

The Lancashire Infirm Secular Clergy Fund

Trustees' Report and Financial Statements

**For The Year Ended
5 April 2022**

THE LANCASHIRE INFIRM SECULAR CLERGY FUND

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THE LANCASHIRE INFIRM SECULAR CLERGY FUND

REFERENCE AND ADMINISTRATIVE INFORMATION

Trustees

Rev S Stamp
Rev P Stanley
Rev S D Hawksworth
Rev A Prescott

Officers

Rev A Prescott - President
Rev P Stanley - Secretary
Rev S D Hawksworth - Treasurer

Independent examiner

N Mason FCA, DChA
MHA Moore and Smalley
Chartered Accountants
& Statutory Auditor
Richard House
Winckley Square
Preston
PR1 3HP

Investment managers

Sarasin & Partners LLP
Juxon House
100 St. Paul's Churchyard
London
EC4M 8BU

Contact address

c/o Rev S D Hawksworth
Treasurer
St Joseph's Presbytery
Caroline Street
Preston
PR1 5UY

THE LANCASHIRE INFIRM SECULAR CLERGY FUND

TRUSTEES' REPORT

FOR THE YEAR ENDED 5 APRIL 2022

The Trustees present their report and financial statements for the year ended 5 April 2022. The financial statements have been prepared in accordance with the accounting policies set out in the notes to the accounts and comply with the charity's governing document, the Charities Act 2011 and 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) issued in October 2019.

Structure, governance and management

The Fund is governed by the constitution revised in 2014 which was approved by the Charity Commission.

The Officers of the Fund are elected at the Annual General Meeting for a period of three years. Members who are resident in any of the Dioceses shall be entitled to vote at elections. Any member, whether present or not at the Annual General Meeting, is eligible to be elected as an Officer of the Fund. The required number of Trustees at any time is four.

Each financial year, the Trustees examine the major risks that the Fund faces. Systems have been established to mitigate these risks.

Objects and activities for the public benefit

The objects and activities of the Fund are the relief or support of the secular clergy of the Dioceses of Liverpool, Salford and Lancaster who are unable, through age or infirmity, to attend to the duties of their office and are in necessitous circumstances. The Trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit reporting when viewing the Fund's aims and objectives and in planning future activities and setting the grant making policy for the year.

Grant making policy

During the year the Fund has continued to make grants to infirm clergy. Applications for grants are reviewed against specific criteria and to ensure they are in accordance with the Rules.

Financial review and performance

The statement of financial activities shows net incoming resources for the year of £28,237 (2021: £47,776).

Other recognised gains and losses comprise realised and unrealised gains on investments and in 2022 there is a net gain of £125,990 compared to a net gain of £903,893 in 2021. The overall increase in the funds for the year is £125,990.

Reserves policy

It is the policy of the Fund to maintain unrestricted funds, which are free reserves in the income accumulated fund, at a level which equates to at least 12 months unrestricted expenditure. This provides sufficient funds to cover administration costs and to respond to emergency applications for grants. Unrestricted funds were maintained at least to this level throughout the year. The level of free reserves as at 5 April 2022 was £388,457 (2021 £363,471).

Investment objective and performance

The investment objective of the Fund is to seek to achieve capital growth over the longer term, subject to market conditions, and a corresponding increasing stream of income. In order to achieve this objective, the manager maintains a balanced portfolio of investments. The portfolio was invested in unit trusts.

THE LANCASHIRE INFIRM SECULAR CLERGY FUND

TRUSTEES' REPORT

FOR THE YEAR ENDED 5 APRIL 2022

Investment return

The portfolio for the rolling year financial year ending 5th April 2021 returned 4.7% net which in nominal terms was an increase of £121,658 from the previous year. The portfolio value is £5,132,171. Income within the portfolio was slightly under for the year at £140,654 versus £150,107 in the last year.

Markets' Overview

Over this past year, there has been a lot of uncertainty within the markets. The supply chain constraints that occurred following the easing of COVID restrictions saw the shift in demand cause a significant rise in inflation as inventories struggled to keep up. The invasion of Ukraine, and the subsequent sanctions on Russian entities, has only exacerbated the situation. Add to this the Omicron-induced lockdowns in China, resulting from their Zero-Covid policy, which hit Shenzhen and other major cities that are critical for global manufacturing supply chains.

So where does that leave us now? Inflation is looking increasingly structural. As central banks, such as the Fed, European Central Bank (ECB) and Bank of England, turn ever more hawkish and continue their respective hiking cycles, and fears around cost pressures and supply chain disruptions further weigh on consumers, the questions now are on the subject of recessions; with this increased likelihood of recession, how long and how deep will it be?

