addition, deficit payments of £65,378 per year have been agreed for 5.00 years from 1 April 2018 in respect of the shortfall in the Employer sub-pool. This obligation has been recognised as a liability within the Employer's financial statements.

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out below:

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29. PENSION COMMITMENTS (continued)
Defined Benefits Scheme - continued

	2019	2018
	£'000	£'000
Balance sheet liability at 1 January	265,000	282,600
Deficit contribution paid	(65,000)	(49,000)
Interest cost (recognised in SOFA)	4,000	-
Remaining change to the balance sheet liability* (recognised in (SOFA))	3,000	31,400
	<u>207,000</u>	<u>265,000</u>
Balance sheet liability at 31 December	<u>207,000</u>	<u>265,000</u>

* Comprises change in agreed deficit recovery plan and change in discount rate 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	1.20% pa	1.90% pa	0.00% pa
The legal structure of the scheme is such that if another employer fails, the employer could become responsible for paying a share of that employer's pension liabilities.			

The next valuation of the scheme will be carried out as at December 2019.

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 upon the 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 considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2019: £249,999, 2018: £259,097).

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.

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29. PENSION COMMITMENTS (continued)
Pension Builder Scheme (Continued)

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 Board could become responsible for paying a share of that employer's pension liabilities.

30. OPERATING LEASE COMMITMENTS

At 31 December 2019 the group had no Operating Leases as at the end of 31 December 2019. There were none as at 31 December 2018. All operating equipment is purchased and depreciated in line with the policies set out in note 1.7.

31. SUBSIDIARY

Company name	Country	Percentage Holding	Description
St Chad's Retreat Centre Company number: 08922281	England and Wales	100	Operation of Dovedale House and Shallowford House

A summary of the financial activities undertaken by the subsidiary is set out below.

	2019	2018
	£'000	£'000
Income	527	486
Expenditure	(490)	(445)
Net gains/(losses) on investments	17	11
Net income	<u>54</u>	<u>52</u>
Balance sheet	2019	2018
	£'000	£'000
Tangible fixed assets	489	477
Investments	89	81
Current assets	222	185
Creditors: amounts falling due within one year	(158)	(129)
Creditors: amounts falling due in more than one year	(80)	(106)
Net assets	<u>562</u>	<u>508</u>
Restricted funds	29	25
Unrestricted funds	533	483
Total funds	<u><u>562</u></u>	<u><u>508</u></u>

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31 **SUBSIDIARY**

Company Name:	Country	Percentage Holding	Description
Mercian Community Trust Company Number 04345177	England and Wales	100	Overseeing Community Projects in the Diocese

A summary of the financial activities undertaken by the subsidiary is set out below.

	2019	2018
	£'000	£'000
Income	197	80
Expenditure	(126)	(125)
Net gains/(losses) on investments	-	-
Net income	<u>71</u>	<u>(45)</u>
Balance sheet		
	2019	2018
	£'000	£'000
Tangible fixed assets	-	-
Investments	-	-
Current assets	415	308
Creditors: amounts falling due within one year	(52)	(16)
Creditors: amounts falling due in more than one year	-	-
Net assets	<u>363</u>	<u>292</u>
Restricted funds	370	297
Unrestricted funds	(7)	(5)
Total funds	<u><u>363</u></u>	<u><u>292</u></u>

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32. FINANCIAL INSTRUMENTS	2019	2018
	£'000	£'000
Financial assets measured at fair value	31,616	29,066
Financial liabilities measured at fair value	1,831	5,459
Financial assets measured at amortised cost	5,445	5,538
Financial liabilities measured at amortised cost	2,315	1,964

33. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES (31 DECEMBER 2018)

	Unrestricted Funds 2018 £'000	Restricted Funds 2018 £'000	Endowment Funds 2018 £'000	Total Funds 2018 £'000
Income and endowments from:				
Parish contributions	11,057	-	-	11,057
Archbishops' Council	2,195	503	-	2,698
Other donations	303	272	-	575
Other trading activities	396	-	-	396
Investments	494	654	342	1,490
Charitable activities	1,946	4	-	1,950
Other income	(3)	208	-	205
Total income and endowments	16,388	1,641	342	18,371
Expenditure on:				
Raising funds	79	11	3	93
Charitable activities	17,355	1,248	100	18,703
Other expenditure	31	-	207	238
Total expenditure	17,465	1,259	310	19,034
Net (expenditure)/income before investment				
Gains	(1,077)	382	32	(663)
Net gains on investments and Property	12	1,215	610	1,837
Net (expenditure) income before transfers	(1,065)	1,597	642	1,174
Gain on Pension Adjustments	-	-	-	-
Transfers between funds	450	(855)	405	-
Net movement in funds	(615)	742	1,047	1,174