



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2021

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED

Company number - 097256

Registered charity number – 249355

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Mission Statement

The Diocese of Lincoln is called by God to
faithful worship,
confident discipleship and
joyful service.

The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited financial statements, for the year ended 31 December 2021.

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

This combined report satisfies the legal requirements for a:

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

LEGAL OBJECTS

The legal objects of the Diocese of Lincoln cover the historic county of Lincolnshire.

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

The LDTBF has the following statutory responsibilities:-

- the management of glebe property and investments to generate income to support the cost of stipends arising from the Endowment and Glebe Measure 1976;
- the repair of benefice houses as the Diocesan Parsonage Board under the Repair of Benefice Buildings Measure 1972;
- the custodian of permanent endowment and real property assets relating to trusts held by incumbents and archdeacons and by Parochial Church Councils as diocesan authority under the Incumbents and Churchwardens (Trusts) Measure 1964 and the Parochial Church Councils (Powers) Measure 1956.

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

PUBLIC BENEFIT STATEMENT

The Trustees, having considered section 4 of the Charities Act 2006, have satisfied themselves that they have complied with the duty to have regard to the Public Benefit guidance published by the Charity Commission. The trustees review its work each year and consider outcomes and plans for the future. They take into account the Charity Commission's guidance on public benefit when reviewing its purpose and in considering how planned activities will meet that aim. Our main activities ensure that we have in place ministry to support the people of greater Lincolnshire in the gospel of God. We do this by providing members of Clergy and lay ministers to work with the parishes and people in greater Lincolnshire

STRATEGIC REPORT

The charitable objects of the Lincoln Diocesan Trust and Board of Finance are:

- to support the development of a growing, worshipping, celebrating and proclaiming Christian presence in each community of the Diocese
- to support projects and enterprises in harmony with that purpose

STRATEGIC PRIORITIES

The context for the strategy is the diocesan vision – *to be a healthy, vibrant and sustainable church transforming lives in greater Lincolnshire* – and under it the diocesan mission of – *faithful worship, confident discipleship and joyful service*.

In July 2015, the Diocesan Synod agreed the following six strategic priorities and these were reaffirmed by Synod during 2019 for the following three years:

1. Faithful Worship

Our first purpose is to worship God. Prayer is the foundation of all growth in the Church. God provides the growth and we are called to support and enable it to happen.

2. Confident Discipleship

Our second purpose is to grow the Church in depth of commitment and in numbers of people to uncover and build God's Kingdom in greater Lincolnshire.

3. Joyful Service

Our third purpose is to demonstrate the love of God for his world through the Word and the service that Christians offer to those in their communities.

These three priorities are the basis for change and growth in our churches and communities that will follow from our pastoral and missional activities. In addition, there are three enabling priorities:

4. Ministry

Ordained and lay ministers form the mainstay of the church's presence in communities and provide essential local leadership, witness, care and support. It is a priority to develop a whole-life approach to supporting ministry from vocation, through formation and training, and all the stages of ministerial development to retirement ministry.

5. Resources

The Diocese possesses resources of buildings, money and staff which are to be managed efficiently and effectively now and in the future.

6. Partnerships

It is a priority to achieve closer relationships with the communities that the Diocese serves. Partnerships that enhance the resources and activities of the Diocese will be encouraged.

PROGRESS IN THE YEAR

A Time to Change Together

Major progress has been made over the year in the diocese's response to the challenges of decreasing numbers, financial deficits, ministers' and others' stress and wellbeing, and our large number of church buildings. Our overall strategy changed its name from *Resourcing Sustainable Church* to its subtitle *A Time to Change Together*, to underline the key nature of the changes envisaged. Large numbers of people took part in consultations on Zoom in regional gatherings, at Rural Deans meetings, and at clergy chapters, to name but a few, in order for as widely agreed a plan as possible to be taken to the Bishop's Council of Diocesan Trustees and then to Diocesan Synod. The Synod agreed the plans and proposals with majorities of over 80%.

The Diocesan Strategy

Under the overall strategy of the Diocese laid out above and in previous annual reports the strategic approach which is driving our current activity as a diocese was articulated in the vision offered to Diocesan Synod at the end of 2021:

A Time to Change Together is foundational to the Diocese of Lincoln's vision for our shared future. As a family of churches we are committed to serving our congregations and communities as together we seek to transform lives in Greater Lincolnshire.

We pledge ourselves to collaborative partnerships, relationships of generosity and growth. We are drawing deeply from the wells of God's love, found in every type and size of faithful community.

We know the Church in this Diocese will flourish when the churches flourish and in order to flourish we must work together.

Our whole approach is to resource local churches to be the best they can possibly be as they seek to serve the people of their community with the good news of God's love for them.

Resourcing the Urban Church

This vision has interacted happily with strategic elements already in place. For example, our significant investment on the back of national Strategic Development Funding in our *Resourcing the Urban Church* project is starting to bear fruit with the recruitment of clergy and other staff at all three resourcing churches in Stamford, Grantham and Lincoln and with the establishment of the three church plants or revitalised churches in Grimsby, Lincoln and Spalding. *A Time to Change Together*, as an approach, is not designed to sweep away all that went before but to complement and build upon what is already good and working.

Progress towards the Vision

The careful work led by the Bishops of Grimsby and Grantham meant that the rest of the year was devoted to the hard work of putting the plan into action under the leadership of Revd Canon Aly Buxton and her implementation team. Dozens of covenant pastors were recruited, trained and set to work with local churches on generous giving and realistic pledges for the support of ministry. The task of rebalancing our investments to maximise our revenue and to ensure sufficient cash to pay the bills has continued under the guidance of our Assets Committee and our Director of Finance. Staffing in the Parish Support offices has been reduced by nearly a third to a state which is very lean to enable as much of our resources as possible to go to supporting frontline mission in the local

church.

However, the largest piece of work is to address how the local church operates in terms of our diocese's geography and historic structures and buildings and how people work together and are deployed across the diocese. During 2021 as in the previous year, the likelihood of needing to reduce stipendiary clergy numbers meant that only vacancies with the most pressing missional case were filled. The stress this has led to in some cases was recognised and addressed through the pastoral care of rural deans, archdeacons and bishops. A huge series of discussions with and amongst ministers and church communities began during 2021 (further details below) which is planned to produce a sustainable framework to be adopted from 2022 on. This all involved considerable time, effort and energy and, for some, raised anxieties and concerns. However, overall engagement with the various elements of *A Time to Change Together* has been faithful, courageous, open and supportive, for which we give thanks. We are grateful for the sensible Lincolnshire attitude, expressed repeatedly during this process, of appreciation that 'finally we are grasping the nettle'.

Diocesan Synod approved the 15 recommendations and commitments of *A Time to Change Together* – Resourcing Sustainable Church in May 2021. The recommendations and commitments covered each of the five lever group areas of Growth, Deployment, Parish Share, Central Costs and Assets and set a way forward for us all, together, based on collaborative partnerships, mutual generosity and strategic growth.

The 71-page report, approved by Synod, was the culmination of almost 18-months work and extensive local conversations, including publishing a draft report in February 2021 and consultation with over 600 people in March 2021 alone.

The major focus for the implementation was and will continue to be at the most local level. We know the Church grows when local churches flourish. In 2021, our focus was on discerning local vocations. In doing so, we are building a thorough picture of the local church in the diocese to support future local planning within the agreed framework and strategic discernment of *A Time to Change Together*. In 2021, we asked each church and each minister to consider their vocations, gifts and godly ambitions. There were three main workstreams:

1. **Church Types** - *What role does each church feel called to play going forward?* Churches were asked to prayerfully recommend the type of church they aspire to be within five-years: a Key Mission Church, Local Mission Church, Community Church, Festival Church or a church exploring closure. 95% of the 623 churches in the diocese responded to the Church Types survey in 2021. The process was supported by a series of resources, webinars and much personalised local support.
2. **Vocational Conversations** - *What role does each minister feel called to play going forward?* Just as churches have been encouraged to reflect on their identity and type, in October we invited all licensed clergy and Readers to sign up for a Vocational Conversation as a space to reflect on how they are being called to exercise their ministry now and into the future. By the end of 2021, 70% of vocational conversations had been arranged and 45% held. These conversations continue into early 2022.
3. **Covenant Conversations** - *What financial commitment does each parish feel called to make going forward?* 37 Covenant Pastors - lay and ordained – were appointed and trained in 2021 to walk alongside parishes as they reflect upon their financial giving as part of our call as a church to live and give generously. Working with a Covenant Pastor, by summer 2022 each parish is being

asked to discern prayerfully what they are realistically able to contribute, in the form of a covenant pledge, towards the cost of stipendiary ministry across the Diocese of Lincoln. By the end of 2021, a quarter of parishes had had an initial meeting with a Covenant Pastor and the first pledges were beginning to come in.

The discernment processes of 2021 will provide vital information for future local planning. In November and December 2021, Deanery Partnership Steering Groups, based roughly on the nine local authority areas of Greater Lincolnshire, were established to begin the first steps of local planning by agreeing with parishes the boundaries for their future Deanery Partnerships. Proposing, agreeing and creating the Local Mission Partnerships within these Deanery Partnerships will be the major focus of 2022. Local Mission Partnerships are likely to look very different as we move around the diocese - the focus will be how best to resource each area for the flourishing and growth of God's church.

College of St Hugh

A Time to Change Together is an opportunity to reimagine church and find new ways of being church together. The recommendations and commitments necessitate a significant cultural shift for us all. To support the training needs at every level in this process of culture change, a College of St Hugh is set to be established in 2022. The College of St Hugh is drawing together training for mission and ministry for all the people of the diocese and will be a key element for the effective implementation of A Time to Change Together in the long term. A Warden of the College was appointed in 2021 to begin in January 2022.

A Time to Change Together is not a centrally imposed programme. It is a journey of change for us all, that we will create and discern together. We are so grateful to the thousands of people who have been a part of the journey so far.

At the end of the year it is possible to say that we are on track with the framework, financial targets and schedule which were agreed by the Diocesan Synod.

Covid-19

2021 saw the diocese facing and rising to continued challenges. The first and most pressing was the pandemic. Our people, churches, chaplaincies and schools have been crucial partners in the communities in which they are situated. Over the year they have been important sources of support, lament and creativity. Moving in and out of various levels of lockdown has extended the constraints on our churches' abilities to gather. However, imaginative approaches to online worship and myriad, inventive methods of keeping in touch with and offering support across numbers of constituencies in towns and villages have contributed to the struggle against significant pandemic issues such as isolation, bereavement, mental health, domestic abuse and increasing poverty. As will be seen in the details later in this report, the pandemic has had a significant impact on our financial performance. However, hard work done at a local level and with diocesan support has meant that our financial performance has been better than we initially feared. We have a solid plan, but the challenge remains considerable. As with those in parochial ministry, the Parish Support offices continued to oscillate between working mostly from home and gradually moving back into the office, as the government guidelines changed.

Although, as in the parishes, the experience of Covid has involved serious difficulties and sadness, faster progress has been made towards the expected future of more online work, training, meetings and day to day interactions from remote locations, all of which has been the subject of reflection in order to consolidate advantageous practices. It is not yet clear what impact the pandemic will have on active, worshipping numbers and on the complexion and makeup of our congregations. One

unexpected feature of this period has been an increase in people asking to talk to our vocations advisers and Director of Ordinands about vocations and ministry of various kinds. Much of the redesign of our approach to mission, ministry and how they are supported will need to have sufficient flexibility and adaptability to respond to our growing understanding of how things will be different.

Safeguarding

Safeguarding continues to be a key priority for the diocese. The pandemic has resulted in increased concern regarding certain issues such as domestic abuse. Our churches have provided safe places where numbers of people have found it possible to talk about safeguarding issues that are weighing upon them and, where appropriate, for our local ministers and our diocesan staff to respond. The review of records in what is called PCR2 has continued through the year and was more or less finished by the end of the year. This has been a large piece of work in itself and has raised considerable, if mostly not very serious issues which have been addressed as they have been raised. The report will be submitted early in 2022.

Although the preferred method of training is face to face, it has been possible to deliver large numbers of good quality training sessions, both through online modules which participants undertake on their own and in Zoom sessions in groups. The load of paperwork and necessary training for both licensed ministers, volunteers and officers in our parishes is considerable but it is a credit to the central importance given to safeguarding that compliance to safeguarding standards and national guidance is high across the diocese including in the cathedral which was warmly commended in its SCIE review during the year.

