



THE LONDON DIOCESAN FUND

Trustees' report
and financial statements
for the year ended
31 December 2021

The purpose of the London Diocesan Fund is
to do everything that we can to support the mission and growth of the Church in London



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Registered Charity number: 241083
www.london.anglican.org

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Financial Summary 2021

The global pandemic continued to have a profound affect during 2021 and impacted the activities of the LDF and the parishes within the Diocese. Remote working continued for much of the year, and parishes adapted to the ever-changing restrictions, reopening for worship where possible. We are extremely grateful to all the parishes who continued to contribute Common Fund during 2021 which has enabled ministry and mission to continue throughout London, offering support and comfort to many in our city. We are also delighted that the transition to Vision 2030 has begun, and details of the encouraging work which started in 2021 is detailed later in this report.

Across all funds the LDF is reporting an operating deficit of £1.7m before transfers and gains in 2021. Total income increased by £3.4m and total resources expended increased by £2.3m, reducing the operating deficit by £1.1m.

During the year the LDF recognised £8.8m of realised gains (2020: £16.7m) on tangible fixed assets, resulting from the reshaping of the property portfolio. Operational properties are held at cost in the accounts and so the gains on sale represent the increase in value of the asset over time. Property and investment values recovered in 2021, adding £21.1m in unrealised gains and revaluations (2020: £0.6m).

Therefore, the accounts show an overall increase in the value of all funds of £28.8m for the year to £516.0m (2020: £487.2m). The following table summarises the overall financial position:

	2021 £m	2020 £m
Operating Deficit	(1.7)	(2.8)
Pension deficit movements	0.6	(0.1)
<i>Sub-total</i>	<i>(1.1)</i>	<i>(2.9)</i>
Other recognised gains and losses:		
Net gains/(losses) on investments	6.5	(0.5)
Unrealised gains on tangible fixed assets	14.6	1.1
Realised gains on tangible fixed assets	8.8	16.7
<i>Net movement in funds for the year</i>	28.8	14.4

General Fund

The LDF has normally achieved a balanced position for its general fund but in 2020 there was a deficit before year-end adjustments of £2.3m, mainly the result of significant reductions in contributions from parishes. In 2021 there was a small operating surplus of £1m before year-end adjustments.

Income increased by £2.7m from £37.5m to £40.3m.

Donations from parishes through the Common Fund decreased by 4% to £21.6m (2020: £22.6m). This is partly a timing issue as some 2021 contributions have been deferred until 2022. We are grateful to Trust for London who made an additional one-off distribution from the City Church Fund of £2m which significantly helped bridge the gap in general fund income in 2021. Other sources of income, including rental and investment income showed a modest increase compared to 2020 (£21.5m compared to £19.7m)

Expenditure increased by £2.3m from £37.0m to £39.3m.

Significant expenditure streams continue to be ministry costs of £25.1m (2020: £24.0m) and clergy housing and property costs of £7.3m (2020: £6.5m). Some planned property costs which were deferred in 2020 have not

progressed due to the ongoing lockdown restrictions. Therefore, there were no calls on the Maintenance Fund in 2021 and the amounts transferred in 2020 continue to be available for works in 2022.

Strategic Report

The Church of England in London is vibrant and at the heart of communities within our Diocese. The trustees believe that, by promoting the work of the Church of England in the Diocese of London, the London Diocesan Fund (LDF) helps to promote the whole mission of the Church, including its pastoral, evangelistic, social and ecumenical aspects more effectively, both in the Diocese as a whole and in its individual parishes. In doing so it provides a benefit to the public throughout the LDF's activities. These activities are set out in more detail in the following report, and public benefit is considered in more detail on page 17.

Purpose of the London Diocesan Fund (LDF)

The purpose of the LDF is to do everything we can to support the mission and growth of the church in London. Within this overarching purpose the focus of 2021 was transitioning into our new 2030 Vision – **‘for every Londoner to encounter the love of God in Christ’** Recognising the challenges many parishes were facing in light of the pandemic, we spent 2021 ‘transitioning’ from Capital Vision 2020 into our new ‘2030 Vision’, which had been informed by over 6,000 people across the diocese. This involved a concerted engagement effort, learning from the forced changes brought about by the pandemic and supporting churches in planning for the future. We used this opportunity to introduce the three ambitions and three priorities listed below, to share the resource provided by the LDF support teams and to encourage churches to shape their mission plans under the same goals:

The key themes of the 2030 Vision are:

Ambitions:

- Confident Disciples
- Compassionate Communities
- Creative Growth

Priorities:

- Growing Younger
- Safer Churches
- Racial Justice

These ambitions and priorities are underpinned by running an effective organisation and the wise stewardship of our resources, namely people, buildings and finances.

At the same time as engaging parishes in their response to Covid through the lens of our 2030 vision, the diocesan support teams were busy planning and resourcing their ambitions and priorities – in line with parish need as we received feedback.

We now have plans to 2025 for each ambition and priority, and we have also, for the first time, detailed and targeted Episcopal Area plans – each falling within the ambition and priority aims and each responding to the need locally. Area Councils from now on will monitor and track progress against their Area plan, learning lessons and adjusting priorities along the way. The Diocesan Senior Staff will remain focussed on monitoring

and learning from our progress towards our overarching Ambition and Priority goals, and will also learn from the Area Plans and their distinct approaches to the six themes.

The LDF continued to respond to the ongoing Covid-19 pandemic, which did not change the LDF's core purpose but did shape how activities were delivered during the year.

Achievements and Performance

Highlights achieved against the three ambitions and three priorities during 2021, a year of transition:

1) Confident Disciples

A central coordinator to lead this ambition was appointed in early 2022, so progress during the year was limited. We have now appointed a 'Discipleship Coordinator', reporting into the Ministry team, due to start in April 2022. We have identified the key aims and success measures – working collaboratively across each of the five Episcopal Areas to do so. The primary goal is for 'every Christian in the London Diocese to grow as a disciple of Christ in their everyday faith – Monday to Sunday'. We developed the basis of a five-year plan to facilitate that aim, working alongside and sharing best practice between parishes across the different faith traditions.

2) Compassionate Communities

In February, we merged the charity, Capital Mass (our partnership with the Church Urban Fund) into the diocese and recruited staff members into a new Compassionate Communities team of five, including three part time development workers, one part time administrator and one team leader. With the newly named team, we launched new branding and a new Compassionate Communities website. We established relationships and plans around our '6 Themes of Work': caring for God's creation; mental health and isolation; refugees and modern slavery; debt and financial wellbeing; housing and homelessness; and serious youth violence. In Lent we ran a series called "Compassion Stories" where 40 ordinary disciples across the Diocese told their tale of how following Jesus has led them to loving action in the community.

Over the year, we put on 11 training events in person or online covering our themes of work; more than 270 people attended these, with a rough split of 35% clergy, 40% volunteers and 25% paid church workers. We offered events around dementia, modern slavery, eco church, credit unions and a "Housing Summit" exploring housing and homelessness. In November we re-launched our Clergy Hosting Scheme to help clergy offer hospitality to asylum seekers. We shared information and resources through our monthly newsletter, website content, and social media – we also created 12 videos for our Youtube channel. For every person coming to an event, 18 have watched them online. We have built relationships and partnerships with 55 external charities/organisations across London as well as establishing cross team working within the LDF.

3) Creative Growth

2021 saw the emergence of our new 'Creative Growth' ambition, led by our CCX London team (The Gregory Centre for Church Multiplication) which comprises five workstreams: Resource Churches; Planting new churches; Pioneering ministries; Estates ministry; and the GROW programme, which grows existing churches in depth, number and impact. We plan to see 400 New Worshipping Communities (NWCs) established between 2020 – 2030 in an effort to move the percentage of people in the diocese who attend an Anglican church from the current 1.6% to 4%. New worshipping communities inspire growth. Between 2013 and 2019 the diocese saw a 10% decline in Usual Sunday Attendance (USA) while NWC's parishes and missional communities saw growth of 18% in USA.

Resource Churches and Planting:

Since 2018, 23 curates have been placed across 17 of the Resource Churches. Three Learning Community events took place in 2021, attended by all of the Resource Churches, where they were able to work through progress and topical issues, alongside their individual consultations with the CCX core team. Between 2020 and 2021, two

Resource churches established plants while two others oversaw revitalisations. An additional two churches plan to plant in 2022, with three more planning to plant one in the next three years.

GROW:

The GROW course welcomed three cohorts in 2021 (despite some churches feeling that they didn't want to commit in light of Covid-19). This meant we engaged with 14 new churches, with a further two in the wings. The target is for 120 churches to participate by 2023.

Pioneer:

The Pioneer workstream saw 12 new graduates pass through the Pioneer School, in partnership with the Church Mission Society. The mix of ordained and lay pioneers completed the school online with its six modules of study. We celebrated by meeting physically for the first time at the end of September for a graduation service.

Estates:

Our Estates workstream champions the need to plant a new worshipping community on every estate by 2030 – work which we will accelerate in 2022 with more resource available. We gather like-minded people to share learnings and encouragement and are refining training courses for those interested in estates ministry. We provide learning opportunities for local leaders from estates, as well as any others who want to actively engage with estates mission.

All training content for church growth has been made available on CCX media (CCX's new learning platform) in an easy-to-follow format for participants. Videos were created to watch alongside worksheets to go through either individually or with others. To date, over 300 participants (from London and across the UK) have accessed the Pioneer course alone on CCX media. We have also set up new streams of programmes for Anglo-Catholic churches, and some of the filmed content includes Anglo-Catholic presenters. The aim is to purposefully be more diverse in every way to reflect the richness of all Parishes.

4) Growing Younger

The children and youth team have continued to support Parishes as they have navigated their way through the different Covid restrictions. Ensuring that parishes were kept up to date as guidance changed and that advice was at hand to help them implement it in their context. We ensured that every question from a parish about Covid Guidance was answered within one day.

The Strategic Development Funded project 'Capital Youth' has continued into its final year. Highlights in 2021 include: each Youth Minister returning to numerical growth, vicars who had been on the Clergy Youth Work course being given a special course to support them relaunching youth work that may have stopped in lockdown and our online learning platform continuing to see more sign up and have more courses come online. In the Autumn a new Youth Minister was launched in a Church of England secondary school in Hendon.

The Apprentice program has continued although only two new apprentices were appointed in September, four places were available. This is likely to be caused by parishes feeling unable to commit in the face of the uncertainty in their finances and resources.

5) Safer Churches

Safeguarding remained a major focus in 2021, with the resourcing of the safeguarding team becoming a critical risk for the diocese, with a number of issues arising with a number of cases as a result. With the appointment of a new Head of Safeguarding in August 2021, and new Safeguarding Advisor appointments during the Autumn, significant systems improvement activity has taken place to address the concerns arising. A total of 568 people attended safeguarding leadership training during 2021 (compared to 334 during 2020), and a programme of training is in place for 2022.

The Past Cases Review, commenced during 2020 was completed during 2021 with the final report submitted to the National Safeguarding Team in September 2021 ahead of the December deadline. Over 5000 clergy and safeguarding files were reviewed by an independent reviewer in line with the House of Bishops PCR2 Practice Guidance. The casework arising is being undertaken within the safeguarding team and completion of this is expected by the end of the first quarter. Recommendations from the Independent Reviewer have been fed into the Safer Churches Programme of work which will be delivered over the next two years.

6) Racial Justice

This year, the Racial Justice Priority Group continued to steer the racial justice priority within the 2030 Vision. Working to new Terms of Reference, and with the support of a capacity-building consultant, it created a strategic plan to address these key areas of work:

- fostering a culture within the Diocese of London that is built on fairness, equity, justice, collaboration and integrity
- creating a programme of learning that allows for greater understanding of the injustice of racism
- breaking down existing mental, cultural and institutional barriers to bring about true race equality
- ensuring equality, diversity and inclusion in our leadership and governance, and promoting racial justice throughout church structures
- paying attention to 'truth telling' about our legacy of systemic racism and slavery
- inviting others to join the conversation, to learn and to grow

We are seeking culture change across the Diocese, to dismantle systemic racism and to develop anti-racist thinking at all levels. We recognise that our aims will be achieved in small steps rather than giant leaps and we intend to build on existing initiatives.

Some initial identified operational steps include:

- undertaking an audit of recruitment practices
- evaluating ethnicity data to inform accountability
- continuing to roll out unconscious bias training, developing trainers for each area

The considerable work that needs to be done has now begun.

Highlights achieved against the People and Diversity resourcing strategy

The ambitions and priorities have been underpinned by making best use of the people resources as follows:

The People and Diversity Strategy for our 2030 Vision continues to explore a wide variety of ways to enhance ministry across the Diocese. A number of exciting developments have taken place in 2021, including:

Lay Discipleship. An appointment has been made of a Discipleship Coordinator (working to our Confident Disciples ambition – see above) to help parishes in developing a range of strategies to promote discipleship and an array of lay discipleship courses and initiatives which are suitable and adaptable to the traditions and demography in the London Diocese.

The St Edmund's Course continues to be a key Diocese-wide provider of Lay Discipleship training, both online and in person. The course has ambitious plans for development in line with our 2030 Vision.

Diversity. The appointment of a Disability Ministry Enabler has been an exciting development for the LDF. Alongside raising the profile of issues of disability across ministry and mission, the Enabler is

asking important questions in terms of accessibility in vocational discernment, in diocesan structures, in employment and through mission and ministry. Working with St Mellitus College and Holy Trinity Brompton, the Peter Stream and the newly piloting Caleb Stream has also widened accessibility across diversity in vocational discernment for ordained ministry. The number and percentage of people from UKME backgrounds entering training for ordination and being ordained has increased again in 2021, with 12 of the 49 ordained deacons (25%) UKME and 48 of the 201 in training (24%) UKME.

Ordained Ministry. The Nation Ministry Team have introduced a new shared discernment process for those seeking ordained ministry. It's early days, but the process has been well received by Area Directors of Ordinands and shows early signs of working well for candidates. Numbers putting themselves forward for ordination continue to be high, with a rich diversity of candidates. We continue to seek to raise the number of candidates from underrepresented groups.

Post Ordination Training has produced many challenges through the pandemic, not least for meeting and learning in person. However, we have capitalised on the situation and have put in train a major overhaul of POT to include a significant element of blended learning. Through the use of 'Moodle' we are able to offer high quality opportunities for learning and development which, in time, we hope to make available more widely.

Clergy Wellbeing continues to be a major concern for the LDF, which has become even more significant as a result of the pandemic. Much has been written on the increasing incidence of mental ill health during the pandemic. As a result we have focused on making Mental Health First Aid training available to clergy and lay leaders. Over 100 clergy have been trained as Mental Health First Aiders over the past year or so. In partnership with CCLA and 'Humantalk' we have developed a project to train one Mental Health First Aider in every parish in the diocese over the coming two years.

Models of Ministry. As we develop and explore new models of ministry in the context of 2030 Vision, the Bishop of London has appointed an Adviser in Self-Supporting Ministry. This new post is already making an impact amongst SSMs and will be key in advising the LDF on creative ways of undertaking ministry in the coming years.

Net Zero Strategy and Carbon Reporting

In 2020, the Church of England and Diocese of London adopted a target of net zero carbon by 2030. This sustains the LDF's commitment to caring for God's Creation, reflected in our Compassionate Communities ambition. The LDF is not required to make disclosures under Streamlined Energy and Carbon Reporting (SECR). However, the intention is for Directors' and Trustees' Reports to continue making voluntary disclosures, as new data is gathered. The LDF remains very active in promoting its environmental agenda. GHG (greenhouse gas) emissions in 2020 from the Diocese's 471 churches and their church halls totalled 10,900 tonnes CO₂e. Net of renewable energy but adjusted up for Covid lockdowns to enable inter-annual comparison, this translates to 14,400 T CO₂e: a record 31% below 2005 baseline. Equivalent annual energy use was down 22% from baseline.