So far, the investment managers see one of three scenarios playing out:

- 1 Soft landing – Central Banks manage to bring down inflation faster than is currently anticipated, so interest rates aren't hiked as much. This leads to a short bear market, triggered by the fear of rising interest rates, to rally as markets have successfully purged the excessive risk appetite seen last year (especially within tech stocks)
- 2 Recession – rising interest rates lead to a fall in inflation, but – similar to Volker in the early 1980s – also trigger a deeper fall in GDP, leading to an eventual rate reversal and easing of policies
- 3 Stagflation/deep recession – rising inflation causes inflation expectations to become de-anchored. This in addition to the rising rates leads to a fall in GDP, tighter money supply, all potentially exacerbated by worsening geo-political tensions.

Asset class	Index	Annual Return (05/04/2021- 05/04/2022)
Fixed Interest	ICE BofAML Sterling Corporate	-5.9%
	ICE BofAML UK Gilts	-6.0%
UK Equities	MSCI UK IMI	15.5
Global Equities	MSCI AC World ex UK(Net TR)	4.8%
Global Property	S&P Developed Property	13.2%
UK Inflation	UK Retail Price Index	9.0%
LISCF Portfolio		4.7%

TRUSTEES' REPORT

THE LANCASHIRE INFIRM SECULAR CLERGY FUND

FOR THE YEAR ENDED 5 APRIL 2022

Having experienced a -20.2% drop in the MSCI ACWI index during the first 6 months of this year in reaction to the ongoing events, we saw the equity market broadly rally, up 3% from end of June (to 31/08/2022), with the S&P 500 up 4.7%. This was the result of increased expectation that there might be a policy pivot as economic growth showed signs of slowing, increasingly the likelihood of a scenario 1 situation, where Central Banks achieve a softer landing and earlier interest rate cuts. However, the US August inflation number has shaken this momentary optimism, as it came in higher than expected at 8.3% (CPI year on year), causing the S&P 500 to fall more than 4.3% to its worst day since June 2020, and increasing the expectation of a scenario 2 situation. Equity returns within both the Endowments and Income and reserves funds are negative both year to date, and over the rolling year (as at 31/08/2022).

Sovereign bond yields have continued to rise (while their prices fall) with the 2-year 10-year US Treasury yield curve inverting (a common recessionary indicator). UK Government Bonds (1-10Y) specifically have generated a return of -7.6% YTD (31/08/2022); Fixed Income markets seem to be leaning more towards a scenario 2 or even scenario 3 situation, with banks like Goldman Sachs predicting headline inflation to hit over 22% in 2023. Higher risk bonds have especially suffered, with the like of the Italian 10-year yield briefly breaching 4% at the beginning of September as traders bet that the ECB will hike rates more aggressively in response to their latest inflation figures. Even market expectations for the Federal Funds Rate have increased to now have a peak of c. 4%, compared to c. 2% in early March this year. Given the high weighting to bonds, the Income & Reserve fund's performance has therefore suffered, down -13.0% YTD relative to the Endowments Fund at -8.0% (as at 31/08/2022). Our underweight to fixed income has helped the relative performance of both funds.

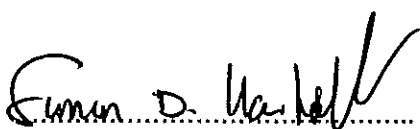
Portfolio Positioning

With such inflationary speculation and negative market sentiment, we have continued to move away from fixed income towards an overweight in alternatives and property for the purposes of increased diversification and uncorrelated return potential. We also reduced our equity holding, moving from cyclical and growth to more defensive stocks, and have increased the cash holding so we can seize any buying opportunities.

The exposures of the Fund to the various asset classes at the start and end of the year were as follows:

	2022	2021
	%	%
Fixed interest	11.0	15.2
UK Equities	20.0	18.4
Global Equities	44.2	48.5
Global Property	5.0	2.2
Alternatives	12.5	7.8
Cash	7.3	7.9
	100.0	100.0

This report was approved by the board of Trustees on 12-10-22 and signed on its behalf


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Rev S D Hawksworth -Treasurer

THE LANCASHIRE INFIRM SECULAR CLERGY FUND
INDEPENDENT EXAMINER'S REPORT TO THE TRUSTEES OF
THE LANCASHIRE INFIRM SECULAR CLERGY FUND

I report to the charity trustees on my examination of the accounts of The Lancashire Infirm Secular Clergy Fund for the year ended 5 April 2022 which are set out on pages 6 to 12 appended to this report.