There have been important staff changes in the safeguarding team. Jack Redeyoff started in January as our Diocesan Safeguarding Advisor and has swiftly become a valued and trusted member of the senior leadership of the diocese with a place on the Bishop's Staff. Penny Turner, our Deputy Diocesan Safeguarding Advisor who held the fort in the gap between Debbie Johnson's leaving and Jack's arrival, left in September. We are very grateful for the huge contribution she has made to our safeguarding culture and performance during her years here. We were also sad to see Pat O'Brien, the Independent Chair of the Diocesan Safeguarding Advisory Panel, offer her resignation. She has done much to improve the rigour of the oversight and audit of what we do in safeguarding.

Governance and Leadership

The past few years have been somewhat unstable in terms of leadership in the diocese. 2021 saw considerable movement again in this regard. Bishop Christopher Lowson, who had been suspended for 20 months, returned to ministry in February. He made it clear that he supported the work that had been done under *A Time to Change Together* and thanked the bishops of Grimsby and Grantham for their good work during his suspension. Later in the Spring he announced that he would be retiring at the end of the year. In preparation for this and in order to foster morale across the diocese he engaged in a series of meetings in the deaneries where he listened to people's experience of the Covid period around the diocese. Farewell events were held in November including evensong and a party in the cathedral before his official retirement on 31st December. Although the last years of his leadership here proved difficult, the diocese is grateful for ten years of thoughtful, prayerful ministry tackling some huge issues and bringing the diocese up to date in many areas.

As is normal when an episcopal vacancy is announced, the Diocese's Vacancy in See committee started its work in preparing our statement of needs so the national Crown Nominations Commission could find the most suitable candidate for the diocese's and the national church's needs. After much research and consultation, the committee had nearly completed its task when the Archbishop of Canterbury told the Bishop's senior team that he was suspending the process and was appointing

the Bishop of Ely, the Rt Revd Stephen Conway as Acting Bishop of Lincoln from 1st January 2022, the role to be held in conjunction with his current role in Ely. This appointment was initially to be for a year during which time Bishop Stephen would advise the Archbishop when he thought the diocese was ready to receive their new bishop, at which point the Vacancy in See process would resume.

Because the pandemic had led to the postponement of elections for General Synod, 2021 unusually saw both General and Diocesan Synod elections. In line with the work the diocese is doing to increase diversity and inclusion, these elections and associated appointments have delivered more representative bodies. Such concerns contributed to continuing discussion, planning and implementation at the local and diocesan level in response to a range of issues via from *Lament to Action* in which the Revd Sonia Barron was a central mover, identity, sexuality and gender via *Living in Love and Faith* in which the Bishop of Grantham was a national adviser, and climate crisis issues via the Church of England's Net Zero target and our own environmental policy which, with the leadership of Sarah Spencer, our Discipleship in the World Officer, has seen considerable work done to head us in the direction of 2030.

The Ven Mark Steadman left the diocese to take up the post of Chief of Staff to the Archbishop of York. Mark has served the diocese faithfully as Archdeacon of Stow and Lindsey bringing his sharp mind, pastoral heart and sense of fun to all his work.

PROVISION OF RESOURCES

In 2021, the LDTBF continued to provide the resources for the above diocesan activities supported by significant financial, governance and HR expertise. In addition:

Church Buildings and Pastoral

Due to Covid 19, 2021 was another difficult year. However, the Diocesan Advisory Committee for the Care of Churches (DAC) continued to help parishes in the care, repair and maintenance of their church buildings. Members of the DAC, its advisers and officers of the Church Buildings Team continued to make visits where that was both possible and legal and parishes were grateful for their time and knowledge.

The Historic Churches Support Officer (part funded by Historic England) and the Church Development Officer continued to provide Surgery meetings – via Zoom – for church representatives to obtain advice about faculty procedures, support in filling out grant applications and other church building-related matters. If anything, these virtual surgery meetings have proven even more popular. With the help and assistance of officers, Marshall's Charity continued to grant aid work on church buildings in the diocese and those who were in receipt of a grant were very grateful for the Charity's support.

A large amount of time had been spent over the last couple of years advising parishes on the prevention of lead theft and, where it has happened, on advising on remedial works of protection and grant aid for replacement roof coverings. Such thefts left a repair bill just in excess of £1m. During the year, and as a result of the partnership between the Historic Churches Support Officer and Lincolnshire Police, a gang of lead thieves was apprehended and given custodial sentences.

The Church Buildings Team has been glad to be an integral part of the work involved in A Time to Change – Together and has been actively engaging with partners such as Historic England, the County Council and Heritage Lincolnshire in seeking ways of making the church buildings of the Diocese more sustainable. Where churches have been looking at the possibility of closure the

Team has been seeking partnership working with the Church Buildings Council in Westminster and assisting in the preparation of their statutory Church Buildings Reports.

Property Assets & Trusts

Property Assets and Trusts continued with the provision and maintenance of around 211 clergy houses and oversaw the management of the glebe estate through retained agents Savills.

2021 was an active year for property sales raising around £7.7m from the sale of 27 houses and £0.6m from the sale of surplus glebe land, over £6.4m of which was reinvested into investments to help address the financial situation.

A further 20 houses have been identified as being surplus for 2022 to raise £5.4m in sales and a number of development sites on glebe land are due to come to fruition this year, potentially raising a further £4.0m. Again, much of these proceeds are to be reinvested.

To help address the financial situation the maintenance budgets for 2022 are reduced and focused on essential repairs and maintenance. Capital expenditure has been restructured to address energy efficiency upgrades to clergy housing as a step towards the Church of England's aspiration to achieve net zero by 2030.

In addition, the team continued to administer on behalf of parishes over £20m worth of local trusts with assistance continuing to be given to parishes in drawing down funds, if required. Property Assets & Trusts also acted as custodian of legal documents such as title deeds and managed the relationship with solicitors in property transactions.

Volunteers

The LDTBF is hugely dependent on the many people involved in church activities both locally and at Diocesan level. The number of active volunteers (or volunteer hours) given to the mission and ministry of the church is a key indicator of the health of a church. The service provided to a community through church volunteering also has a significant impact on people's relationship to the church particularly at times of crisis more so now than at any other time.

The LDTBF greatly values the considerable time given by all the committee members across the Diocese in pursuit of the mission; faithful worship, confident discipleship and joyful service. Grateful thanks is given to you all.

Other related parties include

The Archbishop's Council to which LDTBF pays a donation based on an apportionment system for funding national training of ordinands and the activities of the various national boards and councils, as well as General Synod.

The Church Commissioners from which the LDTBF receives grants and which acts on behalf of clergy with HM Revenue and Customs. The LDTBF pays for clergy stipends through the Church Commissioners.

The Church of England Pensions Board, to which the LDTBF pays retirement benefit contributions for stipendiary clergy. It also offers schemes to provide housing for clergy in retirement.

Transactions with the main categories of related parties are identified in appropriate places throughout the financial statements. Where materiality of the transactions merits more detailed disclosure, this is given in notes 27 and 28 to the financial statements.

FINANCIAL REVIEW

The principal role of the Trustees is to act as custodians of the Diocese's assets. The Diocese saw an increase in the general funds of £156k, as a result of a reduction in the liability around the pension fund of £258k. This reduced the liability in the year to £236k (2020: £529k). An increase of £63k in the designated fund, an increase in restricted funds of £8.7m. and a reduction of £2.3m on the endowment funds.

The principal changes during the year were as follows:

Agricultural Portfolio: The valuation of the agricultural holdings saw an increase in value of £2.0m with sales of £0.5m. The overall value of the glebe holdings increased to £52.5m. (2020: £50.9m) (note 15(a)); an overall increase of 3.05%. The Property Director with the support of Savills administered the 11,385 acres of glebe estate during the year. We continued with the implementation of the 5-year Agricultural Glebe Estate Strategy developed in 2018. This has set the framework for maximising income from the estate and continues to be annually reviewed by the Assets Committee.

Investment Portfolio: The value of the investment portfolio increased in the year by £4.4m (note 15(b)). During the year the Board transferred £6.4m. from board property sales into investments and these increased in value by £0.4k. This will continue to be the policy. Where surplus property is identified this is disposed of, the proceeds re-invested to generate additional income and maintenance costs reduced. The value of the investments at the end of the year was £47.7m (2020: £36.9m).

Parsonages Portfolio: The Board disposed of 27 surplus properties raising £7.7m and carried out capital works on 4 properties. These funds were re-invested into investments funds through the Diocesan Pastoral Fund. During the year a property was purchased from the Church Commissioners which was subject to a Value Link Loan. This is now fully owned by the LDTBF. The Property department undertook the maintenance and repair of around 211 clergy houses and continued to let those properties across the Diocese that were not required for immediate occupation by Clergy. This produced income of £392k in 2021 (2020: £348k).

Operating Financial Performance

The difference between the Diocese's annual running costs (mainly the cost of paying and housing stipendiary clergy and curates, training and supportive administration) and its annual income (mainly parish share and investment income) resulted in a deficit for 2021.

The deficit for 2021 (before net gains on investments and other recognised gains/losses) was £0.3m (2020: £2.8m). The operating deficit for 2021 on the general fund was £4.0m (2020: £4.2m.) before the pension adjustment of £258k (2020: £448k). The general fund continues to be funded with the total return transfer from the permanent endowment.

Clergy Recruitment

The table below shows the changes that have occurred in year in our Clergy numbers which saw a reduction in filled posts when compared to 2020. The table also reflects the number of retirements in year and the changes with movements both within and out of the Diocese. The table uses actual clergy numbers rather than fte's.

Stipendiary Clergy	2021	2020
Numbers as at 1 st January	119	134
Numbers who left the Diocese in year	(5)	(24)
Numbers that retired in year	(7)	(1)
Posts filled in the year from within the Diocese (Curates)	3	4
Numbers new to the Diocese	4	6
Stipendiary Clergy as at 31st December	114	119

Parish Share

Parish Share, the money given by Parishes to the Diocese to fund its mission and ministry, is the main source of income for the Diocese and amounted to 33% (2020 - 36%) of its total income. 2021 continued to be a difficult year for parishes with churches being closed for part of the year and parishes not being able to carry out the great variety of community based fundraising which would normally have taken place. Despite this the level of share collected increased over 2020. Detailed below is a table, which illustrates the amount of share requested and the amount paid.

	2021	2020
	£'000	£'000
Total Payments	3,487	3,315
Total Request	5,019	5,731
Shortfall	(1,532)	(2,416)

The Trustees are extremely grateful to all the parishes which completed their parish share payments during the year, despite the extremely difficult circumstances that we were faced with during 2021. We are especially grateful to those parishes that paid more than the original ask. Thank you also to those parishes who made their parish share payments by monthly instalments. This greatly assisted us with our cashflow. The Trustees are disappointed that more parishes have not joined the Parish Giving Scheme and continue to encourage parishes to do so. The trend in the amount of share which is paid by parishes is worrying and continues to impact on our ability to operate with a balanced budget. This has formed the basis of 'A Time to Change Together' and the adoption of a Covenant pledge system for parishes as we move into 2022.

Balance sheet position

The value of fixed assets including investments during 2021 increased by £6.8m. The increase in value of our agriculture land was £1.6m, the increase in value of our investments was £10.8m. we continued with the disposal of surplus housing which saw a reduction in our holdings of £5.6m.

The other change concerns how the Diocese accounts for the pension scheme deficit on multi-

employer defined benefit pension scheme, and in particular on the clergy pension scheme which saw a large reduction in the pension deficit to £236k (2019: £529k). This continued to significantly reduce our liability.

The net impact of the pension changes in 2021 are summarised in the table below:

	2021 £'000	2020 £'000
Pension deficit as at 1 st January	529	984
Pension adjustment	(293)	(455)
Pension deficit as at 31 st December (see note 26)	236	529

This resulted in an adjustment to the pension costs in Note 8 and a reduction in expenditure to the general fund.

Balance Sheet Funds

The Trustees consider that the Balance Sheet together with details in note 21 show broadly that the restricted and endowment funds are held in an appropriate mix of investment and current assets given the purposes for which the funds are held. While the net assets at the Balance Sheet date totalled £169m. (2020: £163m.) it must be remembered that included in this total are properties, mostly in use for ministry, whose value amounted to £63m. (2020: £68.5million). These are held within fixed assets with the remaining balance relating to other properties which the LDTBF own for example Edward King House. Much of the remainder of the assets shown in the Balance Sheet are held in restricted funds, and cannot necessarily be used for the general purposes of the LDTBF.