GHG emissions from fuel and power in the LDF's Causton Street offices in 2021 totalled 55.2 tonnes gross CO₂e – 28% below 2019. Emissions net of renewable electricity were 18.1 tonnes, up 25%; partly reflecting a shift in the split between electricity and gas, due to the safety regimen on emerging from Covid lockdowns. At the beginning of 2022, Diocesan House was switched to a new net zero supplier (renewable electricity, offsetting of gas), returning the offices to net zero status. (The offsetting scheme adopted for gas until 2018 is no longer supported.)

The LDF is currently compiling an estate terrier of its c 500 operational housing properties; this includes baseline energy performance assessments, and a costed net zero carbon strategy. This follows programmes of heating upgrades, insulation and double glazing. A net zero strategy for investment property is also being developed.

Running an effective organisation

Underpinning the key objectives and purposes of the LDF is the running of an effective organisation to support the mission and growth of the church in London.

The effectiveness of the LDF continues to be demonstrated through a wide range of areas, for example:

- smooth running of governance bodies and committee meetings, which transitioned well to virtual meetings during 2020 and continued to be virtual in 2021;
- regular reporting to senior staff and trustees;
- regular financial reporting, including accurate and timely budgeting and management accounting;
- risk management and compliance with legal and regulatory requirements;
- efficient process of receiving and agreeing Common Fund offers, as well as the monitoring receipt of Common Fund pledges;
- targeted support to parishes and clergy.

Financial Review

Financial summary

Total income increased by £3.4m to £47.8m in 2021 from £44.4m in 2020. We are grateful for the continuing generosity of the thousands of people who give to their parish and in turn to parishes that contribute to the Common Fund. This, together with continued use of our capital assets to generate additional income, enables the work of the LDF in funding stipends and housing for clergy across the Diocese. 's work and the. During the year, £2.7m (2020: £2.6m) was drawn down from the restricted Strategic Development funding awarded by the Church Commissioners.

Total resources expended increased by £2.3m to £49.5m in 2021 from £47.2m in 2020, mainly due to cost of living and inflationary increases on expenditure.

The property team continued to manage the LDF's properties, providing the best possible service to clergy and parishes and maximising revenue from investment property and operational property temporarily not in use. Included in the activity were £8.8m of realised gains (2020: £16.7m) on tangible fixed assets, resulting from the reshaping of the property portfolio: a substantial part of this gain was reinvested in property as part of that reshaping. Operational properties are held at cost in the accounts and so the gains on sale represent the increase in value of the asset over the time it has been owned by the LDF, which in some cases was several decades.

Net expenditure for the year before investment gains, and other recognised gains and losses, across all funds was £1.7m (2020: net expenditure of £2.8m).

The following table shows an overall increase in net assets of £28.8m for the year to £516.0m (2020: £487.2m).

	2021 £m	2020 £m
Net expenditure	(1.7)	(2.8)
Pension deficit movements	0.6	(0.1)
<i>Sub-total</i>	<i>(1.1)</i>	<i>(2.9)</i>
Other recognised gains and losses:		
Net gains/(losses) on investments	6.5	(0.5)
Unrealised gains on tangible fixed assets	14.6	1.1
Realised gains on tangible fixed assets	8.8	16.7
<i>Net movement in funds for the year</i>	28.8	14.4
Balances as at 1st January	487.2	472.8
Balances as at 31st December	516.0	487.2

Budget and outlook for 2022

The Covid-19 pandemic continued to have a profound effect on the activities of the LDF and London parishes during 2021. As the prime purpose of the LDF is to support the mission and growth of the church in London, it has been an important time for the LDF to be able to support the clergy and parishes in the Diocese.

A deficit budget for the general fund has been set for 2022. It remains the aim of the LDF to have objectives which are affordable and sustainable. While the budgets for the past decade have been balanced, it was already clear, pre-Covid, that significant challenges lay ahead. Costs were expected to increase with inflation while increases in Common Fund pledges were not keeping pace. This challenge has been exacerbated by the Covid-19 pandemic as parishes are under increasing financial pressure. This is informing the current work being undertaken to plan for the future. Due to wise stewardship in the past the LDF is fortunate to have reserves which are being used to fund the deficits in the short term. In spending these reserves to cover the general fund deficit, they are no longer available to generate investment income nor to fund some of the other proposed projects of the LDF.

In the course of preparing the 2022 budget the trustees and senior management undertook a comprehensive review of all services and costs during the course of 2021 in order to agree the most appropriate organisational structure and priorities for future years. While it is hoped to return to balanced budgets within the next couple of years, having reviewed cash reserves and financial projections, the Trustees are confident that the LDF finances are sufficiently robust to weather this ongoing uncertainty, and the Trustees have no doubts over the continued operation of the LDF.

In the midst of this extraordinary crisis, we look to deepen trust and dependence on God and to encourage each other in prayer and faith.

Policies

Reserves policy and management

At the end of the year to 31 December 2021 the LDF held net assets of £516.0m (2020: £487.2m), split between the various funds as shown in the table below:

Fund categories	2021 £m	2020 £m
General	8.1	5.1
Designated	170.6	160.9
Restricted	30.0	27.7
Endowment	307.3	293.5

General reserves are held to finance working capital requirements (principally stipends, salaries and property costs) not matched by simultaneous receipt of Common Fund and investment income. The policy was revised in 2020 in response to the greater financial volatility and uncertainty caused by the Covid-19 pandemic. Previously the policy was that General Fund (or free) reserves (unrestricted and undesignated) equivalent to approximately one month's expenditure should be held in cash or near cash. The policy from July 2020 is to hold General Fund reserves of c.£5.1m, which was calculated by reference to the expected deficits and the need for greater resilience over the next few years.

General reserves at 31 December 2021 were £8.1m (2020: £5.1m) which is higher than the level agreed under the current policy. The level of reserves of £8.1m is considered to be appropriate for the time-being due to the ongoing economic uncertainty, the high levels of inflation, and the expected operating deficits. The level will be reviewed in 2022 as part of a wider review of the LDF's financial strategy.

Designated reserves to the value of £170.6m (2020: £160.9m) are in four principal groups: clergy housing, investment property, clergy pension deficit reserve, and other funds, as follows:

- Operational property used to house clergy of £71.1m (2020: £66.9m).
- Investment property of £80.5m (2020: £64.5m), used to generate income for the following purposes:
 - To mitigate financial risk, such as significant changes in the environment in which the LDF operates and to protect the LDF from insolvency or serious disruption to its work.
 - To aid an equitable balance of expenditure between generations. Many of the assets used by the LDF today were provided by past generations and there is a need to preserve these assets for future generations.
 - To supplement the Common Fund in furtherance of the LDF's charitable objectives.
- The clergy pension deficit reserve which now stands in deficit of £1.0m (2020: deficit of £1.9m). Further details can be found within note 15(b).
- Other designated funds include the Diocesan Loan Capital fund of £2.2m (2020: £2.2m) used to provide loans to parishes, often to enable them to undertake major capital projects that would otherwise not be able to proceed and a Capital Vision 2020 reserve, which at 31 December 2021, had a value of £82k (2020: £0.4m). More information can be found in Note 13a.
- The remainder of the designated funds have a value of £17.8m (2020: £29.2m), many of which are gradually being exhausted as they are expended for the purposes for which they were designated. Some of these funds may be replenished over time by further donations and designations. More information can be found in Note 13a.

Restricted reserves with a value of £30.0m (2020: £27.7m) are restricted in their application in accordance with conditions specified by the donors, the main reserves being Sole Trust Expendable Funds, Closed Church Buildings Operational Property and Closed Church Buildings Investment Property. The funds include those managed by the Angola, London and Mozambique Association (ALMA) of £2.0m (2020: £1.8m).

Endowment reserves with a value of £307.3m (2020: £293.5m) mainly comprise of restricted expendable endowment funds. These include glebe assets, consisting of historic endowment land given to provide stipends for parochial clergy, now owned and managed by LDF, and Parsonage House capital, representing the net book value of freehold and leasehold benefice houses.

Investment policy and performance

The LDF regularly reviews its investment policy and receives periodic guidance from its Non-Property Investment Guidance Group and from the Property Guidance Group.

The overarching investment objective is to seek the maximum return over the long term, taking into account both income and capital appreciation, with minimum risk to the real value of the assets.

Targets set for the strategic allocation of assets between different classes of investment reflect the trustees' views on achieving the appropriate balance between returns and risks.

In relation to non-property investments the LDF currently seeks an income return of at least 3.5%, whilst at least maintaining the capital value of its non-property investments in real terms. The distribution yield in blended aggregate met the nominal target in 2021.

The LDF has an ethical investment policy that applies primarily to its non-property investments. The policy, agreed in 2019, is that the LDF will invest only in investment funds that have exclusions as set out in the table below. In instances where fund managers have such exclusions by practice rather than by policy, the LDF will continue to engage regularly with the fund managers and review the portfolio. It is recognised that there are few funds that comply entirely with these requirements, and therefore in practice the LDF policy identifies two distinct categories:

- Absolute requirements: these are areas where the LDF will not invest unless the investment managers meet the exclusion levels set.
- Preference: areas where the LDF would expect managers to align to the exclusions, but the LDF may choose to invest with managers who do not fully align. These would be considered on a case-by-case basis, and each decision, and the rationale, would be fully documented.

LDF stance	Investment type/requirement	LDF Policy*
LDF absolute requirement	Arms - indiscriminate weaponry - conventional weaponry	Total exclusion 10% revenue exclusion
	Pornography	3% revenue exclusion
	Tobacco	10% revenue exclusion
	Gambling	10% revenue exclusion
	UNPRI	Signatories to UNPRI
	UK Stewardship Code	Adopted UK Stewardship Code
LDF preference	High interest lending	10% revenue exclusion
	Tar sands/thermal coal	10% revenue exclusion

**Revenue exclusions prohibit individual underlying holdings which generate revenue in excess of the stated rate from the specified investment category.*

During 2021, attention has been drawn to climate change and the environment, particularly through the hosting by the UK of COP 26. The LDF is reconsidering the ethical investment policy to make sure it has kept pace with changes, in particular the issue of divestment from companies associated with fossil fuel extraction. It plans to agree an updated policy in 2022.

Investment returns

Investment property

The strategic work to reshape the investment property portfolio continues as we look to increase the level of income we generate from the asset base. This work commenced in 2013, when net income of £1.3m was generated. Investment property net income is now expected to be in excess of £3m. From 2018, further steps have been taken to develop the portfolio, by selling relatively low yield properties and reinvesting the proceeds in higher yield properties. In total the investment property portfolio generated net income in excess of £3.6m in 2021 (2020: £3.4m).

In addition, the portfolio has seen significant capital growth. During 2021, the asset base has increased from £104.2m to £126.3m.

Equity Investments

Investments in equities, fixed interest securities and other quoted securities amounted to £51.4m (2020: £45.1m). In 2020 the LDF chose to dispose of some units of the CCLA Investment fund to the value of £4.3m, in order to increase liquidity but there was no need to make any further disposals in 2021. During 2021 there was a reallocation of assets by fund. Gains of £6.5m (2020: losses of £0.6m) were recorded and investment income of £1.7m (2020: £1.5m) received.

The gains in the capital value of the above investments, of the order of 14.9% were ahead of the movement in the value of the FTSE all-share index, which grew by 14.5% in 2021. As a result of the Covid-19 pandemic, as well as the more recent invasion of Ukraine, global markets have seen significant volatility in share value. LDF investments are held with a view to long term growth and income generation. In addition, initial indications from LDFs investment managers suggest that active management of the funds should actively manage the risks.

	2021 %	2020 %	2019 %	2018 %	2017 %
Historical gains/(losses) on LDF investments	14.9	1.3	19.9	(11.2)	7.5
Historical gains/(losses) on FTSE all-share index	14.5	(12.5)	14.0	(12.3)	7.7

Valuation of operational property assets

The majority of the operational property assets are held for the long-term use of the LDF, rather than for re-sale, and are valued in the accounts at their deemed cost in accordance with the provisions of FRS 102.

Pension schemes

Church of England Funded Pension Scheme – Clergy: Since 1 January 2015, the LDF's contribution rate has been 39.9% of pensionable stipends, of which 14.1% was in respect of the shortfall in the Scheme and 25.8% in respect of future benefits and the day-to-day expenses of running the Scheme. Since 1 January 2018 the percentages are now 11.9% and 28% respectively, with the total contribution rate still 39.9%. From January 2021, the deficit repair contribution is 7.1%, but the current service contribution is 32.8%, so still an overall contribution rate of 39.9%. This is changing in April 2022 so that the overall contribution rate will be 36%.

In these financial statements we have included as a liability the present value of the agreed deficit contributions towards the clergy pension scheme, which at 31 December 2021 was £1m (2020: £1.9m).

Lay Church Workers' Pension Fund:

From January to March 2021, the LDF contributed at a rate of 33.6% of pensionable salary. This increased to 36.3% in April 2021. The final salary section was closed to future accrual on 31 December 2021 with all members transferring to the PB14 section, a defined contribution scheme, from 1 January 2022.

Lay Defined Contribution Scheme:

Since the lay CWPF closed to new members in 2008, the LDF has a defined contribution pension scheme for lay staff which is currently managed by Aviva.

Risk management

The Senior Management Group and the Archdeacons regularly consider, evaluate and record the major areas of risk to which the LDF is exposed, assessing both the likelihood and impact of those risks crystallising, together with measures to manage and mitigate such risks.

The process of identification and assessment of risk, the risks identified and the measures for mitigation are reviewed at least annually by the Audit and Risk Committee. The risk register is available for inspection by all directors and trustees. As part of new directors' and trustees' induction, details of the risk management process are provided. A formal report on risk management is considered by the Bishop's Council annually.

In March 2020, the effects of the Covid-19 virus pandemic started to be felt in the UK. In accordance with the government guidance, the LDF put measures in place to protect the welfare of its staff and stakeholders.

The LDF has continued to adapt to changing restrictions and guidance during 2021. Staff have returned to the office on a hybrid basis when possible, and churches have reopened for worship, implementing local measures as appropriate.

The risks which are currently assessed as scoring highest, and the plans to address them, include:

- **Current abuse of a child or a vulnerable adult in the Diocese** results in reduced trust and negative impact on the victims.
Mitigation includes having an independently audited safeguarding programme, which is professionally run. We aim to have safeguarding officers and children's champions in every relevant parish.
- **Historic abuse of a child or a vulnerable adult in the Diocese** results in reduced trust and negative impact on the victims.
Mitigation includes regular reporting to the Diocesan Safeguarding Team, the ongoing Past Cases Review 2 and the support of an independently audited safeguarding programme.
- **Nationally divisive issues** lead to loss of clergy and/or congregations and finances.
Mitigation includes strong episcopal leadership and professional support in handling difficult issues.
- **Appointment of clergy** who weaken the missional and financial health of parishes.
Mitigation includes seeking the fullest possible information about candidates for posts and ensuring that knowledge about parish opportunities is shared in a timely fashion.
- **Common Fund** system loses support from PCCs, or there is an inability to sustain sufficient incremental increases each year, resulting in insufficient income to cover committed LDF budget.
Mitigation includes annual Common Fund presentations to engage parishes and provide support where necessary. Existing trends are reviewed regularly alongside consideration of parishes' future capacity to sustain Common Fund increases. Targeted interventions are carried out as necessary with concerned parishes.

Funds held as custodian trustee

The LDF is custodian trustee for trust assets of £20.7m (2020: £19.1m). Most of these trusts are held on behalf of parishes whose charitable purposes are broadly parallel to those of the LDF. Assets held under these trusts are held separately from those of the LDF. Detailed certificates of holdings as at 31 December 2021 have been sent to parishes and other managing trustees.

Other matters

The LDF also supports connected charities, one of which is the London Diocesan Board for Schools, with whom facilities to the value of £339k (2020: £287k) are shared at London Diocesan House, and to whom a cash grant of £171k was made in 2021 (2020: £180k).

Other support is provided to parishes in the form of grants and loans. In 2020 grants to London parishes totalled £1.6m (2020: £1.3m).