Responsibilities and basis of report

As the charity's trustees you are responsible for the preparation of the accounts in accordance with the requirements of the Charities Act 2011 ('the Act').

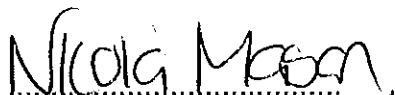
I report in respect of my examination of the charity's accounts carried out under section 145 of the Act and in carrying out my examination I have followed all the applicable Directions given by the Charity Commission under section 145(5)(b) of the Act.

Independent examiner's statement

I have completed my examination. I confirm that no material matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

1. accounting records were not kept in respect of the charity as required by section 130 of the Act; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the applicable requirements concerning the form and content of accounts set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair view' which is not a matter considered as part of an independent examination.

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.


N Mason FCA, DChA

Date: 12/10/22

MHA Moore and Smalley
Chartered Accountants
Preston

THE LANCASHIRE INFIRM SECULAR CLERGY FUND

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 5 APRIL 2022

	Note	Capital account £	Income accumulated funds £	Total funds 2022 £	Total funds 2021 £
Income from:					
Donations and legacies	2a	-	-	-	10,500
Investments	2b	-	140,654	140,654	150,107
Other income		3,251	4,000	7,251	1,867
Total income		3,251	144,654	147,905	162,474
Expenditure on Raising funds:					
Investment management costs	7	-	-	-	20
Expenditure on charitable activities:					
Grants to Infirm Clergy - Individuals		-	114,100	114,100	112,000
Other charitable activities		-	-	-	19
Support costs	6	-	5,568	5,568	2,659
Total expenditure		-	119,668	119,668	114,698
Net income/(expenditure) before gains/losses on investments		3,251	24,986	28,237	47,776
Net gains/(losses) on Investments	3	97,753	-	97,753	903,893
Net Income/(expenditure)		101,004	24,986	125,990	951,669
Reconciliation of funds:					
Total funds brought forward		4,799,867	363,471	5,163,338	4,211,669
Total funds carried forward		4,900,871	388,457	5,289,328	5,163,338

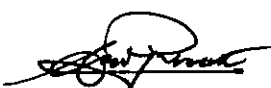
THE LANCASHIRE INFIRM SECULAR CLERGY FUND

BALANCE SHEET

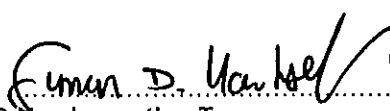
AS AT 5 APRIL 2022

	Note	Total funds 2022 £	Total funds 2021 £
Investments	3	5,132,171	5,044,418
Current assets			
Cash at bank and in hand	4	160,962	121,560
		160,962	121,560
Creditors: Amounts falling due within one year	5	(3,805)	(2,640)
Net current assets		157,157	118,920
Total assets less current liabilities		5,289,328	5,163,338
Funds			
Restricted – capital account	9	4,900,871	4,799,867
Unrestricted – Income accumulated fund	9	388,457	363,471
Total funds		5,289,328	5,163,338

These financial statements were approved by the Trustees on 12/10/22 and signed on their behalf:



 Rev A Prescott – President



 Rev S D Hawksworth – Treasurer

THE LANCASHIRE INFIRM SECULAR CLERGY FUND

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 5 APRIL 2022

1 Accounting policies

Accounting convention

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) published October 2019, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011 and UK Generally Accepted Accounting Practice.

The Lancashire Infirm Secular Clergy Fund meets the definition of a public benefit entity under FRS 102.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following the 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) issued in October 2019 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

Preparation of the accounts on a going concern basis

The trustees assess whether the use of going concern is appropriate, ie whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees make this assessment in respect of a period of at least one year from the date of authorisation for issue of the accounts. The Charity has sufficient reserves to mitigate any impact of potential reductions in investment income. Investment reports are received during the year and performance is reviewed. The Trustees have concluded that the charity has adequate resources to continue in operational existence for the foreseeable future and there are no material uncertainties about the charity's ability to continue as a going concern. Thus they continue to adopt the going concern basis of accounting in preparing the accounts.

Investments

Investments are stated at mid-market value.

Investment income

Investment income is included in the Statement of Financial Activities on an accruals basis and is shown gross of recoverable tax.

Expenditure

Expenditure is included on an accruals basis. Grants are recognised in the year in which they are receivable.