Reserves policy

Unrestricted reserves

The Trustees have considered financial risk, liquidity requirements and the timing of cashflows throughout the year. They consider it appropriate to hold a balance of readily realisable assets in the general fund equivalent to three months gross expenditure from unrestricted funds estimated at £3.0m (2019: £3.0m). Free reserves at 31 December 2021, show a positive balance of £1.0m which is significantly short of the £3.0m. The Trustees recognise that the current balance is not sufficient and this is part of the considerations of the A Time to Change Together to be able to cover the costs of stipendiary ministry in the diocese. The Trustees are continuing to utilise Total Return in the medium term.

The law governing the use of Diocesan Endowment funds changed in 2016 and the Trustees adopted total return during 2017. The adoption of this enables the Trustees to use a portion of the unapplied total return from the Endowment Stipend Fund to fund the shortfall on stipends and housing. The date used for the initial value of the trust for investment and the initial value of the unapplied total return was 1996 as this was the first year that the SORP was adopted. The value of the investments for the Stipend Endowment Funds as at 1996 has been inflated by RPI up to and including 2016. This established the baseline as £51m. The Trustees used the guidance issued by the Church Commissioners in the Total Return Guide. The Trustees also took into account the change in legislation to the Diocesan Stipends Funds (amendment) Measure 2016. The Trustees took the

advice of the trust auditors and the professional expertise within the Trust body. Please refer to note 20.

Designated funds

The Trustees may, with the approval of the board, designate additional unrestricted reserves to be retained for an agreed purpose where this is considered prudent. Such designated reserves are reviewed on an annual basis and returned to the general fund in the event that the purpose of their designation is no longer considered to be adequate justification for their retention. A description of each reserve together with the intended use of the reserve is set out in note 22. At 31 December 2021 total designated reserves were £922k (2020: £859k).

Restricted and endowment funds

As set out in note 22 LDTBF holds and administers a large number of restricted and endowment funds. As at 31 December 2021 restricted funds totalled £23.1m (2020: £14.4m). The large increase is due to the transfer of houses identified as Glebe/Board houses which have been transferred from the Parsonages Fund to the Diocesan Pastoral Fund. These have been transferred to the Board in line with the appropriate measure as they are not invested in the Incumbent or considered to be Benefice houses. This amounted to £6.4m. and is set out in Note 13.

Grant making policy

The Memorandum of Association of the LDTBF explicitly permits the LDTBF to make grants in pursuance of its objects, and the nature of the grants made in 2021, are indicated in note 11.

Investment policy

The LDTBF is empowered by its memorandum of association to invest monies not immediately required for its purposes. In addition, the LDTBF acts as trustee of a number of trust funds, and these must be invested in accordance with the related trusts. The LDTBF's policy is to review regularly the assets of each fund for which it is responsible, in relation to the purposes of each fund, and to identify appropriate investment vehicles. Note 21 provides details of the assets of each fund, together with the related purposes, and note 15b summarises the movements in investments during the year.

The Assets Committee, continued to monitor its holdings and the fund managers in which these funds are held. The Committee continued to be aware of the risks to the portfolio particularly around the pandemic and as a result regular reviews were carried out with the fund managers and frequent information was available to keep them up to date with developments around the fund performance.

The Trustees' investment policy is to preserve the real value of the investment portfolio and to contribute to financing the activities of the Diocese. Growth was strong during 2021 and the value of the investments grew by over £4.3m. The Trustees reviewed the investment portfolio in 2021 and are proposing changes in 2022 to be agreed by the Board at its March meeting. The investments are split across a number of fund managers which in turn reduces the level of risk exposure.

The funds types and managers are detailed below:

- The Charities Property Fund, managed by Savills Investment Management
- CBF Church of England Investment Fund, managed by CCLA Investment Management
- Alpha Common Investment Fund for Endowments, managed by Sarasin & Partners
- Amity Global Equity Fund for Charities, managed by Edentree Investment Management

- Property Income Trust for Charities, managed by Mayfair Capital Investment Management
- Cazenove Capital, managed by Schroder & Co. Limited

The Assets Committee reviews the performance of the funds at each of its meetings and holds an annual review with the relevant fund managers. For 2021 these were carried out virtually with the fund managers producing a recording of their presentation prior to the meeting. They then attended the meeting and were asked questions by the Committee. The Asset Committee makes recommendations to the Trustees on investments.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees are responsible for the identification, mitigation and or management of risk. To achieve this, a register of all the risks identified is maintained and, alongside it, a management and mitigation strategy formed which is reviewed by the Risk Management Committee and monitored by the Audit and Governance Committee. This is subject to review by the Trustees with the responsibility for delivery of the mitigation strategies identified by it, being delegated to the Diocesan Secretary.

During the Annual Risk Review which took place in January 2021, Trustees considered the following risks and mitigations to be most critical to the strategic objectives of the organisation:

Detail	Rating	Control and mitigation	Key management activities
A lack of young people in our congregations leading to a danger in continuity and diminishing congregation size.	Critical	The Mission and Ministry Committee monitor and discuss the work of the Children and Youth Officer and the newly formed College of St Hugh brings together the different growth strands of 'Time to Change Together'.	The Time to Change Together programme includes a focus on growth with work being done by the college of St Hugh and the Children and Youth Officer to identify where good Children and Youth work is taking place and encouraging links between church, schools and families.
Congregation numbers continue to fall resulting in a drop in parish share and resources.	Critical	The strategic development funding programme has been launched to revitalise our urban areas. The Time to Change Together programme has a focused strand on growth, with key deliverables being monitored by an Oversight Group. Congregation numbers are monitored by annual statistics and parish share returns.	Focus is being placed on growth of mature and committed discipleship through planning, resources and support. There are plans for Mission Enablers in each Deanery Partnership to promote the diocesan priority of intentional discipleship.
Our inability to sufficiently reduce our operating deficit, resulting in the need to draw down on Total Return for the longer term which would shrink our income and lead to an increasing deficit.	Critical	Regular management accounts reviewed by the Financial Reporting Advisory Panel and BCDT. Our auditors have been content with our approach to Total Return following detailed forecasting projections created for 2020, which are being updated for each annual report.	As of the end of 2021 the operating deficit has been successfully reduced to £2.3m (£542k including windfalls on disposals). Additional funds from these disposals have been successfully reinvested increasing income, and parish share has recovered well to £3.5m following a drop earlier in the pandemic. Due to ongoing costs, the likelihood of having to continue utilising Total Return is still high.

Low levels of stewardship in congregations leading to parishes being unable to cover their own expenses and pay their parish share contributions, leading to eventual closure.	High	Covenant Pastors have been trained and are meeting with parishes to consider their giving and assist with local issues. Updates on stewardship and the number of parishes undergoing reviews and joining the Parish Giving Scheme are provided at every trustee meeting.	Covenant Pledges from parishes are starting to be received and follow-up conversations are taking place with Covenant Pastors where visits have been held but pledges are yet to be made.
A rapid increase in requests for church closures, following a difficult time for many small parish churches who have lost funds and volunteers to keep their doors open. This will have a negative financial impact on the LDTBF who will become responsible for the buildings.	High	The Church type survey has been completed by over 90% of churches giving the team a good indication of which churches are in trouble. Time to Change Together Oversight Group monitor responses.	Webinars have been offered to talk parishes through the process for each church type and meetings have taken place with churches considering closure to investigate all options. The LDTBF may need to consider self-insuring some closed church buildings should the numbers continue to increase.

Trustees acknowledge the interrelation between many of their key strategic risks, in that they all relate in some way to the mission objectives of the Diocese and our ability to meet those objectives with an appropriate and sustainable level of resource. The lack of the younger generation represented in our church congregations relates more broadly to shrinking congregations in general, which in turn has an impact on our financial sustainability. The Trustees monitor these principal risks regularly and receive assurance from the Audit and Governance Committee who in turn monitor the work of the operational Risk Management Committee.

Following the 2021 review, Trustees agreed that the current risk control framework is robust enough to provide the necessary assurance that risk is taken seriously at all levels, and that the culture of risk management desired can be seen throughout the organisation.

STRUCTURE AND GOVERNANCE

While the LDTBF is responsible for the funding of clergy stipend costs, the national clergy payroll is administered by the Archbishops' Council, a charity which the LDTBF reimburses regularly for the costs of stipendiary clergy deployed in the Diocese. Caring for the 114 trained stipendiary clergy and 20 training curates in the Diocese is a priority of the LDTBF and represents by far its largest financial commitment. Although the LDTBF does not employ the parish clergy, it is responsible for training them, paying them, and paying into their pension fund. New terms of service were introduced in 2011 in the form of Common Tenure under which all new clergy are appointed (some present clergy chose to retain their freehold). The new package gives greater clarity on the rights and obligations of clergy and requires that they participate in a process of Continual Professional Development and Ministerial Development Review. It also gives clergy access to Employment Tribunals and other useful services.

For many, the clergy house represents the domestic heart of the benefice, serving not only as a home but also as a base for ministry. The LDTBF recognises the importance of a safe, secure and well-maintained house and continued a programme of refurbishments and improvements.

Summary Information about the structure of the Church of England

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

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

The Lincoln Diocese is itself divided into twenty-two deaneries, each with its own Synod. Each deanery consists of several parishes which may be a member of a benefice, and each parish has a parochial church council which shares with the parish priest responsibility for the mission of the church in that place, in a similar way to that in which the bishop shares responsibilities with the Diocesan Synod.

Organisational structure

The Lincoln Diocesan Trust and Board of Finance (LDTBF) is a company limited by guarantee (No. 097256) and a registered charity (No. 249355) governed by its Memorandum and Articles of Association. This means that the trustees of the charity which make up the membership of the Bishop's Council of Diocesan Trustees, are also the company's directors and that the Trust is bound by charity and company law and regulations.

The company's principal activity is to promote, assist and advance the work of the Church of England within the Diocese of Lincoln. It exists to transact the business of the Diocese of Lincoln and provide financial and administrative support to the Diocese and its associated activities. LDTBF serves as the Diocese's Board of Finance in accordance with Ecclesiastical Law. LDTBF also acts as custodian of certain funds and properties held for the benefit of others (principally parishes of the Diocese).

Governance and policy of the Diocesan Board of Finance is the responsibility of the Trustees, who are also the trustees for the purposes of charity law. In October 2018 the Trustees adopted new Articles of Association which brought the LDTBF, the Bishop's Council and Diocesan Synod Standing Committee and the Diocesan Mission and Pastoral Committee (DMPC) into one coterminous body called the Bishop's Council of Diocesan Trustees. This body fulfils all of the statutory and non-statutory duties of the LDTBF. The Diocesan Bishop appoints, subject to the approval of the Diocesan Synod, the Chair of the LDTBF.

The Diocesan Synod, the statutory governing body of the Diocese, is an elected body drawn from across the Diocese with responsibility for setting the vision and strategy of the Diocese, guided by the bishop's staff team. The Synod membership is elected every three years, the last elections having been in July 2021.

The 11 elected members of the Bishop's Council of Diocesan Trustees are elected by Diocesan Synod and from its number. These positions are spread equally over the three archdeaconries of the Diocese. The Diocesan bishop is an ex-officio member, as are the Suffragan bishops, the Dean of Lincoln, the three archdeacons, the chair of the LDTBF and the chair of the DMPC (if not already the Diocesan bishop). The details of the Trustees who served during the year are set out on page 24.

While the LDTBF is a separate legal entity with clear responsibilities under both company and charity law, as well as a governing memorandum of articles of association, by virtue of the National Institutions Measure 2000 the LDTBF is subject to the direction of Synod in all of its activities, unless such direction is not in accordance with the governing documents or statutory regulations.

Decision making structure

Lincoln Diocesan Trust and Board of Finance Limited: monitors management accounts and budgets, the use of assets and investment policies. It also undertakes its responsibilities under the Parsonages Measure; the Repair of Benefice Building Measure 1972; the PCC (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 (with respect to parochial property); the Endowment and Glebe Measure 1976 (with regard to property assets); and the Pastoral Measure 1983 (with regard to redundant churches).

Corporate priorities and the overall financial strategy for the Diocese are its primary objects to promote, assist and advance the work of the Church of England within the Diocese of Lincoln as set by the Diocesan Synod, and the LDTBF. The responsibility for ensuring that these priorities and strategies are delivered is delegated to the Diocesan Secretary.

The company membership, which as of October 2018 is the membership of Diocesan Synod, meets once a year in a general meeting to receive and approve the Annual Report and financial statements and to approve the appointment of the auditors. The Bishop's Council of Diocesan Trustees acting as the LDTBF approves these matters in their trustee meeting prior to the general meeting.