Plans for future periods

We believe that the effect of the Covid-19 pandemic will continue to be felt for months if not years to come and we will continue to support London parishes and worshipping communities through this time. However, our aim to support the mission and growth of the Church in London in the years ahead remains and is given new expression through our 2030 Vision. We will continue to work through the outworking of this Vision over future periods.

Going concern

The trustees have reviewed the charity's financial position, particularly in light of the ongoing Covid-19 pandemic. While it is expected that the LDF may experience a reduction in the level of income received, particularly in respect of Common Fund received from parishes, detailed reviews of the LDF cash flows and forecasts show that it is expected that the LDF has sufficient cash levels to operate successfully for the foreseeable future. Therefore, taking account of the satisfactory levels of reserves and cash, the annual plan and the five-year financial plan, and our systems of financial and risk management, it is the trustees' opinion that the charity is well placed to manage operational and financial risks successfully.

Accordingly, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future and do not believe that there are any material uncertainties as to the going concern of the charity. Therefore, the trustees are content that the charity continues to adopt the going concern basis of accounting in preparing the annual accounts.

Governance, structure and management

The Diocese of London

The Diocese of London was founded in Roman times and was re-founded in 604 by St Mellitus. In its current form, it covers 18 boroughs in Greater London and Surrey, north of the River Thames and west of the River Lea. It serves over six million people in 277 square miles.

The Diocese is led by the Bishop of London, the Rt Revd and Rt Hon Dame Sarah Mullally. The Bishop of London has delegated certain powers to four area bishops, the Bishops of Edmonton, Kensington, Stepney and Willesden, and two Suffragan bishops, the Bishops of Fulham and Islington.

There is an archdeacon for each of the episcopal areas. There is also an Archdeacon of London and an Archdeacon of Charing Cross, for the Two Cities area which is led by the Bishop of London.

There are 21 deaneries within the Diocese. Each deanery consists of between 10 and 26 parishes; there are approximately 400 parishes in the Diocese, each of which is governed by a Parochial Church Council (PCC). The PCC is made up of the incumbent as chair, the churchwardens and a number of other ex officio, elected and possibly also, co-opted members. Each PCC is a corporate body and a separate charity. PCCs are responsible for, inter alia, the maintenance of churches and certain other buildings. Except where shown, the transactions of PCCs do not form part of these financial statements. In total, the PCCs across London had unrestricted income of £91m in 2020 (£115m in 2019).

The statutory governing body of the Diocese is its Synod, which is a largely elected body with representation from all parts of the Diocese. The Diocese conducts its financial and operational affairs through a number of corporate bodies, the main ones being the London Diocesan Fund (LDF) – relating to churches - and the London Diocesan Board for Schools (LDBS), an independent registered charity – relating to schools.

The London Diocesan Fund

The LDF is a company limited by guarantee and registered in England & Wales (150856). It is also a registered charity (241083). Its registered and principal office is at London Diocesan House, 36 Causton Street, London SW1P 4AU. The LDF was incorporated in England & Wales on 29 June 1918.

All members of the Bishop's Council are directors of the company for the purposes of the Companies Act 2006 and are trustees under charity law.

Management and senior staff

The bishops and archdeacons exercise day to day oversight of the Diocese. Mr Richard Gough is the General Secretary and also acts as secretary to the Bishop's Council.

Some Senior Management Group (SMG) members have the title Director in their job titles but they are not directors of the LDF for the purposes of company law nor are they trustees of the charity. The SMG comprises:

General Secretary:	Mr Richard Gough
Director of Housing and Investment Property:	Mr William Hagger
Director of Human Resources and Safeguarding:	Mrs Suzanne Long
Director of Finance and Operations:	Mr Christopher Harris
Director of Parish Property Support	Mr Kevin Rogers
Director of Strategy and Communications:	Mr Angus Stephenson

Remuneration

The HR Committee (formerly named the Remuneration Committee) meets at least annually to provide assurance to the Diocesan Finance Committee (DFC) that the LDF has appropriate remuneration procedures in place and to oversee issues relating to the remuneration of all LDF clergy and staff. It makes recommendations to the DFC regarding the LDF's remuneration policy and pay increases.

Statutory functions

The LDF has a statutory responsibility for management of glebe assets (historic endowment land given to provide stipends for parochial clergy, now owned and managed by LDF), to generate income to support the cost of stipends. It is the Diocesan authority for parochial and other trusts, and also discharges the responsibilities of the Diocesan Parsonages Board.

Charity Governance Code

The LDF has incorporated the 'Charity Governance Code' as a key tool in its governance management framework. At each meeting of the charity's Audit and Risk Committee a section of the Code is reviewed and the LDF's application of it assessed. The aim is to develop and embed the Code's principles and practices in the organisation's operations. During the course of the year, as a result of the reviews undertaken of the Code, a Board Effectiveness Review was conducted by an external organisation.

Principal activities

The principal activity of the LDF is to serve and support the parishes and people within the Diocese in their mission of proclaiming the Gospel of Jesus Christ.

It does this operationally through the provision of stipend and housing to parish clergy and chaplains and supporting their ministry.

Ministry and associated costs, including property, account for the majority of the LDF's expenditure. This is financed principally by the collection of voluntary income from the parishes, termed 'Common Fund', supplemented by rental and investment income.

Grants are awarded to parishes by the Area Councils and to mission initiatives by the Bishop of London's Mission Fund (BLMF), which is a designated fund within the LDF.

The LDF also acts as custodian trustee and as agent to other boards, committees and trusts within the London Diocese.

Fundraising

The LDF fundraising plan incorporates three streams:

- To provide parishes with advice and guidance to encourage them to adhere to best practise in their fundraising activities.
- To drive campaigns around specific and strategic fundraising needs.
- To support and enable strategic relationship management.

The LDF does not engage with any direct marketing activities, nor does it share or purchase any donor data with or from third parties. The LDF occasionally engages with independent professional fundraisers and if so will always ensure there is an appropriate contract in place. The LDF has signed up to the regulation scheme established by the Fundraising Regulator. No complaints regarding fundraising have been received.

Public benefit of activities

The trustees have a statutory duty under the Charities Act 2011 to have regard to the guidance issued from time to time by the Charity Commission. The trustees have noted the Charity Commission's guidance *Charities and Public Benefit* and have regard to this in making relevant decisions. Guidance was included in the Trustee Induction material distributed to the Diocesan Bishop's Council in Spring 2022. The trustees believe that this report, taken as a whole, provides evidence of the public benefit of the charity's work in 2021.

The trustees believe that, by promoting the work of the Church of England in the Diocese of London, the LDF helps to promote the whole mission of the Church, including its pastoral, evangelistic, social and ecumenical aspects more effectively, both in the Diocese as a whole and in its individual parishes. The principal public benefits of the LDF are the advancement of the Christian religion by supporting ministers of religion and others who lead, encourage and support members of the various and diverse communities of the world city of London by and in:

- the provision of public worship and ceremonies
- the moral and spiritual improvement of the public
- the provision of comfort to the bereaved and distressed
- contributing towards a better society, by promoting social cohesion and social capital
- contributing to the spiritual and moral education of children
- carrying out, as a practical expression of religious belief, other activities to meet needs
- contributing to good mental and physical health
- the provision and maintenance of sacred spaces, principally churches (many of which are listed buildings) and churchyards, open to the public and
- the provision of public spaces, such as church halls, as an expression of faith.

Parishes are independently registered charities, and therefore legally distinct from the LDF. However, the support provided to parishes by the LDF directly contributes towards their mission and ministry, and therefore how they provide public benefit. Parishes across the Diocese carry out diverse activities, including provision of night shelter work, debt advice, specialised ministries and numerous community projects.

Committees

The Diocesan Synod has appointed the Bishop's Council as the Diocesan Mission and Pastoral Committee. The Council has delegated certain powers to Area Councils and to the Diocesan Finance Committee (DFC). Additional members may be co-opted by these committees and councils or nominated by the Diocesan Bishop.

Diocesan Finance Committee

The DFC is a committee of the Bishop's Council. Its membership comprises laity and clergy. The DFC meets at least six times each year. The Bishop of London, the archdeacons, and the clerical and lay vice chairs of the Bishop's Council are ex officio members.

The DFC makes recommendations to the Bishop's Council on matters in connection with finance, property and staff business of the LDF.

Audit and Risk Committee

The Audit and Risk Committee (ARC) is a sub-committee of the Bishop's Council. Members are appointed by the Bishop's Council for three years. Its membership may be drawn from the Council, the Diocesan Synod, the DFC, and from outside bodies.

The ARC ensures that the LDF's financial control and regulatory and statutory reporting are effective, that their accounts are appropriately audited; that risks are appropriately identified, assessed and managed; and that incidences of actual or alleged malpractice and fraud are reported, and necessary action taken on them.

Trustee training

The trustees regularly review their knowledge, skills and experience. Appropriate training sessions are designed to address any gaps in skills and knowledge.

New trustees are provided with documentation outlining their main responsibilities and new trustee induction sessions are conducted each triennium.

Disclosure of information to auditors

Each trustee who held office at the date of approval of this trustees' report confirms that, so far as he or she is each aware, there is no relevant audit information of which the LDF's auditors are unaware, and that he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the LDF's auditors are aware of that information.

'Relevant audit information' means information needed by the LDF's auditors in connection with the preparation of their report.

In doing so, the trustees have made enquiries of their fellow directors and of the LDF's auditors and have taken such other steps (if any) for that purpose, as are required by their duty as directors of the LDF to exercise reasonable care, skill and diligence.

Statement of trustees' and directors' responsibilities in respect of the Trustees' Report and the Financial Statements

The trustees are responsible for preparing the Directors' and Trustees' Report, incorporating the Strategic Report and the financial statements in accordance with applicable law and regulations. Company law requires the trustees to prepare financial statements for each financial year in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company as at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for that financial year. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- 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 charity will continue in its activities; and
- observe the methods and principles in the Charities Statement of Recommended Practice.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In approving this trustees' report, the trustees are also approving the Strategic Report included here, in their capacity as company directors.

Jacqueline Driver

Jacqueline Driver
Chair of the Diocesan Finance Committee
5 May 2022

Appendices – committee membership and administrative details

Directors, Trustees and Members of the Diocesan Bishop's Council

All members of the Bishop's Council are directors and members of the company for the purposes of the Companies Acts and are trustees under charity law. The following members served during the period from 1 January 2021 until 5 May 2022, the date of approval of this report:

Chair

The Rt Revd and Rt Hon Dame Sarah E Mullally
DBE BSc MSc DSc (Hon) Bishop of
London

Lay & Clerical Vice Chairs

Mr Ade Adebajo (from 11/10/21)
Mr James P Normand, (until 31/7/21)
Diocesan Synod House of Laity
The Revd Christopher Trundle (from 20/09/21)
The Revd Jody Stowell, (until 04/12/21)
Diocesan Synod House of Clergy

Ex Officio

The Bishop of Stepney,
the Rt Revd Joanne Woolway Grenfell
The Bishop of Kensington,
the Rt Revd Dr Graham S Tomlin
The Bishop of Edmonton,
the Rt Revd Robert J Wickham
The Bishop of Willesden,
the Rt Revd Peter A Broadbent (until
30/9/21)
the Rt Revd Lusa Nsenga-Ngoy (from
25/1/22)
The Bishop of Fulham,
the Rt Revd Jonathan M R Baker
The Bishop of Islington,
the Rt Revd Ric C Thorpe
The Archdeacon of London,
the Ven Luke J Miller
The Archdeacon of Hackney,
the Ven Elizabeth Adekunle (until
13/8/21)
the Ven Peter Farley-Moore (from
10/4/22)
The Archdeacon of Middlesex,
the Ven Richard Frank
The Archdeacon of Hampstead,
the Ven John E I Hawkins
The Archdeacon of Northolt,
the Ven Catherine R Pickford
The Archdeacon of Charing Cross,
The Ven Adam Atkinson

The Dean of St Paul's Cathedral,
the Very Revd Dr David J Ison

Elected by the House of Laity, Diocesan Synod

Mr James Behrens (until 11/11/21)
Mr George Huntley (until 11/11/21)
Miss Susan Cooper
Dr Phillip Rice
Mr Stephen Garside (from 29/10/21)
Mr Jonathan Wolstenholme (from 29/10/21)
Mr Toby Partridge (from 29/10/21)

Nominated by the Bishop of London

Mr Richard N Perry
Ms Jacquie Driver (from 1/1/22)
Mr Paul Nicholas (from 13/2/22)

The following members were elected by the
Diocesan Synod members of the respective areas:

Two Cities

The Revd Canon Dr Alison J Joyce (until 11/11/21)
The Revd Kathryn Harrison (until 11/11/21)
The Revd Luke Ijaz (from 4/1/22)
Mr Brian O'Donoghue
Mr Jeremy Thomas
Mrs Sarah Finch
Mr Christopher Longden (until 11/11/21)
Mr Cedric Stephens (until 31/7/21)
Mr Zi Ken Toh (from 20/9/21)

Stepney

The Revd James Hughesdon (until 31/1/21)
The Revd Graham Hunter
Mrs Christina T Sosanya
Ms Josile Munro
Mr Peter Sinclair (from 4/1/22)

Kensington

The Revd William Rogers (until 11/11/21)
The Revd Andrew Downes (until 11/11/21)
The Revd Samuel McNally-Cross (from 11/10/21)
The Revd Samuel Follett (from 11/10/21)
Mr David Hurst

Mrs Sarah Tett
Mr Kenneth Riley
Ms Catrin Lee (until 17/1/21)

Edmonton

The Revd Christopher Smith (until 16/11/21)
The Revd Jonathan Kester (until 11/11/21)
The Revd Thomas Watts (from 11/11/21)
Mr Inigo R M Woolf
Dr Christopher R M Ward
Miss Amanda McIntyre
Miss Abimbola Sanu (until 11/11/21)
Mrs Margarita Barr-Hamilton (from 20/9/21)

Willesden

The Revd E A J Cargill Thompson (until 11/11/21)
The Revd Christopher Phillips (from 11/10/21)
The Revd Matthew Cashmore (from 11/10/21)
Mr John R Dolling
Mr Clive R Scowen
Mr Michael J Bithell (until 11/11/21)

Members are shown in the categories in which they are currently elected. They may previously have served as members in a different capacity.

Members of the Diocesan Finance Committee as at 5 May 2022

(also Members of the Bishop's Council)

The Archdeacon of London,
the Ven Luke J Miller
The Archdeacon of Hackney,
the Ven Peter Farley-Moore
The Archdeacon of Middlesex,
the Ven Richard Frank
The Archdeacon of Hampstead,
the Ven John E I Hawkins
The Archdeacon of Northolt,
The Ven Catherine R Pickford
The Archdeacon of Charing Cross,
The Ven Adam Atkinson
The Revd Christopher Trundle
Mr Ade Adebajo
Ms Jacquie Driver (Chair)
Mr Inigo R M Woolf
Mr David Hurst
Ms Josile Munro
Mr Clive Scowen

(not Members of the Bishop's Council)

Mr Andrew Garwood-Watkins
Mr Antonio Joseph
Mr Anthony Dixon
Mr Julian Desborough
Mr Michael Bithell
Mr Paul Nicholas
Mr Noel Manns
Mr Rich Spens
Mr Richard Myers
Ms Juliet Maggs

Members of the Audit and Risk Committee as at 5 May 2022

(also Members of the Bishop's Council)

Mr Richard N Perry (Chair)
Dr Phillip Rice

(not Members of the Bishop's Council)

Mr Don Bawtree
Mrs Elizabeth Marshall
Mr Mohan Yogendran
The Revd Owen Higgs
Mr Christopher Longden

The Bishop of London's Fund

Patron: The Most Revd and Rt Hon the Lord
Archbishop of Canterbury, Justin Welby
President: The Rt Revd and Rt Hon the Lord
Bishop of London
Dame Sarah E Mullally DBE BSc MSc DSc

Treasurer: Mr Inigo R M Woolf
The president and treasurer are ex officio trustees.