Income accumulated fund (unrestricted fund)

The rules of the Fund state that annual income, not including benefactions, shall be applied to defray administration expenses and to pay infirmity allowances. The surplus income, if any, shall be added to the Income Accumulated Fund.

Capital account (restricted fund)

The rules of the Fund state that benefactions and profits arising from the realisation of investments shall be added to the capital account. Losses on the realisation of investments shall be made good out of the capital account.

THE LANCASHIRE INFIRM SECULAR CLERGY FUND
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 5 APRIL 2022

1 Accounting policies (Continued)

Critical accounting estimates and areas of judgement

Accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

There are no critical accounting estimates and assumptions.

Critical areas of judgement

There are no other critical areas of judgement in these accounts.

2a. Donations and legacies

	2022	2021
	£	£
Bequests	-	10,000
Donations	-	500
	-	10,500

Income from donations and legacies for the year ended 5 April 2021 related to unrestricted funds.

2b Investment Income

	2022	2021
	Total	Total
	£	£
Unit Trusts	140,553	149,912
Bank deposit interest	101	195
	140,654	150,107

Investment income in the years ended 5 April 2022 and 5 April 2021 related to unrestricted funds.

THE LANCASHIRE INFIRM SECULAR CLERGY FUND
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 5 APRIL 2022

3 Investments

	2022 Total £	2021 Total £
Market value at 5 April 2021	5,044,418	4,002,717
Additions/(Disposals)	(10,000)	137,808
Net investment gains/(losses)	97,753	903,893
Market value at 5 April 2022	5,132,171	5,044,418
Historical cost at 5 April 2021	4,275,608	4,137,800
Additions/(Disposals)	(8,272)	137,808
Historical cost at 5 April 2022	4,267,336	4,275,608
The market value of investments is analysed as follows:		
Unit Trusts	5,132,171	5,044,419
Total market value of Investments	5,132,171	5,044,419

All investments at the year end are held in unit trusts.

4 Cash

	2022 Total £	2021 Total £
Cash at bank and in hand	10,102	4,605
Cash held within investment portfolio	150,860	116,955
	160,962	121,560

5 Creditors: amounts falling due within one year

	2022 Total £	2021 Total £
Accruals	3,805	2,640

THE LANCASHIRE INFIRM SECULAR CLERGY FUND
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 5 APRIL 2022

6 Support costs

	2022 Total £	2021 Total £
Treasurer's expenses	750	-
Secretary's expenses	1,000	-
Independent examination	2,715	2,555
Postage, printing and stationery	103	104
Officers' meetings and AGM	1,000	-
	<u>5,568</u>	<u>2,659</u>

The Trustees received no remuneration (2021 - £nil) and were not reimbursed for any of their expenses in the year (2021 - £nil) except as set out above.

Support costs in the year ended 5 April 2022 and 5 April 2021 related to unrestricted funds.

The charity had no employees during the year.

7 Investment management costs

Investment management costs for the current year amount to a net rebate of £3,251 (2021: £1,867). Investment management costs/rebates are built into the underlying unit prices.

8 Related Party Transactions

There were no related party transactions during the year.

THE LANCASHIRE INFIRM SECULAR CLERGY FUND

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 5 APRIL 2022

9 Movements in charity funds

	Capital account	Income accumulated fund	Total funds	Total funds
	2022 £	2022 £	2022 £	2021 £
At 5 April 2020	3,894,107	317,562	4,211,669	4,484,194
Net incoming/(outgoing) resources	1,867	45,909	47,776	37,870
Other recognised gains and losses	903,893	-	903,893	(310,395)
Net movement of funds available for future activities	905,760	45,909	951,669	(272,525)
At 5 April 2021	4,799,867	363,471	5,163,338	4,211,669
Net incoming/(outgoing) resources	3,251	24,986	28,237	47,776
Other recognised gains and losses	97,753	-	97,753	903,893
Net movement of funds available for future activities	101,004	24,986	125,990	951,669
At 5 April 2022	4,900,871	388,457	5,289,328	5,163,338

10 Analysis of net assets between funds

	Capital account	Income accumulated fund	Total funds
	£	£	£
Investments	4,900,871	231,300	5,132,171
Net current assets/(liabilities)	-	157,157	157,157
Net assets 5 April 2022	4,900,871	388,457	5,289,328
	Capital account	Income accumulated fund	Total funds
	£	£	£
Prior year			
Investments	4,799,867	244,551	5,044,418
Net current assets/(liabilities)	-	118,920	118,920
Net assets 5 April 2021	4,799,867	363,471	5,163,338