The Bishop's Council of Diocesan Trustees acts as the standing committee of diocesan synod, the Diocesan Mission and Pastoral Committee (DMPC) and the Bishop's Council, as well as the board of finance in order to ensure that mission and money are discussed in the same room and by the same key stakeholders.

Diocesan Synod and the Bishop's Council of Diocesan Trustees delegate various responsibilities to committees, in order for the 'heavy lifting' to be done away from the main trustee meeting. These non-statutory committees and working groups are combined with other statutory committees to form the governance structure of the diocese.

Due to the fluctuating nature of the pandemic, two meetings of Diocesan Synod were held virtually in 2021 and two were held in person with Covid secure measures in place. The Bishop's Council of Diocesan Trustees issued guidance during the year about the benefits of virtual meetings where possible for committees, and agreed to hold (where possible) every other meeting of BCDT in person and that for all Synod meetings (government guidance allowing) should be held in person. Throughout the year, all business has been transacted in accordance with our governing documents, the Insolvency and Governance Act 2020 and the additional statutory instruments issued by the Diocesan Bishop to enable both company and synodical strands of our governance to continue.

Audit and Compliance Committee (Chair David Cowell):

The main purpose of the committee is to monitor and review the integrity of the Diocese's Annual

Report and accounting policies; the effectiveness of the Diocese's governance, internal controls and risk management systems including an assessment of the adequacy of resource to support the same. It is also responsible for monitoring the relationship with, and effectiveness of, the external audit function; the nature and quality of financial information used by the LDTBF to discharge its activities as Trustees of the Diocese.

Assets Committee (Chair Jane Powell):

The Assets committee develops and recommends to the LDTBF the strategy for and operational utilisation of, the LDTBF's assets portfolio in a balanced manner, and for the purposes of providing income in support of the stipends fund, balancing revenue requirements with opportunities for maximising capital growth whilst balancing risks.

Trusts Committee (Chair The Revd Elaine Turner):

The Trusts committee supports the LDTBF in fulfilling its function as Custodian Trustee of funds and properties, mainly parochial trusts, and as primary Trustee of funds and properties held by LDTBF within certain specific charitable trusts, excluding Diocesan Glebe and the Diocesan Stipends Fund Capital account.

Clergy Housing Committee (Chair David Wright):

The Clergy Housing committee seeks to provide housing that is appropriate, cost effective, efficient and well maintained. The committee makes recommendations for the purchase and disposal of properties for housing clergy to the Assets Committee who will assist this committee in discharging its responsibilities on behalf of the LDTBF as the Parsonages Board of the Diocese of Lincoln, under the Repair of Benefice Buildings Measure 1972.

Diocesan Advisory Committee (Chair The Revd Elaine Turner):

The function of the Diocesan Advisory committee is to act as an advisory body on matters affecting places of worship in the diocese and to give advice when requested on the granting of faculties, architecture, archaeology, art and the history of places of worship. The DAC will also advise on the use, care, planning, enhancement, design and redundancy of places of worship, as well as their contents and connected churchyards.

Mission and Ministry Committee (Chairs Bishop Nicholas Chamberlain and Bishop David Court):

The committee supports, and work under the direction of, the Bishop's Council of Diocesan Trustees in the specific areas of Mission and Ministry. As such, the committee serves as a forum for formulating and bringing forward strategic proposals for approval; monitors and facilitates the implementation of such proposals following their approval; supports all who work in the Mission and Ministry Teams; and serves as a critical friend to the Mission and Ministry teams.

Search and Nominations Committee (Chair Canon Niccy Fisher):

The committee seeks out, provides scrutiny for and recommends appointed members to boards, committees and working groups of the diocese and our partners. The committee also encourages engagement for elected positions and works towards a greater standard of diversity, representation and skill.

Training for Trustees

Trustees are given an extensive induction at the beginning of their term and training which is tailored to their specific needs. The new induction program created in 2020 has been further utilised in 2021 with 3 newly elected trustees. The triennial residential trustee training session took place in January 2022, as well as the additional training session held virtually for trustees to attend in May 2021.

Topics included Finance, Risk Management and Trustee Responsibilities. A standing item on all trustee agendas is 'relevant legislative changes', so that Trustees remain abreast of any changes to company, charity or ecclesiastical law of which they should be concerned.

Some staff hold the title of 'Director', namely the Finance Director, Director of Ordinands and the Director of Studies but this relates to their function within the organisation and has no legal meaning within the terminology associated with the Companies Act. All Trustees are required to sign the code of conduct and maintain their entry in the record of declarations of interest and loyalty. They complete an annual declaration of 'fit and proper status', whilst declaring any related party transactions for that year. Trustees are now also required to complete a successful enhanced Disclosure and Barring Service check, in line with Charity Commission best practice.

Remuneration of key management personnel

Salary increases of all staff are paid in line with increases to the clergy stipend. This includes emoluments of higher-paid employees. Please refer to note 12 for further details.

Delegation of day to day delivery

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

Funds held as Custodian Trustee

The LDTBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and churchwardens (Trusts) Measure 1964 where the managing trustees are parochial church councils and others. These assets are not aggregated in the financial statements as the LDTBF does not control them, and they are segregated from the LDTBF's own assets by means of a separate bank account and accounting system. Further details of financial trust assets, whose market value amounted to £23m at 31 December 2021 (2020: £21m), are available from the LDTBF on request, and are summarised in note 28. Where properties are held as custodian trustee, the deeds are identified as such and held in safe custody.

TRUSTEES' RESPONSIBILITIES

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

Company law requires the Trustees (as Directors) to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the LDTBF and of the surplus or deficit of the LDTBF for that period. In preparing these financial statements the Trustees are required to:

- Select suitable accounting policies and apply them consistently
- Observe methods and principles in the Charities SORP

- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in operation

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

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included in the LDTBF's website. Legislation in England/Wales governing the preparation and dissemination of financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions. To protect the Trustees as both Trustees and Directors third party indemnity insurance is place.

STATEMENT OF DISCLOSURE TO THE AUDITORS

So far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- we have taken all the steps that we ought to have taken as Trustees in order to make ourselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

APPOINTMENT OF AUDITORS

The re-appointment of Haysmacintyre LLP as auditors to the LDTBF will be proposed at the Annual General Meeting.

ADMINISTRATIVE DETAILS

Trustees

No Trustee had any beneficial interest in the company during 2021. The following Trustees were in post at the date of this report:

Ex-officio:

The Diocesan Bishop

The Rt Revd Christopher Lowson (from 1st Feb 2021 to 31st December 2021)

The Acting Diocesan Bishop

The Rt Revd Stephen Conway (from 1st January 2022)
The Rt Revd Dr David Court until 1st February 2021

The Bishop of Grimsby

The Rt Revd Dr David Court from 2nd February 2021

The Bishop of Grantham

The Rt Revd Dr Nicholas Chamberlain

The Dean of Lincoln

The Very Revd Christine Wilson

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED

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The Archdeacon of Boston

The Archdeacon of Stow & Lindsey

The Archdeacon of Lincoln

The Venerable Dr Justine Allain Chapman

The Venerable Mark Steadman (until 15th September 2021)

The Venerable Gavin Kirk

Elected by Synod:

Canon Nigel Bacon, Chair of the House of Laity

The Revd Canon Alyson Buxton, Chair of the House of Clergy

Mr Paul Arnold (until 20th November 2021)

Mrs Susan Slater

Mrs Ruth Brewin (from 18th September 2021)

The Revd Georgina Machell

Mr Russ Coulter

Mr Richard Bayes

The Revd Nicholas Brown (until 20th November 2021)

Mrs Sue Watt (from 14th May 2021)

The Revd Nicholas Nawrockyi

Mr Paul Davie (from 20th November 2021)

Appointed by the Diocesan Bishop:

Canon Prof Muriel Robinson, Chair of the LDTBF (with the approval of Synod)

Miss Jane Powell- Chair of the Assets Committee

Mr David Cowell- Chair of the Audit and Governance Committee

Mr David Wright- Chair of the Clergy Housing Committee

Senior staff and advisers

Diocesan Secretary

David Dadswell

Director of Finance

Ann Treacy FCMA, CGMA

Registered Office:

Edward King House, Minister Yard, Lincoln, LN2 1PU

Bankers:

National Westminster Bank plc, (Smiths Bank Branch), Lincoln, LN2 1DS

Auditors:

Haysmacintyre LLP, 10 Queen Street Place, London, EC4R 1AG

Solicitors:

Lee Bolton Monier-Williams

1 The Sanctuary Westminster London SW1P 3JT

Chattertons Solicitors

Chattertons House, 2 Low Moor Road, Off Doddington Road, Lincoln,
LN6 3JY

Investment advisers:

CCLA Investment Management Ltd

Senator House, 85 Queen Victoria Street, London, EC4V 4ET

Schroder & Co. Limited

1 London Wall Place, London, EC2Y 5AU

Savills Investment Management (UK) Limited

33 Margaret Street,

London, W1G 0JP

Sarasin & Partners LLP

Juxon House

100 St. Paul's Churchyard

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED

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For the year ended 31 December 2021

London EC4M 8BU

EdenTree Investment Management Ltd

Sunderland, SR43 4AU

Swindon, SN4 4BG

Mayfair Capital Investment Management Ltd

55 Wells Street, London, W1T 3PT

Glebe Agents:

Savills, Olympic House, Doddington Road, Lincoln, LN6 3SE

Parsonage Agents:

Mundy's Estate Agent, 29 Silver Street, Lincoln, LN2 1AS

Insurers:

EIG, Beaufort House, Brunswick Road, Gloucester, GL1 1JZ

In approving this Trustees' Report, the Trustees are also approving the Strategic Report included on pages 5 – 18 within their capacity as company directors.

BY ORDER OF THE TRUSTEES



Muriel Robinson

Chair

24th March 2022



David Dadswell

Secretary

24th March 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED

Independent auditor's report to the Trustees of Lincoln Diocesan Trust and Board of Finance Limited

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 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 Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If

INDEPENDENT AUDITORS'S REPORT (continued)

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 Annual 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 Annual Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

INDEPENDENT AUDITORS'S REPORT (continued)

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, 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: 24th March 2022

10 Queen Street Place

London EC4R 1AG

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 December 2021

	Note	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2021 £'000	Total funds 2020 £'000
Income and endowments from							
Donations							
Parish contributions	2	3,487	-	-	-	3,487	3,315
Archbishop's Council		1,068	246	-	-	1,314	1,364
Other donations		368	-	50	-	418	566
Charitable activities	3	522	-	82	-	604	653
Other trading activities	4	-	-	523	161	684	583
Investments	5	15	-	54	2,177	2,246	2,283
Other income	6	12	-	1,583	183	1,778	436
Total income		5,472	246	2,292	2,521	10,531	9,200
Expenditure on							
Raising funds	7	-	-	30	274	304	220
Charitable activities	8	9,233	266	1,012	-	10,511	11,800
Total expenditure		9,233	266	1,042	274	10,815	12,020
Net income/(expenditure) before investment gains/(losses)		(3,761)	(20)	1,250	2,247	(284)	(2,820)
Loss on disposal of fixed assets	-	-	-	(71)	(2)	(73)	(94)
Net gains/(losses) on investments	15	-	-	491	3,889	4,380	1,358
Net income/(expenditure)		(3,761)	(20)	1,670	6,134	4,023	(1,556)
Transfers between funds	13	3,917	83	6,434	(10,434)	-	-
Other recognised gains/(losses)							
Actuarial gains/(losses) on pension scheme	26	-	-	-	35	35	7
Gains/(losses) on revaluation of properties	14,15	-	-	604	2,015	2,619	(2,158)
Net movement in funds		156	63	8,708	(2,250)	6,677	(3,707)
Total funds brought forward		914	859	14,410	146,655	162,838	166,545
Total funds carried forward	19	1,070	922	23,118	144,405	169,515	162,838

All activities derive from continuing activities. The notes on pages 33 to 60 form part of the financial statements. Details of comparative figures by fund are included in note 29.

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 December 2021

	Total 2021 £'000	Total 2020 £'000
Total income (excluding endowments)	8,010	6,709
Total expenditure (excluding endowments)	(10,511)	(11,809)
Surplus of income over expenditure in the year before transfers	(2,501)	(5,100)
Net gains/(losses) on investments	491	(10)
Transfers from endowment of total return applied in the year	4,000	4,000
Net income/expenditure for the year	1,990	(1,110)
Other comprehensive income:		
Revaluation of fixed assets	604	797
Net (losses) on disposal of fixed assets	(71)	-
Transfer of fixed assets to restricted funds	6,434	
Total comprehensive income	8,957	(313)

The Income and Expenditure Account is derived from the Statement of Financial Activities with movements in endowment funds excluded to comply with company law. All income and expenditure is derived from continuing activities and includes the amounts which are included in the columns headed Unrestricted Funds, Restricted Funds but does not include the income and expenditure within the Endowment Funds.