Other trustees of the Bishop of London's Fund

The Ven Luke J Miller
Mr David Roberts
Secretary: Mr Richard Gough

The Bishop of London's Fund (BLF) was established in 1863 and was incorporated by the Board of the Charity Commissioners for England and Wales under the Charitable Trustees Incorporation Act

1872 (since replaced by other legislation) on 7 July 1882.

The BLF is a registered charity (249021). The Finance Committee of the LDF constitutes its Executive Committee. Certain title and trust deeds are in the name of the BLF.

For day to day purposes and in accordance with a special resolution of 29 October 1918, its activities are subsumed into the LDF, with which it shares common objectives. The majority of the BLF's assets were transferred to the LDF in the last century.

The London Diocesan Board of Finance

President and Chair: The Rt Revd and Rt Hon the
Lord Bishop of London
The Rt Revd and Rt Hon Dame Sarah E
Mullally DBE BSc MSc DSc

Trustees: The Trustees of the LDF
Secretary: Mr Richard Gough

The London Diocesan Board of Finance (LDBF) was registered in England as a company limited by guarantee on 30 April 1914. The Diocesan Boards of Finance Measure 1925 provides that every Diocese in the Church of England should have a DBF. It stipulates however that those Dioceses with existing trust bodies (provided they are incorporated under the Companies Acts) are allowed to use these bodies to carry out the functions of the DBF.

Clause 3(c) of the Memorandum of Association of the LDF (company number 150856) formed in 1918 specifically empowers the LDF to carry out (inter alia) all of the functions of the LDBF. The Articles of Association of the LDBF were amended on 7 June 1926 to amalgamate the functions of the DBF into the LDF, except anything which was unable to be amalgamated because of statutory provisions.

The LDBF is a registered charity (249022) and a company limited by guarantee (135519).

Professional Advisers

Auditors

Haysmacintyre LLP
10 Queen Street Place,
London EC4R 1AG

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Insurers

Ecclesiastical Insurance
Group PLC
Beaufort House
Brunswick Road
Gloucester GL1 1JZ

Solicitors

Birketts LLP
106 Leadenhall Street
London EC3A 4AA

Communications Consultants

Luther Pendragon Limited
3 Priory Court
Pilgrim Street
London EC4V 6DR

Independent Auditors' Report to the Members of the London Diocesan Fund

Opinion

We have audited the financial statements of London Diocesan Fund for the year ended 31 December 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the Summary Income and Expenditure Account, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2021 and of the 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 charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' 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' Report (which includes the strategic report and the 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 within the Trustees' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report (which incorporates the strategic report and the directors' report).

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

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

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 23, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the charitable company and the environment in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and the Charities Act 2011 and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered other factors such as income tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and concluded that the risk was low. Audit procedures performed by the engagement team included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their critical accounting estimates

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.

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.



Adam Halsey
(Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP, Statutory Auditors
Date: 5 May 2022

10 Queen Street Place
London EC4R 1AG

Statement of Financial Activities – for the year to 31 December 2021

		Unrestricted Funds		Restricted Funds	Endowment Funds	Total 2021	Total 2020
		General	Designated				
		£m	£m	£m	£m	£m	£m
Income and endowments from	Notes						
<i>Donations, legacies & grants</i>							
Common Fund		21.6	-	-	-	21.6	22.6
Parish reimbursements for clergy costs		4.1	-	-	-	4.1	4.2
Donations and legacies		0.6	0.1	0.8	-	1.5	1.3
Church Commissioners'				5.6	-	5.6	5.1
City Church Fund		4.7	-	-	-	4.7	2.1
<i>Charitable activities</i>							
Operational property rental income		3.1	-	0.1	-	3.2	2.9
Parochial fees		0.4	-	-	-	0.4	0.3
<i>Investment Income</i>							
Dividends and interest receivable	11a	1.5	-	0.2	-	1.7	1.5
Investment property rentals	11b	4.3	-	-	-	4.3	3.9
<i>Other income</i>		-	0.1	0.6	-	0.7	0.7
Total income		40.3	0.2	7.3	-	47.8	44.4
Expenditure on							
<i>Raising funds</i>							
<i>Investment management costs</i>							
Rental portfolio costs-agent fees		0.4	-	-	-	0.4	0.4
Investment property repairs and maintenance		0.6	0.1	1.0	0.1	1.8	1.9
<i>Charitable activities</i>							
Ministry		25.1	0.4	5.5	-	31.0	29.4
Education and outreach		0.8	-	-	-	0.8	0.7
Parish and Area support services		1.8	0.1	0.3	-	2.2	1.9
Clergy housing and property costs		7.3	0.2	0.4	-	7.9	7.6
National Church		3.0	-	-	-	3.0	3.1
Grants to parishes and overseas	6	0.3	0.8	0.8	-	1.9	1.6
<i>Other expenditure</i>		-	0.4	0.1	-	0.5	0.6
Total expenditure	5	39.3	2.0	8.1	0.1	49.5	47.2
Net income/(expenditure) before investment gains		1.0	(1.8)	(0.8)	(0.1)	(1.7)	(2.8)
Realised gains on tangible fixed assets		-	2.0	0.9	5.9	8.8	16.7
Net gains/(losses) on investments	8	2.7	1.1	1.1	1.6	6.5	(0.5)
Net incoming resources for the year		3.7	1.3	1.2	7.4	13.6	13.4
Transfers between funds	13d	(0.7)	0.6	(0.1)	0.2	-	-
Other recognised (losses)/gains							
Pension deficit movement		-	0.6	-	-	0.6	(0.1)
Unrealised (losses)/gains on tangible fixed assets	7a & 7b	-	7.2	1.2	6.2	14.6	1.1
Net movement in funds for the year		3.0	9.7	2.3	13.8	28.8	14.4
Reconciliation of funds:							
Funds at 1 January 2021		5.1	160.9	27.7	293.5	487.2	472.8
Funds at 31 December 2021		8.1	170.6	30.0	307.3	516.0	487.2

The Cash Flow Statement and Notes on pages 29 to 63 form part of these financial statements.

Balance Sheet – as at 31 December 2021
Company number: 150856

		Unrestricted Funds		Restricted Funds	Endowment Funds	Total 2021	Total 2020
		General	Designated				
		£m	£m	£m	£m	£m	£m
	Notes						
Fixed Assets							
Operational property	7a	-	80.1	2.2	245.9	328.2	323.7
Investment property	7b	-	80.5	11.2	34.6	126.3	104.2
Non-property investments	8	20.3	8.5	8.8	13.8	51.4	45.1
Fixtures and fittings		0.2	-	-	-	0.2	0.2
		20.5	169.1	22.2	294.3	506.1	473.2
Current Assets							
Debtors	10a	2.6	2.0	0.2	-	4.8	13.2
Cash at bank		(10.4)	10.7	8.2	13.0	21.5	18.0
		(7.8)	12.7	8.4	13.0	26.3	31.2
Creditors							
Amounts falling due within one year	12	(4.6)	(1.3)	(0.6)	-	(6.5)	(5.7)
Net Current Assets		(12.4)	11.4	7.8	13.0	19.8	25.5
Total assets less current liabilities		8.1	180.5	30.0	307.3	525.9	498.7
Creditors – amounts falling due after one year							
Pension scheme liabilities	15	-	(1.0)	-	-	(1.0)	(2.6)
Other creditors	12	-	(8.9)	-	-	(8.9)	(8.9)
Net Assets		8.1	170.6	30.0	307.3	516.0	487.2
Funds							
General		8.1	-	-	-	8.1	5.1
Designated	13a	-	170.6	-	-	170.6	160.9
Restricted	13b	-	-	30.0	-	30.0	27.7
Endowment	13c	-	-	-	307.3	307.3	293.5
Total Funds		8.1	170.6	30.0	307.3	516.0	487.2

The financial statements on pages 27 to 63 were approved, and authorised for issue, by the Diocesan Bishop's Council on 5 May 2022.

Jacqueline Driver

Jacqueline Driver
Chair of the Diocesan Finance Committee

Christopher Trundle

The Revd Christopher Trundle
Clerical Vice-Chair of Bishop's Council

Summary income and expenditure account – for the year to 31 December 2021

	2021 £m	2020 £m
Income	47.8	44.4
Expenditure	(49.4)	(47.0)
Net (expenditure) before investment gains	(1.6)	(2.6)
Net gains on investments	4.9	1.5
Realised gains on property assets	2.9	12.6
Net income /(expenditure) for the year	6.2	11.5
Other comprehensive income:		
Unrealised gains on property assets	8.4	2.7
Net movement on defined benefit pension schemes	0.6	(0.1)
Total comprehensive income	15.2	14.1

All incoming and expended resources relate to continuing operations.

The Summary Income and Expenditure Account is derived from the Statement of Financial Activities on page 27 with movements in endowment funds excluded to comply with company law.

Cash flow statement – for the year 31 December 2021

		2021 £m	2020 £m
	Notes		
Net cash inflow/(outflow) from operating activities	14a	(0.5)	(16.4)
Net cash (outflows)/inflows from investing activities	14b	3.9	26.0
Increase/(Reduction) in cash in the year		3.4	9.6
Cash and cash equivalents			
As at 1 January		18.0	8.4
As at 31 December		21.5	18.0

The notes on pages 30 to 63 form part of these financial statements.

Notes to the financial statements

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2015) (Second Edition, effective 1 January 2019) and with regard to the Diocesan Annual Report and Financial Statements Guide (v5. 2015).

The accounts comply with the Charities Act 2011 and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently except as stated, is set out below.

1.1 Basis of preparation

The LDF prepares its annual financial statements on the historical cost basis of accounting as adjusted for the revaluation of investments and investment properties. The financial statements are prepared on a going concern basis (see page 15).

1.2 Key judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- non-depreciation of fixed assets as per accounting policy (see note 1.7)
- pension scheme liabilities (see note 15)

1.3 Funds

The LDF has various types of fund for which it is responsible and which require separate disclosure. Note 13 shows the balances and movements on each fund together with details of their uses. The directors' and trustees' report gives an overview of the LDF's Reserves Policy.

Unrestricted Funds

Unrestricted funds arise from all the accumulated surpluses and deficits in the provision of general charitable activities:

- General Funds
- Designated Funds (note 13a)

The latter are funds earmarked by the LDF trustees for a specific purpose. The trustees have discretion over the purpose and use of the funds. They can be re-allocated or otherwise undesignated without reference to outside agencies.

Restricted Funds (note 13b)

These are funds subject to specific conditions imposed by the donor or by the specific terms of a trust deed or other legal measure. Income and expenditure on restricted funds are taken directly to those in the Statement of Financial Activities except to the extent that income is freely available for the general purpose of the LDF.

Endowment Funds (note 13c)

Permanent endowment capital must be held permanently, whereas expendable endowment capital can be used but only in certain circumstances. Income arising is included in general or restricted funds depending on the terms of the trust instrument.

Notes to the financial statements

1.4 Taxation status

The LDF is a registered charity and as such is able to take advantage of exemptions granted under the relevant tax legislation including part 10 of the Income Tax Act 2007. It is not liable to corporation tax on charitable income or income from charitable activities.

1.5 Pensions

The LDF participates in two defined benefit pension schemes: the Church of England Defined Benefit Scheme (DBS), for some of its lay employees but now closed to new joiners and future accrual, and the Church of England Pensions Scheme, for clergy. The schemes are considered to be multi-employer schemes as described in Section 28 of FRS 102. This means that it is not possible to attribute the Schemes' 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, plus any impact of the deficit contributions. Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability.

1.6 Statement of Financial Activities

All material income and expenditure is accounted for on an accruals basis.

<u>Income</u>	<u>Explanation</u>
Donations, legacies and grants	
Common Fund	Contributions paid by the churches in the Diocese of London to the LDF
Parish reimbursements for clergy costs	Amounts received in respect of clergy involved in largely local initiatives, financed directly by parishes or other institutions
Donations	Gifts from external organisations and individuals
Church Commissioners	Grant income from the Church Commissioners
City Church Fund	Grant income from the City Church Fund
Charitable Activities	
Operational property rental income	Operational property is usually held to house clergy. Where property is not used for this purpose in the short-term, it is let out at market rates to generate additional income. Designated and glebe operational rental income is receivable within general funds.
Parochial fees	Parochial fees are statutory charges for weddings and funerals, of which part is due to the local PCC, and part is due to the LDF. The LDF element is used to help fund the overall stipends bill.
Investment Income	
Dividends and interest receivable	Income arising is credited to the relevant funds on a receipts basis for dividends, and on an accruals basis for interest income.
Investment property rental income	Investment property is let out at the market rate. Designated and glebe investment rental income is receivable within general funds.

Notes to the financial statements

Expenditure

Explanation

Raising funds – investment management costs

Rental portfolio costs: agent fees	Agent fees paid in relation to the management of the property portfolio.
Investment property repairs and maintenance	Repairs and maintenance relating to the investment property portfolio.

Charitable activities

Ministry	Ministry primarily includes the payment of clergy stipends, national insurance and pension contributions.
Education and outreach	Annual cash grant to the London Diocesan Board for Schools plus direct costs related to children's ministry, community ministry and social justice.
Parish and area support services	Costs associated with the areas including office costs, senior clergy expenses and the costs of advisers.
Clergy housing and property costs	Clergy housing and property costs represents the repairs, maintenance, and other property costs associated with the operational property portfolio, and the relevant costs of the Diocesan Advisory Committee and property department. In accordance with the implementation of FRS 102, annual depreciation is no longer charged on benefice and operational freehold properties.
National Church	The LDF's contribution to the National Church's costs.
Grants to parishes and overseas	Grants made to London parishes and overseas Dioceses.

1.7 Tangible Fixed Assets

Property

Operational property is generally held at deemed historic cost and investment property at market value. Assets in the course of construction are held at cost.

(a) Benefice Houses

The LDF has adhered to the requirements of FRS 102 in its accounting treatment of benefice houses in following the substance of arrangements rather than their strict legal form. Although the LDF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over future use, the legal title and right to beneficial occupation is vested in the incumbent. The trustees therefore consider the most suitable accounting policy is to capitalise such properties as expendable endowment assets and, in line with the transitional arrangements under FRS 102, value such properties at deemed historic cost being the net book value as at 1 January 2015.

Depreciation

In accordance with the implementation of FRS 102, annual depreciation is not charged on benefice and operational, freehold properties. Until 2015, fixed assets were depreciated over their useful economic life as follows:

Benefice Houses	150 years
Other freehold properties	50 years
Leasehold properties	Lease term

Notes to the financial statements

(b) Burial Grounds

Burial grounds owned by the LDF are held at £nil value as the trustees believe that the cost of a practical valuation is onerous compared to any additional benefits to be gained. The LDF is unable to sell or change the use of any of these assets without reference to external organisations such as the Church Commissioners. These restrictions, together with the inherent difficulties of applying conventional property valuation methods, are all significant factors in the adoption of the valuation approach for this class of assets.

(c) Closed Church Buildings

Church buildings closed for regular public worship (referred to as 'Closed Church Buildings', and formerly known as 'Redundant Churches') are valued at suitable multiples of annual rental income where this is significant. Where this approach is not applicable, the asset is held at £nil value.

(d) Properties purchased using Church Commissioners' value linked loans

Properties purchased using Church Commissioners' value linked loans are valued at fair value at the balance sheet date, being estimated market value.

(e) Assets in the course of construction and major capital projects

Property costs over £10,000 are capitalised where there has been significant enhancement to the underlying assets. This means in practice that all major capital projects are capitalised.

(f) Fixtures, fittings and equipment

Fixtures, fittings and equipment additions under £10,000 are written off fully in the year of purchase. Items over £10,000 are capitalised.

Depreciation

Depreciation is charged on fixtures, fittings and equipment over four years, being their expected useful life.

1.8 Financial instruments

Financial assets measured at fair value comprise listed investments. Financial assets measured at amortised cost comprise contributions to the Common Fund, rent receivable, loans to parishes, loans to individuals and other debtors. Financial liabilities measured at amortised cost comprise parish loans payable, grants payable and other creditors. Financial liabilities measured at fair value comprise Church Commissioners' value linked loans.

1.9 Investments

Investment Property

The trustees' policy is that freehold and long leasehold properties held for investment purposes have been included at the trustees' best estimate of market value. In 2019 a detailed review of the LDF's investment property resulted in the vast majority of its investment property portfolio being professionally valued externally. Valuations were conducted by Cluttons LLP, Savills Plc and Strutt & Parker. Future external valuations will take place as required, in accordance with relevant accounting standards. Interim valuations are undertaken in intervening years by a suitably qualified officer of the LDF.

Investment property is not depreciated. Realised gains and losses on investment property are taken to the Statement of Financial Activities under the heading of realised gains/(losses) on tangible fixed assets.

Other Investments

Non-property investments are stated at fair value calculated by reference to the bid market value at 31 December. Realised gains or losses on disposal are calculated as the difference between disposal proceeds and carrying value.

Notes to the financial statements**1.10 Custodian Trusts**

Trusts where the LDF acts as custodian trustee with no control over the management or use of the funds are not included in the Balance sheet or Statement of Financial Activities of the LDF. A separate Balance sheet and Statement of Financial Activities is set out on page 66 with supporting notes on pages 67 to 69. The custodian trustee funds have been subject to a non-statutory audit and the audit report thereon covering pages 66 to 69 is to be found on page 70.

2. Post balance sheet events

There have been no material events to report since 31 December 2021 which affect the values stated in these accounts.

3. Net incoming resources for the financial year

The net incoming resources for the financial year is stated after charging	2021	2020
	£'000	£'000
Depreciation (release)/charge –property		-
Depreciation – fixtures, fittings and equipment	46	42
	46	42
Auditors' Remuneration (including VAT)		
Statutory audit	29	28
Non-Audit Services:		
■ Tax advice	12	3
■ Non-statutory review of Custodian Trusts	2	2
	43	33

4. Staff and Clergy Costs

<i>Costs of lay staff</i>	2021	2020
	£'000	£'000
Wages and Salaries	3,510	3,403
Employer's National Insurance	350	331
Employer's Pension contributions	822	743
	4,682	4,477
Charge to pension deficit (Lay staff pension scheme)		
<i>See note 15(a)</i>	609	(23)
	5,291	4,454

The Full Time Equivalent average number of lay people employed on diocesan business, and funded out of unrestricted general funds, was 65 (2020: 59). A further 23 Full Time Equivalent lay employees (2020: 25 were funded from restricted or designated funds. Therefore, the Full Time Equivalent average number of people employed was 88 (2020: 84).

Notes to the financial statements

4. Staff and Clergy Costs (continued)

The number of employees whose emoluments for the year exceeded £60,000 are as follows

	2021	2020
	No	No
£100,001 - £110,000	1	1
£90,001 - £100,000	1	-
£80,001 - £90,000	-	1
£70,001 - £80,000	3	3
£60,001 - £70,000	3	3

Emoluments, above, is defined as gross salary.

Aggregate employer normal pension contributions for all the higher-paid employees overleaf were £146,424 (2020: £115,505) payable to various pension schemes, of which £146,424 was payable to defined contribution pension schemes (2020: £115,505). There were 0 (2020: 0) higher-paid employees who were members of the defined benefit pension scheme.

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. For these purposes, key management are deemed to be the senior management group (see page 16) and the trustees.

Remuneration and pension for the Senior Management Group amounted to salary of £479,820 (2020: £436,518), Employer's NI of £59,484 (2020: £56,054) and Employer's pension contributions of £122,724 (2020: £108,451). Expenses reimbursed amounted to £3,516 (2020: £2,695).

Clergy costs

As at 31 December 2021 there were 2 individuals (2020: 2) who (following the implementation of the Ecclesiastical Offices (Terms of Service) Measure 2009 in February 2011) are legally employees of the LDF, despite being on the clergy payroll. Where their costs fall to the LDF, they are included in the clergy disclosure note below. In total for 2021, costs for those individuals who were included on the clergy payroll at any point in the year included gross stipends of £72,258 (2020: £75,182), employer's NI of £7,236 (2020: £6,474) and employer's pension contributions of £20,063 (2020: £29,503).

In addition, in 2021 there were 22 ordained clergy (2020: 27) who, whilst undertaking ministerial work, were required to be included in the LDF payroll. In total for 2021, their costs included gross stipends of £682,823 (2020: £707,558), employer's NI of £65,841 (2020: £65,849) and employer's pension contributions of £222,011 (2020: £222,011). These costs are excluded from the cost of lay staff on page 34.

Clergy holding parochial or archidiaconal posts

(including Common Fund clergy, off-Common Fund clergy and chaplains.)

	2021	2020
	£'000	£'000
Gross stipends	14,919	14,604
Employer's National Insurance contributions	1,219	1,189
Employer's pension contributions	5,494	5,340
	21,632	21,133
Average number of total stipendiary clergy posts	539	535
Number of total stipendiary clergy posts at 31 December	538	543

Notes to the financial statements**5. Governance costs and the allocation of Support Costs between Charitable Activities**

	2021	2020
	£'000	£'000
Support costs (<i>allocated below</i>)		
Salary and employment costs	2,370	2,076
Office costs	419	519
Governance costs	594	367
	3,383	2,962

Resources Expended

	Before allocation of support costs £'000	Support costs £'000	Total 2021 £'000	Total 2020 £'000
Raising funds				
<i>Investment management costs</i>				
Rental portfolio costs – agents fees	401	-	401	355
Investment property repairs and maintenance	1,620	76	1,696	1,822
Fundraising	-	-	-	1
	2,021	76	2,097	2,178
<i>Charitable activities</i>				
Ministry	29,797	1,096	30,893	29,429
Education and outreach	499	272	771	695
Parish and area support services	1,076	1,109	2,185	2,001
Clergy housing and property costs	7,149	734	7,883	7,628
National Church	3,037	-	3,037	3,086
Grants to parishes and overseas	1,804	96	1,900	1,599
Other expenditure	583	-	583	531
	45,966	3,383	49,349	47,147

Support costs are allocated based on full time equivalent (FTE) staff numbers as administrative costs primarily consist of salary and employment costs, subject to a de minimis threshold. Office costs that are incurred are directly attributable to the staff employed and are also analysed on this basis. In accordance with SORP 2015 governance costs of £593,000 (2020: £367,000) have been allocated on the same basis. Finally, residual administration costs are apportioned in proportion to expenditure.

Notes to the financial statements

6. Grants to Parishes and Overseas

Funding source:	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2021 £'000	Total 2020 £'000
<i>Grants to Parishes from:</i>						
Core funds	204	70	41	-	315	222
Area pastoral funds	-	313	-	-	313	207
Bishop of London's Mission Fund	-	110	-	-	110	192
Funds held for parish benefit	-	259	646	-	905	700
	204	752	687		1,643	1,321
<i>Overseas:</i>						
Angola and Mozambique (ALMA) and Lent projects	-	-	162	-	162	195
Grant administration allocation	95	-	-	-	96	84
	299	752	849	-	1,900	1,600

Grants from core funds represent funds awarded from primarily general fund sources such as Archdeacons Discretionary funds and other monies held to support parishes. The above monies funded grant awards to 91 institutions (2020: 72)

7a. Tangible Fixed Assets – Operational Property

Properties are valued in accordance with the accounting policies set out in note 1.

In accordance with transitional arrangements upon the implementation of FRS 102, first adopted in 2015, the LDF took advantage of the concession whereby benefice and operational houses, previously valued under UK GAAP at depreciated insurance value, are carried forward at deemed historical cost being the book value of these assets at 1 January 2015, with the exception of properties purchased using value linked loans (see page 38).

Notes to the financial statements

7a. Tangible Fixed Assets – Operational Property (continued)

	Unrestricted – designated funds			Restricted funds	Expendable endowment funds				
	Freehold Property	Long leasehold Property	Total	Closed Church Property	Leasehold Benefice Houses	Freehold Benefice Houses	Glebe Property	Total	Combined Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At cost or valuation									
At 1 January 2021	79,618	5,147	84,765	2,134	2,880	232,366	30,623	265,869	352,768
Additions	4,445	9	4,454	100	9	1,664	24	1,697	6,251
Transfers	-	-	-	-	-	-	-	-	-
Disposals	(274)	-	(274)	-	-	(1,601)	-	(1,601)	(1,875)
Revaluation	-	-	-	-	-	-	-	-	-
At 31 December 2021	83,789	5,156	88,945	2,234	2,889	232,429	30,647	265,965	357,144
Depreciation									
As 1 January 2021	8,540	349	8,889	-	426	17,157	2,595	20,178	29,067
Charge/(release) for the year	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Disposals	(5)	-	(5)	-	-	(126)	-	(126)	(131)
At 31 December 2021	8,535	349	8,884	-	426	17,031	2,595	20,052	28,936
Net Book Value									
At 31 December 2021	75,254	4,807	80,061	2,234	2,463	215,398	28,052	245,913	328,208
Net Book Value									
At 31 December 2020	71,078	4,798	75,876	2,134	2,454	215,209	28,028	245,692	323,702

Notes to the financial statements

7a. Tangible Fixed Assets – Operational Property (continued)

Properties purchased using Church Commissioners' value linked loans are valued at fair value at the balance sheet date, being estimated market value. As at 31 December 2021, the value of these properties was £8,943,000 (2020: £8,943,000). The valuation as at 31 December 2021 was undertaken by a suitably qualified officer of the LDF, based on knowledge of the properties (such as refurbishment levels and general condition) with reference to available market data for similar properties in similar locations. Future external valuations will take place as required. The carrying amount on a cost basis of the revalued properties is £3,627,000.

Capital Commitments

As at 31 December 2021, the LDF had £nil of capital commitments (2020: £nil) in relation to capital work on major developments planned for 2022 and onwards.

7b. Tangible Fixed Assets – Investment Property

	Unrestricted – Designated funds			Restricted funds	Expendable Endowment funds	
	Freehold Property	Long Leasehold Property	Total	Closed Church Property	Glebe Property	Combined Total
	£'000	£'000	£'000	£'000	£'000	£'000
At cost or valuation						
At 1 January 2021	57,728	6,800	64,528	10,302	29,351	104,181
Additions	8,909	-	8,909	-	71	8,980
Transfers	-	-	-	-	-	-
Disposals	(119)	-	(119)	(354)	(1,082)	(1,555)
Revaluation	7,054	100	7,154	1,242	6,230	14,626
At 31 December 2021	73,572	6,900	80,472	11,190	34,570	126,232
Depreciation						
As 1 January 2021	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
At 31 December 2021	-	-	-	-	-	-
Fair Value						
At 31 December 2021	73,572	6,900	80,472	11,190	34,570	126,232
Fair value						
At 31 December 2020	57,728	6,800	64,528	10,302	29,351	104,181

The trustees' policy is that freehold properties held for investment purposes are included at the trustees' best estimate of market value. In 2019 a detailed review of the LDF's investment property resulted in the vast majority of its investment property portfolio being professionally valued externally. Future external valuations will take place as required, in accordance with relevant accounting standards. Valuations were conducted by Cluttons LLP, Savills Plc and Strutt & Parker. Interim valuations are performed in intervening years by a suitably qualified officer of the LDF.

Notes to the financial statements

8. Non-Property Investments

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2021 £'000	Total 2020 £'000
Market value at 1 January 2021	-	25,195	7,834	12,122	45,151	50,055
Additions (at cost)	-	-	-	-	-	-
Transfers	17,622	(17,622)	-	-	-	-
Disposals	-	(160)	(144)	-	(304)	(4,328)
Net (losses)/gains on revaluations	2,723	1,119	1,112	1,640	6,594	(576)
Market value at 31 December 2021	20,345	8,532	8,802	13,762	51,441	45,151

Non-property investments are represented by:

	2021 £'000	2020 £'000
M&G Charifund	21,815	19,256
CBF Global Equity Income Fund	19,265	16,582
CBF Investment Fund	10,361	9,313
	51,441	45,151

CBF investments are valued by the CCLA.

The historic cost of the investments held at 31 December 2021 was £24,068,000 (2020: £28,053,000).

9. Investments in subsidiary undertakings

The LDF owns 100% of the issued share capital of a subsidiary undertaking, Causton Street Farms Limited (registered company number 2768104). The company has been dormant since 1 January 2005. The subsidiary is excluded from consolidation because it is not material to the financial statements of the LDF.

10a. Debtors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2021 £'000	Total 2020 £'000
Contributions to the Common Fund	-	-	-	-	-	83
Rent receivable	588	-	116	-	704	1,569
Prepayments and accrued income	112	79	117	-	308	682
	700	79	233	-	1,012	2,334
<i>Loans to Parishes</i>						
Diocesan Bishop's Council awarded	-	843	-	-	843	507
Area Council awarded	-	688	-	-	688	598
	-	1,531	-	-	1,531	1,105
Loans to individuals	-	346	-	-	346	354
Other debtors	1,927	-	-	-	1,927	9,304
	2,627	1,956	233	-	4,816	13,097

Notes to the financial statements

10a. Debtors (continued)

<i>Movements in Loans to Parishes</i>	2020	2020
	£'000	£'000
As at 1 January 2021	1,105	1,706
Additions (new loans and interest)	828	189
Repayments	(402)	(790)
As at 31 December 2021	1,531	1,105

During the year, interest on Diocesan Bishop's Council (Finance Committee) loans to parishes was charged, depending upon the rules in force when the loan was awarded, at rates of 1% above the Central Board of Finance (CBF) rate, or 2% above the Bank of England base rate depending on the balance of an individual loan. No interest was charged on other loans.

Certain loans to parishes and individuals fall due after more than one year, and the total of these at 31 December 2021 was £1,314,200 (2020: £1,402,000).

10b. Related Parties

London Diocesan Board for Schools (LDBS)

The LDBS is a charitable company (charity registration no. 313000, company registration no. 00198131). The LDF and the LDBS are separate charities but the members of various Diocesan bodies appoint or elect the majority of the trustees/directors of the two organisations. A number of members are trustees/directors of both charities:

- The Rt Revd and Rt Hon Bishop of London, Dame Sarah E Mullally DBE BSc MSc DSc was a trustee of both charities during the year, being Chair of the LDF and President of the LDBS (to 31/12/2021).
- The Archdeacon of London, the Venerable L J Miller, trustee of the LDF, served as trustee of both the LDF and the LDBS during the year (to 31/12/2021).
- The Revd C Smith was also a trustee of both the LDF and the LDBS during the year (to 16/11/2021).
- Mr I R M Woolf, a trustee of the LDF, is employed by the LDBS.
- The Bishop of Edmonton, Rt Revd Robert J Wickham, trustee of the LDF became a trustee of LDBS on 1 January 2022.

The LDF makes an annual grant to the work of the LDBS amounting to £171,000 (2020: £180,000) and a contribution towards the cost of staff time of £15,000 (2020: £15,000). At 31 December 2021 other creditors included £11,963 for payroll items relating to the LDBS (2020: other creditors - £10,000).

In addition to the grant described above, the LDF makes the following donations in kind to the LDBS. These relate to office space and provision of house services including reception, cleaning, utilities, IT and payroll support. The estimated value of such services is:

	2021	2020
	£'000	£'000
Accommodation - rent	131	131
House services and meeting rooms	208	156
	339	287

Notes to the financial statements**10b. Related Parties** (continued)*Trustees' expenses and remuneration*

In 2021 the LDF reimbursed a total of £15,611 to 8 members of the Bishop's Council (2020: £22,453 to 7 members). The vast majority of these expenses related to working expenses, for example as Archdeacons, Area Dean or other ecclesiastical roles, rather than as expenses reimbursed in their role as trustees. In 2021, a further £1,766 (2020: £24,689) was paid to 4 (2020: 12) trustees, representing removal grants for clergy and other clergy grants. These amounts are in line with the LDF's usual practice regarding clergy expenses and are not related to their roles as trustees.