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
BALANCE SHEET
At 31 December 2021

Company Number – 097256

		2021	2020
	Note	£'000	£'000
FIXED ASSETS			
Tangible assets	14	66,043	71,617
Investments	15	100,256	87,877
		<u>166,299</u>	<u>159,494</u>
CURRENT ASSETS			
Debtors	16	1,171	1,017
Cash on deposit		2,280	2,974
Cash at bank and in hand		721	1,937
		<u>4,172</u>	<u>5,928</u>
CREDITORS: amounts falling due within one year	17	(648)	(1,840)
		<u>3,524</u>	<u>4,088</u>
NET CURRENT ASSETS			
		<u>3,524</u>	<u>4,088</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>169,823</u>	<u>163,582</u>
CREDITORS: amounts falling due after more than one year			
Pension scheme liabilities		(236)	(529)
Other creditors		(72)	(215)
		<u>(308)</u>	<u>(744)</u>
NET ASSETS		<u>169,515</u>	<u>162,838</u>
FUNDS			
Endowment funds		144,405	146,655
Restricted income funds		23,118	14,410
Unrestricted income funds:			
General funds		1,070	914
Designated funds		922	859
		<u>1,992</u>	<u>1,773</u>
TOTAL FUNDS		<u>169,515</u>	<u>162,838</u>

The Cash Flow Statement and the Notes form part of these financial statements. The financial statements were approved by the Board of Trustees and authorised for issue on 24th March 2022 and signed on behalf of the Board by:



.....
Muriel Robinson
Chair



.....
The Rt Revd Stephen Conway
Acting Bishop of Lincoln

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
CASH FLOW STATEMENT
For the year ended 31 December 2021

		2021	2020
	£'000	£'000	£'000
Net cash inflow / (outflow) from operating activities		(5,715)	(4,621)
Cash flows from investing activities			
Dividends, interest and rent from investments	2,246	2,283	
Proceeds from the sale of tangible fixed assets	7,186	856	
Purchase of tangible fixed assets	(146)	(887)	
Disposal of investment property	460	1,209	
Repayment of Loan to Church Commissioners	(1,312)	-	
Purchase of investments	(6,443)	-	
Gain on sale of investments	1,778	436	
Net cash provided by / (used in) investing activities		3,769	3,897
Cash flows from financing activities			
Loans repaid to LDTBF	36	-	
Net cash provided by / (used in) financing activities		36	-
Change in cash and cash equivalents in the reporting period		(1,910)	(724)
Cash and cash equivalents at 1 January		4,911	5,635
Cash and cash equivalents at 31 December		3,001	4,911
Reconciliation of net movements in funds to net cash flow from operating activities			
Net movement in funds for the year ended			
31 December		(6,677)	(3,707)
Adjustment for:			
Depreciation charges	28	34	
Dividends, interest and rent from investments	(2,246)	(2,283)	
Gains on revaluation of tangible fixed assets	(604)	(797)	
(Loss) / Gains on revaluation of investments	(4,380)	(1,358)	
Impairment	-	-	
(Gain) / Loss on revaluation – investment properties	(2,015)	2,955	
Movement in pension scheme deficit	(293)	(454)	
Loss on disposal of fixed assets	73	94	
Profit on sale of fixed assets	(1,778)	(436)	
Decrease in stock	-	-	
Decrease / (increase) in debtors	153	723	
Increase / (Decrease) in creditors	(1,330)	608	
Net cash provided by / (used in) operating activities		5,715	4,621
Analysis of cash and cash equivalents			
Cash in hand	721	2,974	
Notice deposits (less than 3 months)	2,280	1,937	
		3,001	4,911

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
CASH FLOW STATEMENT
For the year ended 31 December 2021

ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2021 £	Cashflows £	Other Changes £	At 31 December 2021 £
Cash and cash equivalents				
Cash	1,937	(1,216)	-	721
Deposit accounts	2,974	(694)	-	2,280
	<hr/>	<hr/>	<hr/>	<hr/>
Borrowings	4,911	(1,910)	-	3,001
	<hr/>	<hr/>	<hr/>	<hr/>
Debt due within one year	1,312	(1,312)	-	-
Debt due within one year	215	(143)	-	72
	<hr/>	<hr/>	<hr/>	<hr/>
	1,527	(1,455)	-	72
	<hr/>	<hr/>	<hr/>	<hr/>
Total	3,384	(455)	-	2,929
	<hr/>	<hr/>	<hr/>	<hr/>

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, with the exception of freehold properties, which are included at their fair value as determined under the applicable valuation method as detailed in c), and fixed asset investments, which are included at their fair value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities applicable to charities in the UK and Republic of Ireland (FRS102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Charity is a Public Benefit Entity registered in England and Wales.

The principal accounting policies and estimation techniques are as follows.

a) Income

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

- i) **Parish Share contributions** – The principal source of income comes from voluntary giving in the form of parish contributions which includes amounts received up to 21st January relative to the year, following the year end. Income also includes any arrears received from previous years.
- ii) **Rent and investment income** - Rent and investment income are recognised as income when receivable.
- iii) **Interest and dividends** are recognised as income when receivable.
- iv) **Grants** received which are subject to pre-conditions specified by the donor which have not been met at the year-end are included in creditors and carried forward to the following year. Income relating to the Government's Coronavirus Job Retention Grant (CJRG) is recognised under the accruals basis in line with staff costs.
- v) **Parochial fees** are recognised as income in the year to which they relate.
- vi) **Donations** other than grants are recognised when receivable.
- vii) **Gains on disposal of fixed assets** for LDTBF's own use (i.e. non-investment assets) are accounted for as other income. Losses on disposal of such assets are accounted for as other expenditure.
- viii) **Stipends fund income** - The Stipends Fund Capital account is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, satisfied.

1. ACCOUNTING POLICIES (continued)

b) Expenditure

Liabilities are recognised as soon as there is a legal or constructive obligation committing the LDTBF to pay out resources. Expenditure is included on an accruals basis and has been classified under headings that aggregate all costs related to the Statement of Financial Activity category.

Costs of raising funds. These are the costs of managing the Endowment, Glebe and Unrestrictive funds' investments, plus the costs associated with letting the vacant parsonages and board houses.

Charitable expenditure. Charitable Expenditure is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the Diocese.

Resourcing ministry and mission includes the direct costs for the clergy and parishes plus the costs of supporting the work of the parishes in greater Lincolnshire. This principally includes the cost of clergy stipends, costs of maintaining clergy housing in the parishes, the payment of grants to assist parish work plus the related staff costs and overheads.

Grants payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the LDTBF, such grants being recognised as expenditure when the conditions attached are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.

Support costs consist of central management, administration and governance costs. These are costs which are directly attributable to a specific charitable activity.

Pension costs and other post-retirement benefits. The LDTBF contributes to the Church of England Pension Scheme for Clergy. Clergy are members of the Church of England Funded Pensions Scheme. The pension costs are charged as resources expended which represent the LDTBF's contributions payable in respect of the accounting period, in accordance with FRS102. Deficit funding liabilities for the pension scheme to which the LDTBF participates is recognised at the present value of contributions payable that arise from the deficit funding agreement. The Liability is recognised in creditors falling due within one year and after more than one year.

In addition to the above scheme the LDTBF also operates the Lincoln Diocesan Trust and Board of Finance Limited scheme for the benefit of office staff. This scheme closed to new members in 2003 and does not form part of these accounts. The LDTBF also contributes to a group stakeholder pension for other employees. This is the Lincoln Diocesan Trust Scheme with Royal London.

c) Tangible fixed assets and depreciation

Freehold properties and parsonages

Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. Properties which are identified as Board properties are revalued on a five year annual rolling programme. This valuation is carried

1. ACCOUNTING POLICIES (continued)

c) Tangible fixed assets and depreciation (continued)

out by the Property Director who is a registered member of the Royal Institution of Chartered Surveyors (RICS).

The LDTBF has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value. The Trustees perform annual impairment reviews in accordance with the requirements of FRS102 to ensure that the carrying value is not more than the recoverable amount.

Properties subject to value linked loans

Value linked loans from the Church Commissioners that are administered by the LDTBF and the corresponding equivalent value of the property to which they relate are all included in the balance sheet as an asset and corresponding liability in accordance with the recommendation of the Diocesan Accounts Guide. These properties are revalued on a rolling five-year basis.

Investment properties

In accordance with FRS102, investment properties are carried at their fair value and this is considered by the Trustees annually. The aggregate surplus or deficit is recognised in the Endowment and Glebe Fund. Investment properties are valued on an annual basis by a registered RICS qualified valuer.

Parsonage houses

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

d) Non Property fixed assets

Tangible fixed assets costing more than £400 are capitalised and included at cost.

Depreciation

Depreciation of non-property assets is provided in order to write off the cost of other fixed assets over their currently expected useful lives at the following rates:-

Motor vehicles	25% per annum	straight line basis
Computers	25% per annum	straight line basis
Fixtures and fittings	14.30% per annum	straight line basis (i.e. over 7 years)

1. ACCOUNTING POLICIES (continued)

Other investments

All **other** investments are stated at fair value. Realised gains or losses are recognised in the Statement of Financial Activities when investments are sold. Unrealised gains and losses are accounted for on revaluation of investments at the year end.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, trustees are required to make judgement, estimates, and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods. Judgements made by the trustees, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are deemed to be in relation to determining the value of the pension scheme deficit and are discussed above and the revaluation of Board properties and of the glebe agriculture land.

In the view of the trustees, no assumptions concerning the future or estimation uncertainty affecting assets or liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

Financial instruments

Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost with the exception of investments which are held at fair value. Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors. A specific provision is made for debts for which recoverability is in doubt. Cash at bank and in hand is defined as all cash held in instant access bank accounts and used as working capital. Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions.

e) Other accounting policies

Debtors

Trade and other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid.

Creditors and provisions

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

1. ACCOUNTING POLICIES (continued)

Fixed asset investments are included in the balance sheet at market value and the gain or loss taken to the Statement of Financial Activities.

Operating Leases - The LDTBF has entered only into operating lease arrangements for the use of certain assets, the rental for which is charged in full as expenditure in the year to which it relates. Where rent free periods are given as part of an operating lease, the impact of this rent-free period is reflected in the Statement of Financial Activities over the shorter of the overall lease term or first break clause whichever is shorter in time.

Funds

Funds over which the LDTBF's control is limited by statute or the terms of a trust deed, or which are restricted in their use, have been defined as 'restricted funds'. Funds which are controlled by the LDTBF and over which there are essentially no restrictions as to their use (either by statute or trust) have been defined as "unrestricted". Designated funds are unrestricted funds that have been set aside by the LDTBF for purposes designated by the LDTBF policy. Such designations may be set aside from time to time according to policy decisions.

Endowment funds

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

Trust Funds

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

Reserves Policy

The target free reserves (net of fixed assets and investments) is currently set at an amount equivalent to three months' gross expenditure from unrestricted funds estimated at £3.0m.

f) **Going Concern**

Having reviewed the funding facilities available to the charity together with future projected cash flows, the trustees have an expectation that the charity has adequate resources to continue its activities for the foreseeable future. Trustees are aware of the longer term sustainability of the Diocese and are putting in place measures to ensure that there is a long term financial and operational strategy in place to support the organisation in the future. They do consider that there were no material uncertainties over the charity's financial viability at the date of signing the accounts. Accordingly, they also continue to adopt the going concern basis in preparing the financial statements.

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

2. DONATIONS

Parish Contributions

The majority of donations are collected from the parishes of the Diocese through the parish share system.

	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Current year apportionment	5,019	-	-	-	5,019	5,731
Shortfall in contributions	(1,532)	-	-	-	(1,532)	(2,420)
	<u>3,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,487</u>	<u>3,311</u>
Receipts for previous years	-	-	-	-	-	4
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
Total Income	<u>3,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,487</u>	<u>3,315</u>

Current year parish share receipts represent 69% of the total apportioned (2020 –57.7%), or, when receipts for previous years are included, 69% of the total apportioned (2020 – 57.8%). All parish contributions in the year ended 31 December 2020 were attributable to the general fund.

Archbishop's Council

	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Lowest Income Funding	1,068	-	-	-	1,068	1,056
Strategic Development	-	246	-	-	246	308
	<u>1,068</u>	<u>246</u>	<u>-</u>	<u>-</u>	<u>1,314</u>	<u>1,364</u>

This is the annual grant for the parish mission fund, which may be used for specific parish mission and development projects or for clergy stipends. All Lowest Income Funding received in the year ended 31 December 2020 was attributable to the general fund. The LDTBF were successful with a Strategic Development Fund bid and this is the grant received in 2021.

Other donations

	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
All Churches Trust						
Grant	147	-	-	-	147	154
Donations	221	-	50	-	271	412
	<u>368</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>418</u>	<u>566</u>

All income from other donations in the year ended 31 December 2020 was attributable to the general fund.

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

3. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Statutory fees	516	-	-	-	516	485
Church Commissioners' Guaranteed annuities	1	-	-	-	1	1
Chaplaincy and other	3	-	-	-	3	-
Fees from training	1	-	82	-	83	166
Income recharged for Support to parishes	1	-	-	-	1	1
	<u>522</u>	<u>-</u>	<u>82</u>	<u>-</u>	<u>604</u>	<u>653</u>

In the year ended 31 December 2020 fees from training of £132k was attributable to restricted funds. All other income from charitable activities was attributable to the general fund.

4. OTHER TRADING ACTIVITIES

	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Housing income	-	-	409	-	409	468
Income from DBF fundraising	-	-	114	161	275	115
	<u>-</u>	<u>-</u>	<u>523</u>	<u>161</u>	<u>684</u>	<u>583</u>

In the year ended 31 December 2020 £468k attributable to restricted funds.

5. INVESTMENT INCOME

	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	funds	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Dividends receivable	-	-	54	1,201	1,255	1,186
Interest receivable	15	-	-	-	15	30
Rents receivable	-	-	-	976	976	1,067
	<u>15</u>	<u>-</u>	<u>54</u>	<u>2,177</u>	<u>2,246</u>	<u>2,283</u>

In the year ended 31 December 2020 interest receivable of £30k was attributable to the general fund. All other investment income was attributable to endowment funds.

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

6. OTHER INCOME

	Unrestricted funds		Restricted	Endowment	Total funds	Total funds
	General	Designated	Funds	Funds	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Gain/(Loss) on sale of Properties & Glebe	12	-	1,575	183	1,770	436
Sale receipts from churches	-	-	8	-	8	-
	<u>12</u>	<u>-</u>	<u>1,583</u>	<u>183</u>	<u>1,778</u>	<u>436</u>
	<u><u>12</u></u>	<u><u>-</u></u>	<u><u>1,583</u></u>	<u><u>183</u></u>	<u><u>1,778</u></u>	<u><u>436</u></u>

In the year ended 31 December 2020 gains on the sale of Properties & Glebe of £323k was attributable to restricted funds, £113k was attributable to endowment funds. All other income was attributable to the general fund.

7. RAISING FUNDS (2021)

	Unrestricted funds		Restricted	Endowment	Total funds
	General	Designated	Funds	Funds	2021
	£'000	£'000	£'000	£'000	£'000
Glebe agent's fee	-	-	-	274	274
Parsonage rental costs	-	-	30	-	30
	<u>-</u>	<u>-</u>	<u>30</u>	<u>274</u>	<u>304</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>30</u></u>	<u><u>274</u></u>	<u><u>304</u></u>

RAISING FUNDS (2020)

	Unrestricted funds		Restricted	Endowment	Total funds
	General	Designated	Funds	Funds	2020
	£'000	£'000	£'000	£'000	£'000
Glebe agent's fee	-	-	-	211	211
Parsonage rental costs	-	-	9	-	9
	<u>-</u>	<u>-</u>	<u>9</u>	<u>211</u>	<u>220</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>9</u></u>	<u><u>211</u></u>	<u><u>220</u></u>

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

8. CHARITABLE ACTIVITIES (2021)

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2021 £'000
Contributions to Archbishops' Council					
Training for Ministry	307	-	-	-	307
National Church Responsibilities	214	-	-	-	214
Grants & Provisions	26	-	-	-	26
Mission agency pension costs	14	-	-	-	14
Retired clergy housing Costs	113	-	-	-	113
Pooling of ordinands maintenance grants	98	-	-	-	98
	<u>772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>772</u>
Resourcing Ministry and Mission					
Parish Ministry					
Stipends and national insurance	4,188	-	-	-	4,188
Pension contributions	1,197	-	-	-	1,197
Housing costs	641	-	873	-	1,514
Removal, resettlement and grants	90	-	-	-	90
Other expenses	18	-	-	-	18
	<u>6,134</u>	<u>-</u>	<u>873</u>	<u>-</u>	<u>7,007</u>
Support for parish ministry	1,384	266	139	-	1,789
Support costs	843	-	-	-	843
	<u>2,227</u>	<u>266</u>	<u>139</u>	<u>-</u>	<u>2,632</u>
Expenditure on Education					
Support for church schools and parishes	100	-	-	-	100
	<u>9,233</u>	<u>266</u>	<u>1,012</u>	<u>-</u>	<u>10,511</u>

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

8. CHARITABLE ACTIVITIES (2020)

	Unrestricted funds		Restricted	Endowment	Total funds
	General	Designated	Funds	Funds	2020
	£'000	£'000	£'000	£'000	£'000
Contributions to					
Archbishops' Council					
Training for Ministry	307	-	-	-	307
National Church Responsibilities	230	-	-	-	230
Grants & Provisions	26	-	-	-	26
Mission agency pension costs	11	-	-	-	11
Retired clergy housing Costs	110	-	-	-	110
Pooling of ordinands maintenance grants	123	-	-	-	123
	<u>807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>807</u>
Resourcing Ministry and Mission					
Parish Ministry					
Stipends and national insurance	4,492	-	-	-	4,492
Pension contributions	1,079	-	-	-	1,079
Housing costs	244	-	1,560	-	1,804
Removal, resettlement and grants	176	-	-	-	176
Other expenses	53	-	-	-	53
	<u>6,044</u>	<u>-</u>	<u>1,560</u>	<u>-</u>	<u>7,604</u>
Support for parish ministry					
Support costs	1,513	771	192	-	2,476
	<u>813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>813</u>
	<u>2,326</u>	<u>771</u>	<u>192</u>	<u>-</u>	<u>3,289</u>
Expenditure on Education					
Support for church schools and parishes	100	-	-	-	100
	<u>9,277</u>	<u>771</u>	<u>1,752</u>	<u>-</u>	<u>11,800</u>

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

**9. ANALYSIS OF EXPENDITURE
INCLUDING ALLOCATION OF
SUPPORT COSTS (2021)**

	Activities Undertaken Directly £'000	Grant Funding of Activities £'000	Support Costs £'000	Total costs 2021 £'000
Raisings funds				
Charitable activities:	304	-	-	304
Contributions to Archbishop's Council		772	-	772
Resourcing parish ministry	8,580	216	843	9,639
Education	-	100	-	100
	<u>8,884</u>	<u>1,088</u>	<u>843</u>	<u>10,815</u>

**ANALYSIS OF EXPENDITURE
INCLUDING ALLOCATION OF
SUPPORT COSTS (2020)**

	Activities Undertaken Directly £'000	Grant Funding of Activities £'000	Support Costs £'000	Total costs 2020 £'000
Raisings funds	220	-	-	220
Charitable activities:		807	-	807
Contributions to Archbishop's Council	9,611	249	813	10,673
Resourcing parish ministry	-	100	-	100
Education				
	<u>9,831</u>	<u>1,156</u>	<u>813</u>	<u>11,800</u>

10. ANALYSIS OF SUPPORT COSTS (2021)

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2021 £'000
Central administration	602	-	-	-	602
Governance:					
External audit	25	-	-	-	25
Registrar and Chancellor	143	-	-	-	143
Synodical costs	73	-	-	-	73
	<u>843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>843</u>

ANALYSIS OF SUPPORT COSTS (2020)

	Unrestricted funds General £'000	Designated £'000	Restricted Funds £'000	Endowment Funds £'000	Total funds 2020 £'000
Central administration	625	-	-	-	625
Governance:					
External audit	23	-	-	-	23
Registrar and Chancellor	116	-	-	-	116
Synodical costs	49	-	-	-	49
	<u>813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>813</u>

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

11. ANALYSIS OF GRANTS MADE

	Number	Individuals £'000	Institutions £'000	2021 Total £'000	2020 Total £'000
From unrestricted funds for national Church responsibilities:					
Contributions to Archbishop's Council	6	-	772	772	807
From unrestricted funds:					
Support for Board of Education	1	-	100	100	100
PEV Episcopal Visitors	1	-	2	2	2
Churches Together in Lincolnshire	1	-	8	8	11
Lincoln St. Swithins	-	-	-	-	8
Stamford St. George	1	-	5	5	-
Transformation Grants	15	-	18	18	24
Community of St. Francis	-	-	-	-	1
Elloe East Deanery	1	-	6	6	-
Clergy Settlement Grants	13	34	-	34	44
Clergy 1st Appointment Grants	10	29	-	29	34
Miscellaneous grants	2	2	-	1	-
Clergy Robing Grants	2	2	-	2	4
Ordinands in training	5	43	-	43	41
Ministry Division grants	9	18	43	61	73
The Clergy Stipend Fund	14	7	-	7	7
	75	135	182	316	349

In the year ended 31 December 2020 grants of £146k were awarded to individuals, £203k to institutions.

12. STAFF COSTS

	2021 £'000	2020 £'000
Employee costs during the year were as follows:		
Wages and salaries	1,442	1,677
National insurance contributions	131	149
Pension costs	139	167
	1,712	1,993

Included in the above are termination payments of £5,851.

The average number of persons employed by the charity during the year were:

	2021 Number	2020 Number
Administration and financial management	8	11
Property	5	5
Discipleship & Ministry, Stewardship	17	23
Safeguarding & inclusion	4	4
Total for the Charity	34	43

12. STAFF COSTS (Continued)

	2021 Number	2020 Number
The numbers of staff whose emoluments (including benefits in kind but excluding Pension contributions) amounted to more than £60,000 were as follows:		
£80,001 - £90,000	1	1
£90,001 - £100,000	1	1
	<u>1</u>	<u>1</u>
Pension payments of £19,634 were made in 2021 in respect of the above individuals (2020: £23,644).		

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the Diocese. During 2021 they were the Diocesan Secretary, Property Director and the Director of Finance.

Remuneration, pensions and expenses for the three employees amounted to £264,258 (2020 : £265,278).

Trustees' emoluments

No Trustee received any remuneration for services as Trustee (2020 – None). Trustees received travelling and out of pocket expenses, totalling £10,399 (2020 - £897) in respect of General Synod duties, duties as archdeacon or area/rural dean, and other duties as Trustees.

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

	Stipend	Housing
The Rt Revd Dr Nicholas Chamberlain	No	Yes
The Rt Revd Dr David Court	No	Yes
Revd Nicholas James Brown (until 20 th November 2021)	Yes	Yes
The Venerable Mark Steadman (until 14 th September 2021)	Yes	Yes
The Venerable Dr Justine Allain Chapman	Yes	Yes
The Venerable Gavin Kirk	Yes	Yes
The Revd Canon Alyson Buxton	Yes	Yes
The Revd Georgina Machell	Yes	Yes
The Revd Nicholas Nawrocky	Yes	Yes

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

The LDTBF paid an average of 150 (2020 – 153) stipendiary clergy as office-holders holding parochial or Diocesan appointments in the Diocese, and the costs were as follows:

	2021 £'000	2020 £'000
Stipends	3,860	4,139
National insurance contributions	329	353
Pension costs - current year	1,455	1,527
- deficit reduction	(258)	(456)
- interest cost	35	8
	<u>5,421</u>	<u>5,571</u>

12. STAFF COSTS (continued)

Trustees' emoluments (continued)

The stipends of the Diocesan Bishop and Suffragan Bishops are funded by the Church Commissioners and are in the range £37,672 - £46,173 (2020 range £37,672 - £46,173). The annual rate of stipend, funded by the LDTBF, paid to Archdeacons in 2021 was in the range £36,830 - £38,245 (2020 range £36,830 - £38,245) and other clergy who were Trustees were paid in the range £25,384 - £28,113 (2020 range £25,384 - £28,113). The Archbishops' Council has estimated the value to the occupant, gross of income tax and national insurance, of church provided housing in 2021 at £11,150 (2020 at £11,150). The value of housing provided to Diocesan Bishops is £25,000.