The LDF is responsible for a substantial part of the stipend of the clerical members of the Bishop's Council by virtue of their clerical office, along with National Insurance and costs associated with housing. The stipends, National Insurance and pensions of Bishops are borne and funded by the Church Commissioners.

The following was paid to 21 (full time equivalent: 14) other members of the clergy in 2021 who were members of the Bishop's Council (2020: 16 members; full time equivalent: 16).

	2021	2020
	£'000	£'000
Gross Stipends	446	468
Employer's National Insurance contributions	38	40
Employer's pension contribution	156	162
	640	670

Under the Repair of Benefice Buildings Measure 1972 the Diocese is responsible for the upkeep of parsonages. 17 members of Bishop's Council during the year (2020: 12) were housed in parsonages by virtue of their clerical office. No employees (2020: 2) were housed in a parsonage.

A further 8 members of Bishop's Council and Diocesan Finance Committee (2020: 7) and 12 employees who are also clergy, including chaplains (2020: 9), were housed in properties owned by the London Diocesan Fund.

For the purpose of this disclosure note transactions with other Parochial Church Councils, where there may be a relationship because members of Bishop's Council are also trustees of those bodies, have not been included.

Other

- the Archbishops' Council (Charity No 1074857), from which the LDF receives grants and to which the LDF pays a donation based on an apportionment system for funding national training of ordinands and the activities of the various national boards and councils, including General Synod. The Archdeacon of London is a trustee.
- the Church Commissioners for England (Charity No 1140097), from which the LDF receives grants and which acts on behalf of clergy with HM Revenue and Customs. The LDF pays for clergy stipends through the Church Commissioners
- the Church of England Pensions Board (Charity No 236627), to which the LDF pays contributions for clergy and employees and makes contributions towards the provision of housing for clergy in retirement.
- Trust for London. (Charity No 205629). The Bishop of London has control over part of the City Church Fund which is held by Trust for London. The Bishop of London receives recommendations on the allocation of the fund by the City Churches Grants Committee, comprising the Archdeacon of London, the General Secretary, the Chair of the Finance Committee, the Area Dean of City Deanery and the Lay Chair of City Deanery. The fund can only be used to support churches within the City of London.

Notes to the financial statements

- PCCs and deaneries within the Diocese of London. The LDF is required to be a custodian trustee in relation to PCC property, but the LDF has no control over PCCs, which are independent charities. PCCs and deaneries are able to influence the decision-making within the LDF and at Diocesan Synod level through representations to those bodies and through the input of their Deanery Synods.

11a. Dividends and Interest Receivable

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2021 £'000	Total 2020 £'000
Dividends	1,462	19	267	-	1,748	1,372
Cash and deposit interest	2	5	3	-	10	61
Loan interest	13	-	-	-	13	19
	1,477	24	270	-	1,771	1,452

11b. Investment Property**Rentals**

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2021 £'000	Total 2020 £'000
Investment property rentals	4,309	-	10	-	4,319	3,848

12. Creditors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2021 £'000	Total 2020 £'000
Amounts falling due within one year:						
Parish Loans Payable	-	575	-	-	575	143
Grants Payable	-	686	-	-	686	719
Other Creditors	160	22	454	(1)	635	1,748
Accruals and deferred income	4,478	-	107	-	4,585	3,046
	4,638	1,283	561	(1)	6,481	5,656

Amounts falling due after one year:

Church Commissioners Value						
Linked Loans	-	8,943	-	-	8,943	8,943

A Value Linked Loan due to the Church Commissioners becomes repayable when the house on which it is secured is sold. It is a concessionary loan made by the Church Commissioners for onward lending to a parish, usually for housing assistant clergy. The properties purchased with Value Linked Loans are held within Designated Operational Property. Value Linked Loans are shown at fair value, being the estimated market value of the property bought with the Value Linked Loan.

Notes to the financial statements

13a(i).Designated Funds	At 1 January 2021 £'000	Income* £'000	Expenditure £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2021 £'000
Capital Vision 2020	421	15	(355)	-	-	81
Richard Chartres Fund for London	19	56	(70)	-	-	5
Capital Strategy Fund	1,420	-	(303)	1,045	-	2,162
Operational Property	66,930	-	-	-	4,189	71,119
Fund Operational Property Reserve	7,187	38	-	-	(4,189)	3,036
Investment Property	64,527	-	-	7,154	8,790	80,471
Investment Property Reserve	1,930	316	(76)	-	(8,790)	(6,620)
Parsonage Reserve	12,940	1,622	(28)	-	(201)	14,333
Inspection and Maintenance Funds	1,147	-	-	-	-	1,147
Designated Trusts	789	30	(259)	74	-	634
Mission Opportunity	500	-	(76)	-	-	424
Bishop of London's Mission Fund	266	52	(110)	-	-	208
Clergy Training and Support	374	6	(43)	-	-	337
Area Pastoral Funds	1,647	11	(313)	-	380	1,725
Area Bank Accounts	132	41	(80)	-	-	93
Diocesan Loan Capital	2,154	-	-	-	-	2,154
Strategic Development Reserve	500	-	(216)	-	7	291
Clergy Pension Deficit Reserve	(1,941)	-	-	(6)	979	(968)
Lay Church Workers Pension Fund Deficit Reserve	(23)	-	-	609	(586)	-
Total Designated Funds	160,919	2,187	(1,929)	8,876	579	170,632

*Income includes realised gains/(losses)

Note 13d

Notes to the financial statements

13a(ii).Designated Funds	Fixed Asset Tangible £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Capital Vision 2020	-	-	81	-	81
Richard Chartres Fund for London	-	-	5	-	5
Capital Strategy Fund	-	7,947	(5,785)	-	2,162
Operational Property	80,062	-	-	(8,943)	71,119
Fund Operational Property Reserve	-	-	3,058	(22)	3,036
Investment Property	80,471	-	-	-	80,471
Investment Property Reserve	-	-	(6,620)	-	(6,620)
Parsonage Reserve	-	-	14,333	-	14,333
Inspection and Maintenance Funds	-	-	1,147	-	1,147
Designated Trusts	-	584	50	-	634
Mission Opportunity	-	-	424	-	424
Bishop of London's Mission Fund	-	-	537	(329)	208
Clergy Training and Support	-	-	337	-	337
Area Pastoral Funds	-	-	2,280	(555)	1,725
Area Bank Accounts	-	-	93	-	93
Diocesan Loan Capital	-	-	2,531	(377)	2,154
Strategic Development Reserve	-	-	291	-	291
Clergy Pension Deficit Reserve	-	-	-	(968)	(968)
Lay Church Workers Pension Fund Deficit Reserve	-	-	-	-	-
Total Designated Funds	160,533	8,531	12,762	(11,194)	170,632

Capital Vision 2020

The LDF's strategic plan was encompassed within Capital Vision 2020, a vision of a Church that is Christ-centred and outward looking. During 2013 the trustees approved the creation of a new Capital Vision 2020 designated reserve to fund the strategy. During 2021 the fund was used to provide initial funding for implementing Vision 2030. The balance remaining at the end of 2021 is being used to fund specific activities and will be spent out during 2022.

Richard Chartres Fund for London

Funds have been raised to support a number of projects and activities which are in alignment with our CV2020 strategy. The fund will be utilised over the next 12 months.

Capital Strategy Fund

The Capital Strategy Fund holds the net capital proceeds from the sale of assets that have been identified as appropriate sites for development. The proceeds from such developments release capital to be redeployed elsewhere in the Diocese, as part of the LDF's Capital Strategy. In particular the fund is used to support work to establish a Christian presence in major new housing development areas, in addition to releasing funds to carry out operational housing improvements.

Notes to the financial statements

13a. Designated Funds (continued)

Operational Property

As well as incorporating the Diocesan offices, operational property comprises over 100 units of property generally used to house clergy who are not housed in parsonages. These include area bishops, archdeacons, chaplains, team vicars, and many others. Of the fund value of the year-end of £71.1m, £80.0m is represented by actual properties which are partially offset by (£8.9m) of Value Linked Loans creditors (as described in note 12). This fund also includes the revaluation reserve of £5.5m (2020: £5.5m).

Investment Property

Investment property comprises over 50 freehold and leasehold properties, with a year-end fund value of £80.5 (2020: £64.5m) held to generate income and capital growth, which helps fund stipends and other charitable activities.

Parsonage, Fund Operational Property and Investment Property Reserves

The Parsonage, Fund Operational Property and Investment Property reserves are used for the purchase and refurbishment of houses that form part of Parsonage House Capital (Endowment), Operational Property (Designated), and Investment Property (Designated) respectively. When a property is sold, the sale proceeds are credited to the relevant fund.

Inspection and Maintenance Funds

This fund comprises the Quinquennial Fund, with a year-end fund value of £1,147k (2020: £1,147k), and the Ingoing Works Fund with a year-end fund value of £nil (2020: £nil). We carry out planned maintenance on an average of one-sixth of our operational properties each year (88 of approximately 540), but the actual number varies from year to year. This fund smooths the impact of these works on the General Fund from year to year, and thus aids budgeting and financial planning. Due to lockdown restrictions, as a result of the pandemic, planned quinquennial works were postponed in 2020. A transfer of £837k was made to Quinquennial Fund in 2020 from the General Fund to help pay for future works. All necessary works in accordance with the Repair of Benefice Buildings Measure 1972 are undertaken, and the funds support this strategy.

Designated Trusts

These funds represent proceeds arising from the sale of parish-based properties that were in use by those parishes but were legally owned by the Diocese. Each sale of such property is assessed on a case-by-case basis and where there is a compelling reason the sale proceeds may be designated for parish purposes, usually to fund a parish-based development or replacement facility. These funds are expected to be held on an on-going basis.

Mission Opportunity

This fund was established to meet a range of specific clergy and related costs that are necessary in implementing Diocesan mission and ministry policy.

Bishop of London's Mission Fund (BLMF)

This fund is used for new local mission initiatives (not capital projects) throughout the Diocese. Each application is assessed on a case-by-case basis by the BLMF board, an internal committee chaired by the Bishop of London.

Clergy Training and Support

This fund is for providing general clergy training and support, such as unconscious bias training, leadership courses and individual coaching and mentoring sessions. The designated budget holder for the fund is the Bishop of Kensington, assisted by the Director of Ministry.

Area Pastoral Funds

These are funds for each of the five episcopal areas which can be used for loans and grants for specific projects in each area. Decisions on the use of the funds are taken by Area Councils. Loans and grants are awarded each year and the fund is replenished from general funds to ensure the fund is not depleted. It is anticipated that this will continue into the foreseeable future.

Notes to the financial statements

13a. Designated Funds (continued)

Area Bank Accounts

These are the Kensington and Willesden Area bank accounts which are used directly to support each of these areas.

Diocesan Loan Capital

This fund provides loans to parishes, with individual loans not normally exceeding £200,000. Requests from parishes are first considered by the Loans Monitoring Group (LMG), a sub-committee of the DFC, and the decision is made by the DFC.

Strategic Development Reserve

This reserve is the fund for enabling the expenditure within the five year plan for the Strategic Development team, supporting our work in several major areas of regeneration. Funded from the designated Capital Strategy Fund and a contribution from the general fund, expenditure consists of staff costs for the Strategic Development team and direct project costs.

Clergy Pension Deficit Reserve

The pension deficit reserve represents the present value of the agreed deficit contributions towards the Church of England funded pension scheme. See note 15(b) for more detail on the movement on this fund.

Lay Church Workers Pension Fund Deficit Reserve

The pension deficit reserve represents the value of the agreed deficit contributions towards the Lay Church Workers pension fund, less the amount fully committed and set aside to settle this creditor.

13b(i). Restricted Funds	At 1 January 2021 £'000	Income * £'000	Expenditure £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2021 £'000
Sole Trust Expendable Funds (inc. ALMA)	7,605	691	(847)	945	(115)	8,279
Closed Church Buildings Fund	4,139	752	(1,310)	165	(690)	3,056
Closed Church Buildings Operational Property	2,134	-	-	-	100	2,234
Closed Church Buildings Investment Property	10,302	-	-	1,242	(354)	11,190
Closed Church Buildings Investment Reserve	2,512	716	(42)	-	354	3,540
Area Church Building Fund	590	-	-	-	590	1,180
Strategic Development funds	101	2,764	(2,775)	-	-	90
Projects restricted fund	297	3,099	(2,864)	-	(7)	525
Bishops' secretaries fund	-	138	(264)	-	-	(126)
Total Restricted Funds	27,680	8,160	(8,102)	2,352	(122)	29,968

*Income includes realised gains.

Note 13d

Notes to the financial statements

13b(ii). Restricted Funds	Fixed Asset Tangible £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Sole Trust Expendable Funds (inc. ALMA)	-	7,467	812	-	8,279
Closed Church Buildings Fund	-	1,335	2,281	(560)	3,056
Closed Church Buildings Operational Property	2,234	-	-	-	2,234
Closed Church Buildings Investment Property	11,190	-	-	-	11,190
Closed Church Buildings Investment Reserve	-	-	3,540	-	3,540
Area Church Building Fund	-	-	1,180	-	1,180
Strategic Development funds	-	-	90	-	90
Projects restricted fund	-	-	525	-	525
Bishops' secretaries fund	-	-	(126)	-	(126)
Total Restricted Funds	13,424	8,802	8,302	(560)	29,968

Sole Trust Expendable Funds

This fund comprises over 40 restricted trusts which are held for specific parish or Diocesan purposes. These trusts are consolidated with the main LDF accounts as the LDF acts as sole trustee and therefore has control. The permanent endowment element is disclosed in note 13c. Each Trust is governed by its own trust instrument which may be in the form of a Charity Commission scheme. The activity of the Angola, London and Mozambique Association (ALMA) is consolidated under this heading, comprising funds of £2.0m at 31 December 2021 (2020: £1.8m).

Closed Church Buildings Fund

This fund represents the Diocesan Pastoral Account (DPA) and is primarily used for closed church buildings rental income and maintenance expenses. Income from the rental of churches no longer used for Anglican public worship, that is not required for the maintenance of those buildings, may be used for the payment of stipends and maintenance of property for the housing of clergy. The DPA is principally governed by the Mission and Pastoral Measure 2011, and therefore decisions on the use of the fund are taken in accordance with the Measure and with the target estimates of the future maintenance of those buildings.

Closed Church Buildings Operational and Investment Property

This fund represents the net book value of closed church buildings property (see note 7).

Closed Church Buildings Investment Reserve

This reserve is used for the refurbishment of closed church buildings investment property. When such a property is sold, the sale proceeds will be credited to this fund.

Area Church Building Fund

This reserve comprises net funds released after the sales of closed churches, having been set up in 2019. The fund will be used to reinvest in open or new church buildings to help repair, develop and create church buildings that support mission and ministry across the Diocese. Within this fund, funds are allocated to specific Episcopal areas.

Strategic Development funds

This fund comprises the income and expenditure relating to the restricted funding received from the Church Commissioners towards Church Planting, Church Growth and Youth Strategies. Each grant has been awarded for six years, the earliest awarded in 2015, with the final project due to end in 2023.

Notes to the financial statements**13b. Restricted Funds** (continued)*Projects restricted fund*

This fund comprises a small number of projects for which the LDF receives restricted funding. Income sometimes relates to the aggregate match funding received in relation to a number of projects.

Bishops' secretaries fund

This shows the restricted funding received from the Church Commissioners as a contribution towards the cost of the Bishops' secretaries.

13c(i). Endowment Funds

	At 1 January 2021 £'000	Income* £'000	Expenditure £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2021 £'000
Expendable Endowment						
Glebe Operational Property Fund	28,029	-	-	-	24	28,053
Glebe Investment Property Fund	29,351	-	-	6,226	(1,010)	34,567
Glebe Investment Fund	13,394	2,331	(1)	888	(24)	16,588
Glebe Investment Property Reserve	(432)	3,439	(56)	-	1,010	3,961
Parsonage House Capital	217,661	,	-	-	201	217,862
Permanent Endowment						
Sole Trust Permanent Endowment	5,486	,	-	753	-	6,239
Total Endowment Funds	293,489	5,770	(57)	7,887	201	307,270

Note 13d

*Income includes realised gains.