13. ANALYSIS OF TRANSFERS BETWEEN FUNDS	Unrestricted funds		Restrict ed	Endowment
	General £'000	Designated £'000	Funds £'000	Funds £'000
From General Fund to Designated Fund	(83)	83	-	-
From Parsonage Fund to Diocesan Pastoral Fund	-	-	6,434	(6,434)
From Endowment Funds Unapplied Total Return to the General Fund	4,000	-	-	(4,000)
	<u>3,917</u>	<u>83</u>	<u>6,434</u>	<u>(10,434)</u>

£83k was transferred from the general fund to the designated fund which related to the unspent element of the Transformation Fund during 2021. This has been transferred to fund future missional projects. The Trustees adopted total return in 2017 and as per the agreed policy £4.0m has been transferred to the General Fund from the Endowment Funds to fund costs of stipends in line with the measure. A review took place in year of historical allocation of Glebe houses where they had been identified as Parsonages these have been transferred in year to the Diocesan Pastoral Fund in line with the treatment of Board houses.

14. TANGIBLE FIXED ASSETS – Land & Buildings

	Freehold Land & Buildings £'000	Office Equipment £'000	Total £'000
Cost of valuation			
At 1 January 2021	71,571	155	71,726
Additions	134	12	146
Transfers	-	-	-
Disposals	(6,307)	-	(6,307)
Revaluation	604	-	604
At 31 December 2021	<u>66,002</u>	<u>167</u>	<u>66,169</u>
Depreciation			
At 1 January 2021	-	98	98
Disposals	-	-	-
Charge for the year	-	28	28
At 31 December 2021	<u>-</u>	<u>126</u>	<u>126</u>
Net Book Value			
At 31 December 2021	<u>66,002</u>	<u>41</u>	<u>66,043</u>
At 31 December 2020	<u>71,571</u>	<u>46</u>	<u>71,617</u>

14. TANGIBLE FIXED ASSETS – Land & Buildings (continued)

All of the properties in the balance sheet are freehold and are vested in the LDTBF, except for benefice houses which are vested in the incumbent.

Benefice properties were included in the balance sheet at historic cost as at 1st January 2015. The Board does not revalue these properties on an annual basis. The value of these properties at that date was £50,324,698.

Board houses are valued on a rolling programme over five years by the Board taking professional advice from the Property Director who is a qualified RICS surveyor.

The freehold properties included houses with a value for insurance purposes of £102,068,246 at 31st December 2021 together with redundant churches and the glebe estate insured by the tenants.

The Old Palace, The Old Palace Lodge (previously St. Michael on the Mount) together with Edward King House were valued by Christie and Co as at the end of 2015. The building was subject to an impairment review and is included in the balance sheet at realisable value.

On 31st December there was a housing stock of 211 properties with a value of £63,025,348 of which 48 were let.

Two Value Linked Loans are outstanding with the Church Commissioners amounting to £72,500 of which £3,203 interest is due within a year (note 17). The Board have no financial interest in the value of these houses.

15. TOTAL INVESTMENT ASSETS

	2021 £'000	2020 £'000
Investment properties - 15 (a)	52,500	50,945
Investments – 15 (b)	47,756	36,932
Total investment assets	100,256	87,877

15(a) INVESTMENT PROPERTIES

	2021 £'000	2020 £'000
Market value at 1 st January 2021	50,945	55,109
Disposals	(460)	(1,209)
(Loss)/Gain on revaluation	2,015	(2,955)
Market value as at 31 st December 2021	52,500	50,945

The investment properties are revalued by Savills by a RICS registered valuer. These were revalued as at 31 December 2021. During 2021 56.76 acres were disposed of. The valuations were undertaken in line with the definition of Market Value as defined in the RICS Red Book, as detailed below:

Market Value (MV) is defined in IVS 104 paragraph 30.1 as:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

15(a) INVESTMENT PROPERTIES (continued)

The assets have been valued individually based upon the tenancy units by Parish. The portfolio is a mixture of properties of varying size dispersed across most of Lincolnshire, therefore the properties have been valued separately as they are located in differing locations across the County. Desktop research has been undertaken and in carry out this valuation have relied upon management records to establish land use across the holdings principally between arable and grass as this information was not provided. The let assets have been valued on a combination of comparison or investment bases depending on the letting and type of property. Within these individual asset listings, where appropriate, they have been split further between uses such as arable, pasture, buildings and houses.

15(b). FIXED ASSETS INVESTMENTS

	At 1 January 2021 £'000	Additions £'000	Disposals £'000	Transfers £'000	Change in Market Value £'000	At 31 December 2021 £'000
Endowment Funds						
Charities Property Fund	5,444	-	-	-	571	6,015
CBF Church of England Fund	7,971	-	-	-	1,140	9,111
Sarasin Endowment Fund	13,994	-	-	-	1,000	14,994
Edentree Amity Global Equity Fund	2,195	-	-	-	329	2,524
Property Income Trust for Charities	1,841	-	-	-	320	2,161
Cazenove Capital	5,198	-	-	-	529	5,727
	<u>36,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,889</u>	<u>40,532</u>
Diocesan Pastoral Fund						
CBF Church of England Fund	-	1,943	-	-	194	2,137
Edentree Amity Global Equity Fund	-	4,000	-	-	255	4,255
Cazenove Capital	-	500	-	-	2	502
	<u>-</u>	<u>6,443</u>	<u>-</u>	<u>-</u>	<u>451</u>	<u>6,894</u>
Trust funds						
M & G Charifund	107	-	-	-	14	121
CBF Church of England Fund	182	-	-	-	27	209
	<u>289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41</u>	<u>330</u>
Total	<u>36,932</u>	<u>6,443</u>	<u>-</u>	<u>-</u>	<u>4,381</u>	<u>47,756</u>

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

16. DEBTORS

	2021	2020
	£'000	£'000
Due within one year		
Debtors	554	318
Old Palace Hotel Loan	141	141
Old Palace debtors	25	25
Other debtors and prepayments	444	489
Interest free loans within the Diocese	8	44
	<hr/>	<hr/>
Total debtors	1,172	1,017
	<hr/>	<hr/>

17. CREDITORS: amounts falling due within one year

	2021	2020
	£'000	£'000
Creditors	194	197
Church Commissioners loans	-	1,319
Other taxes and social security	42	69
Other creditors and accruals	412	255
	<hr/>	<hr/>
Total creditors: amounts falling due within one year	648	1,840
	<hr/>	<hr/>

The bank overdraft is secured on West Rasen Farm at a rate of 1.65% above the bank base rate which forms part of the Glebe portfolio.

18. CREDITORS: amounts falling due after more than one year

	2021	2020
	£'000	£'000
Church Commissioners value-linked loans	72	215
Pension deficit	236	529
	<hr/>	<hr/>
Total creditors: amounts falling due after more than one year	308	744
	<hr/>	<hr/>

Value-linked loans (VLLs) represent amounts advanced to the DBF for the purchase of properties on an equity sharing basis and are repayable on the disposal of the related property. During 2021 the Board disposed of one of the properties and purchased one of the remaining properties and intends to keep the remaining properties funded via value linked loans.

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

19. SUMMARY OF FUND MOVEMENTS (2021)

	Balances at 1 January 2021 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and Losses £'000	Balances at 31 December 2021 £'000
UNRESTRICTED FUNDS						
General	914	5,472	(9,233)	3,917	-	1,070
DESIGNATED FUNDS						
Pension Reserve	159	-	-	-	-	159
Building Committee Reserve	30	-	-	-	-	30
Clergy Conference	9	-	-	-	-	9
Discipleship Donation Fund	3	-	-	-	-	3
VAT Buffer fund	100	-	-	-	-	100
Transformation fund	101	-	-	83	-	184
Resource Church Funding	457	246	(266)	-	-	437
	859	246	(266)	83	-	922
RESTRICTED FUNDS						
Pastoral fund	13,784	2,153	(966)	6,434	984	22,389
Pastoral No.2 Account	27	-	-	-	-	27
Other Restricted	599	139	(76)	-	40	702
	14,410	2,292	(1,042)	6,434	1,024	23,118
ENDOWMENT FUNDS						
Permanent						
Trust for Investment	29,342	-	-	1,608	-	30,950
Unapplied Total Return	48,980	2,225	-	(5,608)	3,889	49,486
Other Investment Assets	18,969	296	(274)	-	2,048	21,039
Expendable						
Parsonage Fund	49,364	-	-	(6,434)	-	42,930
	146,655	2,521	(274)	(10,434)	5,937	144,405
Total funds	162,838	10,531	(10,815)	-	6,961	169,515

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

19. SUMMARY OF FUND MOVEMENTS (2020)

	Balances at 1 January 2020 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and Losses £'000	Balances at 31 December 2020 £'000
UNRESTRICTED FUNDS						
General	809	5,458	(9,277)	3,924	-	914
DESIGNATED FUNDS						
Pension Reserve	159	-	-	-	-	159
Building Committee Reserve	30	-	-	-	-	30
Clergy Conference	9	-	-	-	-	9
Discipleship Donation Fund	3	-	-	-	-	3
VAT Buffer fund	100	-	-	-	-	100
Mission fund	2	-	(2)	-	-	-
Transformation fund	25	-	-	76	-	101
Resource Churches funding	918	308	(769)	-	-	457
	1,246	308	(771)	76	-	859
RESTRICTED FUNDS						
Pastoral fund	13,864	791	(1,628)	(40)	797	13,784
Pastoral No.2 Account	27	-	-	-	-	27
Closed Churches Fund	(40)	-	-	40	-	-
Other Restricted	590	152	(133)	-	(10)	599
	14,441	943	(1,761)	-	787	14,410
ENDOWMENT FUNDS						
Permanent						
Trust for Investment	29,109	-	-	233	-	29,342
Unapplied Total Return	49,467	2,378	-	(4,233)	1,368	48,980
Other Investment Assets	22,109	113	(211)	-	(3,042)	18,969
Expendable	49,364	-	-	-	-	49,364
Parsonage Fund	150,049	2,491	(211)	(4,000)	(1,674)	146,655
Total funds	166,545	9,200	(12,020)	-	(887)	162,838

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
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20. ENDOWED FUND –TOTAL RETURN (2021)	Trust for Investment	Unapplied Total Return	Other Investment Assets	Total Endowment
	£'000	£'000	£'000	£'000
At the beginning of the reporting period:	29,342	48,979	18,969	97,290
Income				
DBF Fundraising	-	48	113	161
Dividends	-	1,201	-	1,201
Interest	-	-	-	-
Rents	-	976	-	976
Other Glebe Income	-	-	183	183
Sale of Glebe – Profit	-	-	-	-
Expenditure				
Stipends Cost	-	-	(274)	(274)
(Loss) on fixed assets	-	-	(2)	(2)
Gain on investments	-	3,889	-	3,889
Transfer to cover stipends	-	(4,000)	-	(4,000)
Indexation	1,608	(1,608)	-	-
Gain on pension	-	-	35	35
Loss on revaluation of property	-	-	2,015	2,015
At end of the reporting period	30,950	49,485	21,039	101,474
20. ENDOWED FUND –TOTAL RETURN (2020)	Trust for Investment	Unapplied Total Return	Other Investment Assets	Total Endowment
	£'000	£'000	£'000	£'000
At the beginning of the reporting period:	29,109	49,467	22,109	100,685
Income				
Dividends	-	1,185	-	1,185
Interest	-	-	-	-
Rents	-	1,067	-	1,067
Other Glebe Income	-	125	-	125
Sale of Glebe – Profit	-	-	113	113
Expenditure				
Stipends Cost	-	-	(211)	(211)
(Loss) on fixed assets	-	-	(94)	(94)
Gain on investments	-	1,368	-	1,368
Transfer to cover stipends	-	(4,000)	-	(4,000)
Indexation	233	(233)	-	-
Gain on pension	-	-	7	7
Loss on revaluation of property	-	-	(2,955)	(2,955)
At end of the reporting period	29,342	48,979	18,969	97,290

The Trustees adopted total return during 2017 and £4m was released in 2021 (2020 - £4m) from the unapplied total return fund. The Trustees have adopted total return under the Diocesan Stipend Funds (Amendment) Measure 2016.