13c(ii). Endowment Funds

	Fixed Asset Tangible £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Expendable Endowment					
Glebe Operational Property Fund	28,053	-	-	-	28,053
Glebe Investment Property Fund	34,567	-	-	-	34,567
Glebe Investment Fund	-	7,524	9,064	-	16,588
Glebe Investment Property Reserve	-	-	3,961	-	3,961
Parsonage House Capital	217,862	-	-	-	217,862
Permanent Endowment					
Sole Trust Permanent Endowment	-	6,239	-	-	6,239
Total Endowment Funds	280,482	13,763	13,025	-	307,270

Notes to the financial statements**Endowment Funds (continued)***Glebe Operational and Investment Property Fund*

This represents the net book value of glebe property with movements shown in note 7. Rental income from glebe property is credited to general funds where it is used to fund clergy stipend payments. As with Designated Fund Property, the fund is split between operational (£28.1m) and investment (£34.6m) property.

Glebe Investment Fund

This represents the carrying value of glebe investments and cash. Investment income from glebe property is credited to general funds where it is used only to fund clergy stipend payments. The use of glebe assets detailed above is governed by the Diocesan Stipends Funds Measure 1953 and the Endowments and Glebe Measure 1976.

Glebe Investment Property Reserve

This reserve is used for the purchase and refurbishment of glebe investment property. When such a property is sold, the sale proceeds are credited to this fund.

Parsonage House Capital

This fund represents the net book value of freehold and leasehold benefice houses (see note 7).

Sole Trust Permanent Endowment

This fund represents those amounts held under the LDF's sole trusteeship where the capital is not expendable.

13d. Transfer between funds – detailed breakdown of movements*Statement of Financial Activities transfers analysed:*

	General	Designated	Restricted	Endowment	Total	Reference
	£'000	£'000	£'000	£'000	£'000	
Parsonage additions	-	(201)	-	201	-	i
Transfer of budgeted items in the General Fund to area pastoral designated funds	(380)	380	-	-	-	ii
Net transfers (to)/from designated funds at year-end	(393)	400	(7)	-	-	iii
Net transfers (to)/from restricted funds at year-end	115		(115)		-	iv
Net transfers (to)/from endowment funds at year-end	-	-	-	-	-	v
	(658)	579	(122)	201	-	
		<i>Note 13a</i>	<i>Note 13b</i>	<i>Note 13c</i>		

- i. Transfers from or to the Parsonage reserve for the purchase or sale of parsonages respectively.
- ii. These transfers relate to budgeted items set aside from the General Fund for the area pastoral designated funds.
- iii. These relate to transfers agreed at the year-end from designated funds. The amount transferred to general funds is the net transfer required in respect of the pension schemes. The £7k transfer from restricted is a correction of a prior year misallocation of expenditure
- iv. This is the transfer of Caris Trust income, released from a restricted fund to general funds.
- v. There are no further transfers to specific endowment funds in 2021.

Notes to the financial statements

14. Notes to the cash flow statement

	2021	2020
	Total	Total
	£'000	£'000
14a. Reconciliation of operating (deficit) to operating cash flows		
Operating (deficit)	(1,705)	(2,804)
Depreciation release	46	42
Decrease in debtors	8,284	(8,346)
Increase in creditors	1,791	979
Non-cash movement in pension liability	330	1,984
Investment and rental income	(9,210)	(8,214)
	<u>(464)</u>	<u>(16,359)</u>
	2021	2020
	Total	Total
	£'000	£'000
14b. Gross cash flows		
Cash flows from investing activities		
Dividends and interest received	1,735	1,453
Rental Income	7,476	6,761
Sale of property	9,610	25,436
Purchase of property	(15,233)	(11,709)
Other fixed asset purchases	(58)	(59)
Sale of investments	496	4,163
Purchase of investments	(156)	-
	<u>3,870</u>	<u>26,045</u>

14c. Analysis of changes in net funds

	At 31			At 31
	January	Cash		December
	2021	flows	Other	2021
<i>Funds</i>	£'000	£'000	£'000	£'000
Cash at bank and in hand	18,075	3,405	-	21,480
Value linked loans due after one year	(8,943)	-	-	(8,943)
	<u>9,132</u>	<u>3,405</u>	<u>-</u>	<u>12,537</u>

15. Pensions

	2021	2020
	Total	Total
	£'000	£'000
<i>Pension liabilities</i>		
Lay staff pensions (<i>see note a below</i>)	-	(656)
Clergy pensions (<i>see note b below</i>)	(968)	(1,941)
	<u>(968)</u>	<u>(2,597)</u>

Notes to the financial statements

15. Pensions (continued)

15(a). Lay staff pensions

The LDF participates in the Defined Benefits Scheme section of the Church Workers Pension Fund (CWPF) for lay staff. CWPF is administered by the Church of England Pensions Board, which holds the CWPF assets separately from those of the Employer and other participating employers.

CWPF has two sections:

1. the Defined Benefits Scheme
2. the Pension Builder Scheme, which has two subsections;
 - a. a deferred annuity section known as Pension Builder Classic, and,
 - b. a cash balance section known as Pension Builder 2014.

Defined Benefits Scheme

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

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

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

The scheme is a multi-employer scheme as described in Section 28 of FRS 102. It is not possible to attribute 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 (2021: £47k, 2020: £189k) plus the remaining movement in relation to the DBS deficit, giving a total charge of (£656k) for 2021 (2020: £166k).

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 recently finalised was carried out as at 31 December 2019. In this valuation, the Life Risk Section was shown to be in deficit by £7.7m and £7.7m 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 £11.3m

The next actuarial valuation is due at 31 December 2022.

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay a contribution rate of 33.6% of pensionable salary and expenses of £17,900 per year.

Notes to the financial statements

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 2021	December 2020	December 2019
Discount rate	0.00% pa	0.3% pa	1.2% pa

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

15(b). Clergy pensions

From 1 January 1998, Diocesan clergy became members of the Church of England Pensions Scheme (CEFPS). This non-contributory Scheme provides benefits based on national minimum stipends. The Church of England Pensions Board is the trustee and administers the Pension Scheme. The Scheme provides pensions that relate to pensionable service from 1 January 1998. The Scheme's assets are held separately from those of the LDF. Past service clergy pensions for service before 1 January 1998 are paid by the Church Commissioners at no cost to the LDF.

The LDF is the sponsoring employer for 573 members (2020: 562) of the Scheme out of a total membership of approximately 8,400 active members. The Scheme is considered to be a multi-employer Scheme as described in Section 28 of FRS 102. It is not possible to attribute the Scheme's assets and liabilities to specific employers and 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, plus any impact of the deficit contributions (see below). Each participating Responsible Body in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

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

- An average discount rate of 3.2% p.a.;
- RPI inflation of 3.4% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.4% p.a.;
- Mortality in accordance with 95% of the S3NA_VL tables, with allowance for improvements in mortality rates in line with the CMI2018 extended model with a long term annual rate of improvement of 1.5%, a smoothing parameter" of seven and an initial addition to mortality improvements of 0.5% pa.

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

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

As at 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 2020 and 31 December 2021 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

Notes to the financial statements

For senior office holders, pensionable stipends are adjusted in the calculations by a multiple, as set out in the Scheme's rules. Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the balance sheet liability over 2020 and over 2021 is set out in the table below.

	2021 £'000	2020 £'000
Balance sheet liability at 1 January	1,941	3,422
Deficit contribution paid	(979)	(1,593)
Interest cost (recognised in SOFA)	3	29
Remaining charge to the balance sheet liability*	3	83
Balance sheet liability at 31 December	<u>968</u>	<u>1,941</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. In general, these are set by reference to the duration of the deficit recovery payments but as at 31 December 2021, under accounting rules the payments are not discounted since the remaining recovery plan is less than 12 months. No price inflation assumption is needed since pensionable stipends for the remainder of the recovery plan are already known:

	December 2021	December 2020	December 2019
Discount rate	0.0% pa	0.2% pa	1.1% pa
Price inflation	n/a	3.1% pa	2.8% pa
Increase to total pensionable payroll	-1.5% pa	1.6% pa	1.3% pa

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

16. Members' Liability

The London Diocesan Fund is a company registered in England as a company limited by guarantee, having no share capital. At 31 December 2021 there were 43 members (2020: 48) who were liable to contribute £1 each in the event of the company being wound up.

Notes to the financial statements

17. Prior year comparatives

Statement of Financial Activities – for the year to 31 December 2020

		Unrestricted Funds		Restricted Funds	Endowment Funds	Total 2020
		General	Designated	Funds	Funds	2020
		£m	£m	£m	£m	£m
Income and endowments from	Notes					
<i>Donations, legacies & grants</i>						
Common Fund		22.6	-	-	-	22.6
Parish reimbursements for clergy costs		4.2	-	-	-	4.2
Donations and legacies		0.4	-	0.9	-	1.3
Church Commissioners ^a				5.1	-	5.1
City Church Fund		2.1	-	-	-	2.1
<i>Charitable activities</i>						
Operational property rental income		2.8	-	0.1	-	2.9
Parochial fees		0.3	-	-	-	0.3
<i>Investment Income</i>						
Dividends and interest receivable	11 a	1.2	-	0.3	-	1.5
Investment property rentals	11 b	3.9	-	-	-	3.9
<i>Other income^a</i>		-	0.4	0.1	-	0.5
Total income		37.5	0.4	6.5	-	44.4
Expenditure on						
<i>Raising funds</i>						
<i>Investment management costs</i>						
Rental portfolio costs-agent fees		0.4	-	-	-	0.4
Investment property repairs and maintenance		0.5	0.1	1.1	0.2	1.9
<i>Charitable activities</i>						
Ministry		24.0	0.4	5.0	-	29.4
Education and outreach		0.7	-	-	-	0.7
Parish and Area support services		1.5	-	0.4	-	1.9
Clergy housing and property costs		6.5	0.7	0.4	-	7.6
National Church		3.1	-	-	-	3.1
Grants to parishes and overseas	6	0.3	0.4	0.9	-	1.6
<i>Other expenditure</i>		-	0.5	0.1	-	0.6
Total expenditure	5	37.0	2.1	7.9	0.2	47.2
Net income/(expenditure) before investment gains		0.5	(1.7)	(1.4)	(0.2)	(2.8)
Realised gains on tangible fixed assets		-	9.4	3.2	4.1	16.7
Net gains/(losses) on investments	8	0.2	1.7	(0.4)	(2.0)	(0.5)
Net incoming resources for the year		0.7	9.4	1.4	1.9	13.4
Transfers between funds	13 d	0.8	1.1	(0.2)	(1.7)	-
Other recognised (losses)/gains						
Pension deficit movement		-	(0.1)	-	-	(0.1)
Unrealised (losses)/gains on tangible fixed assets	7a & 7b	-	(0.2)	2.9	(1.6)	1.1
Net movement in funds for the year		1.5	10.2	4.1	(1.4)	14.4
Reconciliation of funds:						
Funds at 1 January 2020		3.6	150.7	23.6	294.9	472.8
Funds at 31 December 2020		5.1	160.9	27.7	293.5	487.2

Notes to the financial statements**17. Prior year comparatives (continued)****(b). Balance Sheet as at 31 December 2020**

		Unrestricted Funds		Restricted Funds	Endowment Funds	Total 2020
		General	Designated	Funds	Funds	
		£m	£m	£m	£m	£m
	Notes					
Fixed Assets						
Operational property	7a	-	75.9	2.1	245.7	323.7
Investment property	7b	-	64.5	10.3	29.4	104.2
Non-property investments	8	-	25.2	7.8	12.1	45.1
Fixtures and fittings		0.2	-	-	-	0.2
		0.2	165.6	20.2	287.2	473.2
Current Assets						
Debtors	10a	1.9	10.8	0.5	-	13.2
Cash at bank		6.7	(2.9)	7.8	6.4	18.0
		8.6	7.9	8.3	6.4	31.2
Creditors						
Amounts falling due within one year	12	(3.7)	(1.1)	(0.8)	(0.1)	(5.7)
Net Current Assets						
		4.9	6.8	7.5	6.3	25.5
Total assets less current liabilities		5.1	172.4	27.7	293.5	498.7
Creditors – amounts falling due after one year						
Pension scheme liabilities	15	-	(2.6)	-	-	(2.6)
Other creditors	12	-	(8.9)	-	-	(8.9)
Net Assets						
		5.1	160.9	27.7	293.5	487.2
Funds						
General		5.1	-	-	-	5.1
Designated	13a	-	160.9	-	-	160.9
Restricted	13b	-	-	27.7	-	27.7
Endowment	13c	-	-	-	293.5	293.5
Total Funds		5.1	160.9	27.7	293.5	487.2

17. Prior year comparatives (continued)

(c). Governance Costs and the allocation of Support Costs between Charitable Activities

	2020 £'000	2019 £'000	
Support costs (allocated below)			
Salary and employment costs	2,076	1,978	
Office costs	519	494	
Governance costs	367	350	
	2,962	2,822	
Resources Expended	Before allocation of support costs £'000	Support costs £'000	Total 2020 £'000
Raising funds			
<i>Investment management costs</i>			
Rental portfolio costs – agents fees	355	-	355
Investment property repairs and maintenance	1,755	67	1,822
Fundraising	1	-	1
	2,111	67	2,178
<i>Charitable activities</i>			
Ministry	28,468	961	29,429
Education and outreach	457	238	695
Parish and area support services	1,031	970	2,001
Clergy housing and property costs	6,986	642	7,628
National Church	3,086	-	3,086
Grants to parishes and overseas	1,515	84	1,599
Other expenditure	531	-	531
	44,185	2,962	47,147

(d). Grants to Parishes and Overseas

Funding source:	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2020 £'000
<i>Grants to Parishes from:</i>					
Core funds	218	-	4	-	222
Area pastoral funds	-	207	-	-	207
Bishop of London's Mission Fund	-	192	-	-	192
Funds held for parish benefit	-	11	689	-	700
	218	410	693	-	1,321
<i>Overseas:</i>					
Angola and Mozambique (ALMA) and Lent projects	-	-	195	-	195
Grant administration allocation	84	-	-	-	84
	302	410	888	-	1,600

Notes to the financial statements

(e). Debtors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2020 £'000
Contributions to the Common Fund	83	-	-	-	83
Rent receivable	1,394	-	175	-	1,569
Prepayments and accrued income	185	194	303	-	682
	1,662	194	478	-	2,334
<i>Loans to Parishes</i>					
Diocesan Bishop's Council awarded	-	507	-	-	507
Area Council awarded	-	598	-	-	598
	-	1,105	-	-	1,105
Loans to individuals	1	353	-	-	354
Other debtors	226	9,078	-	-	9,304
	1,889	10,780	478	-	13,097

(f). Dividends and Interest Receivable

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2020 £'000
Dividends	1,088	19	265	-	1,372
Cash and deposit interest	51	7	3	-	61
Fixed interest investments	-	-	-	-	-
Loan interest	19	-	-	-	19
	1,158	26	268	-	1,452

(g). Investment Property Rentals

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2020 £'000
Investment property rentals	3,887	-	(39)	-	3,848

Notes to the financial statements

17. Prior year comparatives (continued)

(h). Creditors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2020 £'000
Amounts falling due within one year:					
Parish Loans Payable	-	143	-	-	143
Grants Payable	-	719	-	-	719
Other Creditors	826	250	621	51	1,748
Accruals and deferred income	2,895	10	141	-	3,046
	3,271	1,122	762	51	5,656
Amounts falling due after one year:					
Church Commissioners Value					
Linked Loans	-	8,943	-	-	8,943

Notes to the financial statements

17. Prior year comparatives (continued)

(i). Designated funds

13a. Designated Funds	At 1 January 2020 £'000	Income* £'000	Expenditure £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2020 £'000
Capital Vision 2020	1,035	94	(455)	-	(253)	421
Richard Chartres Fund for London	9	10	-	-	-	19
Capital Strategy Fund	1,910	-	(771)	281	-	1,420
Operational Property	64,523	-	-	1,462	945	66,930
Investment Property	65,757	-	-	(1,711)	481	64,527
Parsonage Reserve	3,689	7,957	(32)	(403)	1,729	12,940
Fund Operational Property Reserve	4,766	1,485	-	1,882	(946)	7,187
Investment Property Reserve	2,481	2	(72)	-	(481)	1,930
Inspection and Maintenance Funds	310	-	-	-	837	1,147
Designated Trusts	759	19	(11)	22	-	789
Mission Opportunity	176	-	(69)	(31)	424	500
Bishop of London's Mission Fund	179	29	(192)	-	250	266
Clergy Training and Support	420	7	(20)	(33)	-	374
Area Pastoral Funds	1,366	2	(207)	105	381	1,647
Area Bank Accounts	125	45	(38)	-	-	132
Diocesan Loan Capital	4,634	-	-	(166)	(2,314)	2,154
Strategic Development Reserve	2,030	193	(170)	-	(1,553)	500
Clergy Pension Deficit Reserve	(3,422)	-	(29)	(83)	1,593	(1,941)
Lay Church Workers Pension Fund Deficit Reserve	-	-	-	(23)	-	(23)
Total Designated Funds	150,747	9,843	(2,066)	1,302	1,093	160,919

Notes to the financial statements

13a(ii).Designated Funds	Fixed Asset Tangible £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Capital Vision 2020	-	-	421	-	421
Richard Chartres Fund for London	-	-	19	-	19
Capital Strategy Fund	-	6,903	(5,483)	-	1,420
Operational Property	75,873	-	-	(8,943)	66,930
Investment Property	64,528	-	-	-	64,528
Parsonage Reserve	-	1,921	11,019	-	12,940
Fund Operational Property Reserve	-	11,747	(4,301)	-	7,187
Investment Property Reserve	-	-	1,930	-	1,930
Inspection and Maintenance Funds	-	-	1,147	-	1,147
Designated Trusts	-	670	119	-	789
Mission Opportunity	-	147	353	-	500
Bishop of London's Mission Fund	-	-	687	-	266
Clergy Training and Support	-	382	(8)	-	374
Area Pastoral Funds	-	656	1,432	-	1,647
Area Bank Accounts	-	-	132	-	132
Diocesan Loan Capital	-	2,769	(615)	-	2,154
Strategic Development Reserve	-	-	500	-	500
Clergy Pension Deficit Reserve	-	-	-	(1,941)	(1,941)
Lay Church Workers Pension Fund Deficit Reserve	-	-	633	(656)	(23)
Total Designated Funds	160,534	25,195	7,986	(11,540)	160,919

(j). Restricted Funds

	At 1 January 2020 £'000	Income * £'000	Expenditure £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2020 £'000
Sole Trust Expendable Funds (inc. ALMA)	8,746	412	(881)	(473)	(199)	7,605
Closed Church Buildings Fund	1,062	3,854	(1449)	75	597	4,139
Closed Church Buildings Operational Property	2,731	-	-	-	(597)	2,134
Closed Church Buildings Investment Property	7,396	-	-	2,906	-	10,302
Closed Church Buildings Investment Reserve	2,554	-	(42)	-	-	2,512
Area Church Building Fund	590	-	-	-	-	590
Strategic Development funds	195	2,557	(2,638)	-	(13)	101
Projects restricted fund	347	2,551	(2,601)	-	-	297
Bishops' secretaries fund	-	295	(295)	-	-	-
Total Restricted Funds	23,621	9,668	(7,905)	2,508	(212)	27,681

Notes to the financial statements

17. Prior year comparatives (continued)

13b(ii). Restricted Funds	Fixed Asset Tangible	Investments	Current Assets	Creditors	Net Assets
	£'000	£'000	£'000	£'000	£'000
Sole Trust Expendable Funds (inc. ALMA)	-	6,665	941	-	7,606
Closed Church Buildings Fund	-	1,168	3,734	(763)	4,139
Closed Church Buildings Operational Property	2,134	-	-	-	2,134
Closed Church Buildings Investment Property	10,302	-	-	-	10,302
Closed Church Buildings Investment Reserve	-	-	2,512	-	2,512
Area Church Building Fund	-	-	590	-	590
Strategic Development funds	-	-	101	-	101
Projects restricted fund	-	-	297	-	297
Bishops' secretaries fund	-	-	-	-	-
Total Restricted Funds	12,436	7,833	8,175	(763)	29,969

(k). Endowment Funds

	At 1 January 2020	Income*	Expenditure	Unrealised Gains/(Losses)	Transfers	At 31 December 2020
	£'000	£'000	£'000	£'000	£'000	£'000
Expendable Endowment						
Glebe Operational Property Fund	28,329	-	-	-	(300)	28,029
Glebe Investment Property Fund	30,593	-	-	(1,582)	340	29,351
Glebe Investment Fund	10,501	4,027	(41)	(1,393)	300	13,394
Glebe Investment Property Reserve	29	-	(121)	-	(340)	(432)
Parsonage House Capital	219,390	-	-	-	(1,729)	217,661
Permanent Endowment						
Sole Trust Permanent Endowment	6,091	-	-	(605)	-	5,486
Total Endowment Funds	294,933	4,027	(162)	(3,580)	(1,729)	293,489

Notes to the financial statements

	Fixed Asset Tangible £'000	Investments £'000	Current Assets £'000	Creditors £'000	Net Assets £'000
Expendable Endowment					
Glebe Operational Property Fund	28,028	-	-	-	28,028
Glebe Investment Property Fund	29,351	-	-	-	29,351
Glebe Investment Fund	-	6,636	6,809	(51)	13,394
Glebe Investment Property Reserve	-	-	(432)	-	(432)
Parsonage House Capital	217,661	-	-	-	217,661
Permanent Endowment					
Sole Trust Permanent Endowment	-	5,486	-	-	5,486
Total Endowment Funds	280,481	12,122	6,377	(51)	293,488

Notes to the financial statements

Custodian Trusts – Custodian Trustee Report and Non-Statutory Financial Statements for the year ended 31 December 2021

The following pages do not form part of the statutory financial statements of the London Diocesan Fund for the year ended 31 December 2021

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Report of the Custodian Trustee

The council of the London Diocesan Fund, usually acting as Custodian Trustee under ecclesiastical and UK law, presents the report and non-statutory financial statements for the year ended 31 December 2021.

Legal Status

Under the Parochial Church Councils (Powers) Measure 1956, the London Diocesan Fund acts as Diocesan Authority (in effect, custodian trustee) of parish buildings and land. It also acts as custodian trustee for monies held on specific trust. These pages report the specific trust holdings only and provide an aggregation of the financial assets of some 103 separate trusts (111 in 2020). Land and building assets held by the London Diocesan Fund as Diocesan Authority are not shown.

Certain title and trust deeds are held in the name of the Bishop of London's Fund. This is a corporate body that pre-dated the formation of the London Diocesan Fund in 1918 and in which some property and capital were vested. For day to day purposes, its activities have been subsumed into the London Diocesan Fund since 1 January 1918.

Review of the Year

Total incoming resources from interest and dividends for the period was £0.5m (2020: £0.5m)

Funds continue to be expended in line with the purposes for which they were intended, with £1.1m expended for charitable purposes during 2021 (2020: £0.8m). The funds expended vary year on year in line with the specific needs of the managing trustee bodies.

The overall value of funds held by the London Diocesan Fund as custodian trustee at 31 December 2021 was £20.7m (2020: £19.1m). The increase of £1.6m from the prior year is mainly attributable to an increase in the market value of share funds.

Statement of Custodian Trustee's responsibilities

The Charities Act 2011 requires managing trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the funds and of their incoming resources and application of resources, including their income and expenditure.

The Custodian Trustee has chosen to prepare these statements in accordance with the Charities Act 2011. In preparing these financial statements in accordance with the Charities Act 2011, the Custodian Trustee is required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements.

The Custodian Trustee is responsible for keeping proper accounting records with respect to the transactions and the financial position of the funds and to enable them to ensure that the financial statements comply with the Charities Act 2011. The Custodian Trustee has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the funds and to prevent and detect fraud and other irregularities.

Jacquie Driver

Chair of the Diocesan Finance Committee and Lay Vice-Chair of Bishop's Council

5 May 2022

Non-Statutory Financial Statements of the Custodian Trusts
Statement of Financial Activities – for the year ended 31 December 2021

	Permanent Endowment Fund £m	Restricted Capital Fund £m	Restricted Unexpended Income £m	Total 2021 £m	Total 2020 £m
Income and endowments from:					
Investment income	-	-	0.1	0.1	0.1
Income direct to beneficiaries	-	-	0.4	0.4	0.4
Total income	-	-	0.5	0.5	0.5
Expenditure on:					
Income paid to beneficiaries	-	-	(0.4)	(0.4)	(0.4)
Objects of the trusts	(0.2)	(0.4)	(0.1)	(0.7)	(0.4)
Total expenditure	(0.2)	(0.4)	(0.5)	(1.1)	(0.8)
Net (expenditure) before investment gains	(0.2)	(0.4)	-	(0.6)	(0.3)
Net (losses)/gains on investment assets	1.9	0.2	-	2.1	0.1
Net (resources expended)/incoming resources for the year	1.7	(0.2)	-	1.5	(0.2)
Transfers between funds	-	-	-	-	-
Additional new resources	-	0.1	-	0.1	-
Net movement in funds for the year	1.7	(0.1)	-	1.6	(0.2)
Reconciliation of funds:					
Funds at 1 January 2021	15.4	2.8	0.9	19.1	19.3
Funds at 31 December 2021	17.1	2.7	0.9	20.7	19.1

Custodian Trusts Balance Sheet – as at 31 December 2021

	Notes	Total 2021 £m	Total 2020 £m
Assets			
Fixed Asset Investments	2	19.8	18.2
Current Asset Investments	3	0.9	0.9
Net Assets		20.7	19.1
Funds			
Permanent Endowment	2	17.1	15.4
Restricted - Capital	2	2.7	2.8
Restricted – Unexpended Income	3	0.9	0.9
		20.7	19.1

The notes on pages 67 to 69 form part of these non-statutory financial statements. The non-statutory financial statements of the custodian trustee were approved by the Diocesan Bishop's Council acting as custodian trustee on 5 May 2022.

Jacquie Driver
Chair of the Diocesan Finance Committee
and Lay Vice-Chair of Bishop's Council

The Revd Christopher Trundle
Clerical Vice-Chair of Bishop's Council

Notes to the Custodian Trusts Financial Statements – for the year ended 31 December 2021

1. Accounting policies

These non-statutory financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and the Statement of Recommended Practice, 'Accounting and Reporting by Charities'. A summary of the principal accounting policies, which have been applied consistently except as stated, is set out below.

a. Basis of Preparation

Under the Parochial Church Councils (Powers) Measure 1956, the London Diocesan Fund acts as custodian trustee of parish buildings and land. The London Diocesan Fund also acts as custodian trustee for monies held on trust. These pages report the specific trust holdings only and provide an aggregation of the transactions and balances of the financial assets of some 103 trusts (111 in 2020).

The Balance Sheet as at 31 December 2021 has been prepared, together with a Statement of Financial Activities, which analyses the movement in funds. Comparative figures for 2020 have been provided.

The non-statutory financial statements have been prepared on a basis consistent with figures included in the LDF's Balance Sheet. As custodian trustee, the LDF prepares these non-statutory financial statements on the historical cost basis of accounting, adjusted for the revaluation of investment.

As the LDF has no day to day control over their disposition, custodian trusts are not included within the LDF's main figures.

A cash flow statement has not been prepared as the custodian trustee considers that each custodian trust meets the criterion of a 'small' company for this purpose.

A specific trust bank account is maintained for trust transactions. Each trust has its own designated investment ledger and account codes.

It is the LDF's policy that where possible all income should go directly to the beneficiaries.

b. Fund Balances

All funds are subject to the specific conditions imposed by the donor or by the terms of the trust deed or other applicable legal instrument. The expendable capital funds and unexpended income are classified as restricted funds. Endowment funds are funds subject to the condition that they be held as permanent capital.

Income and expenditure on restricted funds are taken directly to the appropriate fund except to the extent that income is freely available to the managing trustees; and unexpended income from endowment assets is carried forward as a restricted fund.

c. Investment Income

Dividend and interest income is accounted for on a receipts basis. Rental income is accounted for on an accruals basis.

d. Other Income and Expenditure

Additional capital represents capital introduced to an existing custodian trust, or the creation of a new trust. Expenditure on objects of the trusts represents the spending of capital and income in line with the terms of the trust deed or other applicable governing instrument.

e. Investments

Investments are stated at market value, calculated by reference to the mid-market value at 31 December. Realised and unrealised gains or losses on investments in the year are credited to the appropriate funds.

Notes to the Custodian Trusts Financial Statements (continued)

2. Fixed Asset Investments represented by Permanent Endowment Capital

	1 January 2021	Additions	Disposals	Unrealised Gains/(Losses)	Other Asset/ Liability Movements and Transfers	31 December 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Listed Investments	19	-	(19)	-	-	-
M&G Charifund	3,698	200	(298)	478	-	4,078
Investments held by CCLA:						
CBF Fixed Interest	20	-	-	(2)	-	18
CBF Investment Fund	9,732	79	(407)	1,342	(3)	10,743
CBF Property Fund	129	-	(15)	17	-	131
CBF Deposit Fund	1,807	420	(40)	-	(29)	2,158
Other Assets/(Liabilities)	46	-	-	-	(46)	-
	15,451	699	(779)	1,835	(78)	17,128

Fixed Asset Investments represented by Expendable Capital

M&G Charifund	219	-	-	30	-	249
Investments held by CCLA:						
CBF Fixed Interest	169	-	-	(12)	-	157
CBF Investment Fund	1,702	-	(294)	202	3	1,613
CBF Deposit Fund	600	96	(71)	-	29	654
	2,690	96	(365)	220	32	2,673
Total Fixed Assets	18,141	795	(1,144)	2,055	(46)	19,801

Notes to the Custodian Trusts Financial Statements (continued)

3. Current Asset Investments represented by Unexpended Income from Permanent Endowment Assets

	1 January 2021 £'000	Additions £'000	Disposals £'000	Unrealised Gains/(Losses) £'000	Other Asset/ Liability Movements and Transfers £'000	31 December 2021 £'000
Listed Investments	3	-	(3)	-	-	-
M&G Charifund	-					
Investments held by CCLA:						
CBF Investment Fund	245	4	(6)	34	-	277
CBF Deposit Fund	662	110	(151)	-	-	621
	910	114	(160)	34	-	898

Current Asset Investments represented by Unexpended Income from Expendable Capital Assets

	1 January 2021 £'000	Additions £'000	Disposals £'000	Unrealised Gains/(Losses) £'000	Other Asset/ Liability Movements and Transfers £'000	31 December 2021 £'000
Investments held by CCLA:						
CBF Investment Fund	2	-	-	-	-	2
CBF Deposit Fund	19	12	(5)	-	-	26
	21	12	(5)	-	-	28
Other Assets/(Liabilities)	2	-	-	-	-	2
Total Current Assets	933	126	(165)	34	-	928
TOTAL	19,074	921	(1,309)	2,089	(46)	20,729

Independent Auditors' Report to the Custodian Trustee of the Funds

We have audited the non-statutory financial statements of Custodian Funds for the year ended 31 December 2021 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Custodian Trustee as a body. Our audit work has been undertaken so that we might state to the Custodian Trustee 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 Custodian Trustee as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Custodian Trustee's Responsibilities set out on page 64, the Custodian Trustee is responsible for the preparation of the non-statutory financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the non-statutory financial statements

In our opinion the non-statutory financial statements give a true and fair view of the financial position of the Custodian Funds as at 31 December 2021 and of their incoming resources and application of resources for the year then ended.

Haysmacintyre LLP
Statutory Auditor
10 Queen Street Place, EC4R 1AG

5 May 2022

Haysmacintyre LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006