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

21. SUMMARY OF ASSETS BY FUND (2021)	Tangible Fixed		Net Current	Long Term	Net
	Assets £'000	Investments £'000	Assets £'000	Creditors £'000	Assets £'000
Unrestricted funds – General	41	-	1,029	-	1,070
Unrestricted - designated					
Pension Reserve	-	-	159	-	159
Building Committee Reserve	-	-	30	-	30
Clergy Conference	-	-	9	-	9
Discipleship Donation Fund	-	-	3	-	3
Vat Buffer Fund	-	-	100	-	100
Mission Fund	-	-	-	-	-
Transformation Fund	-	-	184	-	184
Resource Churches funding	-	-	437	-	437
	-	-	922	-	922
Restricted					
Pastoral fund	20,096	6,894	(4,601)	-	22,389
Pastoral No.2 Account	-	-	27	-	27
Closed Churches Fund	43	-	(43)	-	-
Other Restricted	-	330	372	-	702
	20,139	7,224	(4,245)	-	23,118
Endowment Permanent					
Trust for Investment	-	30,950	-	-	30,950
Unapplied Total Return	-	49,486	-	-	49,486
Other Investment Assets	2,933	12,596	5,746	(236)	21,039
Expendable					
Parsonage Fund	42,930	-	72	(72)	42,930
	45,863	93,032	5,818	(308)	144,405
Total funds	66,043	100,256	3,524	(308)	169,515

LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

21. SUMMARY OF ASSETS BY FUND (2020)

	Tangible Fixed Assets £'000	Investments £'000	Net Current Assets £'000	Long Term Creditors £'000	Net Assets £'000
Unrestricted funds – General	45	-	869	-	914
Unrestricted - designated					
Pension Reserve	-	-	159	-	159
Building Committee Reserve	-	-	30	-	30
Clergy Conference	-	-	10	-	10
Discipleship Donation Fund	-	-	3	-	3
Vat Buffer Fund	-	-	100	-	100
Mission Fund	-	-	-	-	-
Transformation Fund	-	-	101	-	101
Resource Church Funding	-	-	456	-	456
	-	-	859	-	859
Restricted					
Pastoral fund	19,232	-	(5,448)	-	13,784
Pastoral No.2 Account	-	-	27	-	27
Closed Churches Fund	43	-	(43)	-	-
Other Restricted	-	289	310	-	599
	19,275	289	(5,154)	-	14,410
Endowment Permanent					
Trust for Investment	-	29,342	-	-	29,342
Unapplied Total return	-	48,979	-	-	49,979
Other Investment Assets	2,933	9,267	7,299	(529)	18,970
Expendable					
Parsonage Fund	49,364	-	215	(215)	49,364
	52,297	87,588	7,514	(744)	146,655
Total funds	71,617	87,877	4,088	(744)	162,838

22. DESCRIPTION OF FUNDS

General fund

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

Designated funds

The designated fund are those funds which have been set aside out of general funds by the Board for a specific purpose over whose use and purpose the Board has discretion.

Pension Fund Reserve

The fund is available to smooth the payments for liabilities arising from the staff pension scheme. The fund was subject to a valuation in 2020 and the fund remains in surplus. The fund is subject to a valuation in 2022. The Trustees consider it to be prudent to maintain this fund.

22. DESCRIPTION OF FUNDS (continued)

Designated funds (continued)

Building Committee Reserve

The Church Building Committee makes grants to parishes from this fund. Grants are recognised as they are made.

VAT Buffer Fund

Parishes with listed Church Buildings are entitled to claim grants from government agencies equivalent to the VAT on certain repairs. However, the grants can only be claimed after the payments have been made and for large projects the additional cost of VAT creates cash flow problems for parishes. The VAT Buffer Fund is available to provide short term interest free loans to assist parishes with this difficulty.

Other Designated Funds

From time to time funds are set aside for future expenditure such as the clergy conference and the Transformation Fund. In 2018, the Trustees designated £1.5m as their contribution to the Strategic Development Fund bid which the diocese was successful in securing in December 2018. During 2021 the fund was utilised to support the project with a remaining balance of £437k at the end of 2021.

Restricted Funds

Pastoral Fund

The Diocesan pastoral account was set up under the provisions of the Pastoral Measure 1983. The restricted purposes for which the account may be used are:

- defray costs incurred for the purposes of the Measure or any scheme or order made under the Measure except for salaries of regular Diocesan employees
- to make loans or grants for the provision, restoration, improvement or repair of churches and parsonage houses in the Diocese
- other purposes of the Diocese or any benefice or parish in the Diocese
- to make grants or loans to any other Diocese
- to transfer funds to the Diocesan stipends fund income or capital accounts
- the costs of closed churches and the proceeds of the sale of closed churches less any related costs

Endowment Funds

Diocesan stipends fund capital (Permanent Endowment Fund)

The Diocesan stipends capital fund has been created from the Diocesan stipends fund capital assets held under the Endowments and Glebe Measure 1976 to provide income for clergy stipends. It represents the accumulated sale proceeds of glebe property, sale proceeds of benefice houses and surplus benefice endowments following pastoral reorganisation. Capital funds may be used for the purchase, improvement and maintenance of glebe property and benefice houses. The funds may be invested in the CBF Church of England Property, Investment or Fixed Interest Securities Funds, or simply held on deposit

Parsonage property fund (Expendable Funds)

The benefice property fund consists of resources restricted to provision of benefice houses in the Diocese. They are represented by the benefice houses or by sale proceeds of former benefice houses. Although benefice houses are vested in the incumbents for the time being of the benefices concerned, the DBF is obliged to maintain them, to ensure that there are sufficient benefice houses for the pastoral structure of the Diocese; in addition, where a benefice house is no longer required then it is usually transferred into the unrestricted corporate ownership of the LDTBF.

23. CAPITAL COMMITMENTS

At 31 December 2021 the LDBF had capital expenditure commitments authorised but not contracted for in 2021 of £NIL (2020 - £NIL), and no expenditure contracted for but not yet due in 2021 (2020 - £NIL).

24. OPERATING LEASES

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

	2021 £'000	2020 £'000
Other operating leases		
Amounts due:		
Within one year of the balance sheet date	57	64
In the second to fifth years inclusive of the balance sheet date	46	95
	<u>103</u>	<u>159</u>

25. POST BALANCE SHEET EVENTS AND CONTINGENT LIABILITIES

There were no post balance sheet events.

26. PENSIONS

Salaried Staff

Defined Benefits Scheme

LDBF operates a defined benefits scheme for its salaried employees with 2 (4: 2020) active members. The scheme is closed to new members.

Salaried Staff

Defined Benefits Scheme

The employees contributed £992 in the year (2020 : £1,740) and the charge in the Trust's accounts for the year ended 31st December 2021 amounted to £33,030 (2020 : £48,485).

The scheme was actuarially valued as at 1st April 2020 the actuarial statement stated that the scheme's assets, which comprised investments with Legal and General, were sufficient to cover the anticipated liabilities as they fall due. The scheme is funded at 112% which corresponds to a surplus of £838k.

Stakeholder Pension Provision

From 2010 new employees have been offered a stakeholder pension. Contributions of £93,402 (2020: £107,505) were made in year on behalf of 29 employees. The contributions relate to unrestricted activities.

Church of England Funded Pension Scheme

The DBF participates in the Church of England Pensions Board Funded Pensions Scheme for stipendiary clergy. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

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

This scheme is considered to be a multi-employer last man standing as described in Section 28 of FRS.102. This means it is not possible to attribute the scheme's assets and liabilities to specific employers and that contributions are accounted for as if the scheme were a defined contribution scheme. The pension costs charged to the Statement of Financial Activities in the year are contributions payable towards benefits and expenses accrued in that year, (2021: £258k, 2020 £448k) plus any impact on the deficit contributions (see below).

A valuation of the scheme is carried out 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. (Pension increases consistent with this);

increase in pensionable stipends of 3.4% p.a.;

Mortality rates in accordance with 95% of the S3NA_VL tables, with allowance for improvements in mortality rates in line with the CMI 2018 extended model with long term annual rate of improvement of 1.5%, a smoothing parameter of 7 and an initial addition to mortality improvements of 0.5%.

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 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 2019 and 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.

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

Section 28.11A of FRS102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the balance sheet liability over 2019 and over 2020 is set out in the table below.

26. PENSIONS (Continued)

A reconciliation of the balance sheet liability is set out below:

	2021 £'000	2020 £'000
Balance sheet liability as at 1 January	529	984
Contributions paid	(259)	(456)
Interest cost (recognised in the SOFA)	1	8
Re-measurement of the balance sheet liability*(recognised in the SOFA)	(35)	(7)
	<hr/>	<hr/>
Balance sheet liability as at 31 December	236	529
	<hr/>	<hr/>

*comprises change in agreed deficit recovery plan, and change in discount rate and assumptions between year –ends.

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments. In general, these are set by references to the duration of the deficit recovery payments but as at 31 December 2021, under accounting rules and 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%	0.2% pa	1.1% pa
Price inflation	n/a	3.1% pa	2.8% pa
Increase to total Pensionable pay	1.5%	1.6% pa	1.3% pa

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

27. RELATED PARTY TRANSACTIONS

The Diocese maintains a register of Trustees interests. Trustees have declared payment arising from their stipendiary ministry, where applicable. There were no other related party transactions. Any such transactions are at arm's length under the normal commercial terms applied by the Trust and are of part of its normal activities.

Edenham Regional House

Edenham Regional House is a separate charity. LDTBF has an interest in the property as well as having some of the same aims and objectives. The parsonage is occupied by a member of the Clergy and the LDTBF have a liability to maintain the property. The LDTBF uses the facilities at commercial rates.

27. RELATED PARTY TRANSACTIONS (CONTINUED)

Parochial Church Councils

Parochial Church Councils (PCCs) support LDTBF financially with payments of parish share. Many committee members and trustees are also members of the PCCs within the Diocese. Much of LDTBF's activity is in support of PCC's through practical assistance and advice and in the provision of grants and loans. At the end of the year there were outstanding loans to the following parishes:

	2021 £	2020 £
Leadenham PCC	700	1,900
Saxby all Saints PCC	7,000	9,000
Algarkirk PCC	-	3,300
Halton Hologate PCC	-	20,000
Burton le Coggles PCC	-	10,000
	<hr/>	<hr/>
Total outstanding loans to parishes	7,700	44,200
	<hr/>	<hr/>

28. FUNDS HELD AS CUSTODIAN TRUSTEE

The LDTBF acts as Diocesan Authority or custodian trustee for 884 trust funds by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are parochial church councils and others. 771 relate to parochial funds with the remaining 113 being held for educational and non-parochial funds. Assets held in this way are not aggregated in these financial statements as the LDTBF does not control them. The assets are held in separate funds identified by the names of the parishes or the trusts to which they relate. They are operated via a separate trust bank account and all statements are issued to the parishes as and when they are received. The financial assets held in this way may be summarised as follows:

	2021 £'000	2020 £'000
CBF Church of England Deposit Fund (Capital)	898	1,079
CBF Church of England Investment Fund accumulation income	1,931	2,059
CBF Church of England Investment Fund	16,171	13,983
CBF Church of England Fixed Interest Securities	64	69
COIF income and accumulation shares	178	156
M & G Charifund	3,682	3,458
M & G Charibond	42	43
Edentree Investment Management	92	-
Miscellaneous Investments	90	91
	<hr/>	<hr/>
Total assets held as custodian trustee	23,148	20,938
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LINCOLN DIOCESAN TRUST AND BOARD OF FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021

29. PRIOR YEAR COMPARATIVE SOFA

	Unrestricted funds		Restricted	Endowment	Total funds
	General	Designated	Funds	Funds	2020
	£'000	£'000	£'000	£'000	£'000
Income and endowments from					
Donations					
Parish contributions	3,315	-	-	-	3,315
Archbishop's Council	1,056	308	-	-	1,364
Other donations	536	-	20	10	566
Charitable activities	521	-	132	-	653
Other trading activities	-	-	468	115	583
Investments	30	-	-	2,253	2,283
Other income	-	-	323	113	436
Total income	5,458	308	943	2,491	9,200
Expenditure on					
Raising funds	-	-	9	211	220
Charitable activities	9,277	771	1,752	-	11,800
Donation to Diocesan Board of Education					
Total expenditure	9,277	771	1,761	211	12,020
Net income/(expenditure) before investment gains/(losses)	(3,819)	(463)	(818)	2,280	(2,820)
Loss on disposal of fixed assets	-	-	-	(94)	(94)
Net gains/(losses) on investments	-	-	(10)	1,368	1,358
Net income/(expenditure)	(3,819)	(463)	(828)	3,554	(1,556)
Transfers between funds	3,924	76	-	(4,000)	-
Other recognised gains/(losses)					
Actuarial gains/(losses) on pension scheme	-	-	-	7	7
Gains/(losses) on revaluation of properties	-	-	797	(2,955)	(2,158)
Net movement in funds	105	(387)	(31)	(3,394)	(3,707)
Total funds brought forward	809	1,246	14,441	150,049	166,545
Total funds carried forward	914	859	14,410	146,655	162,838